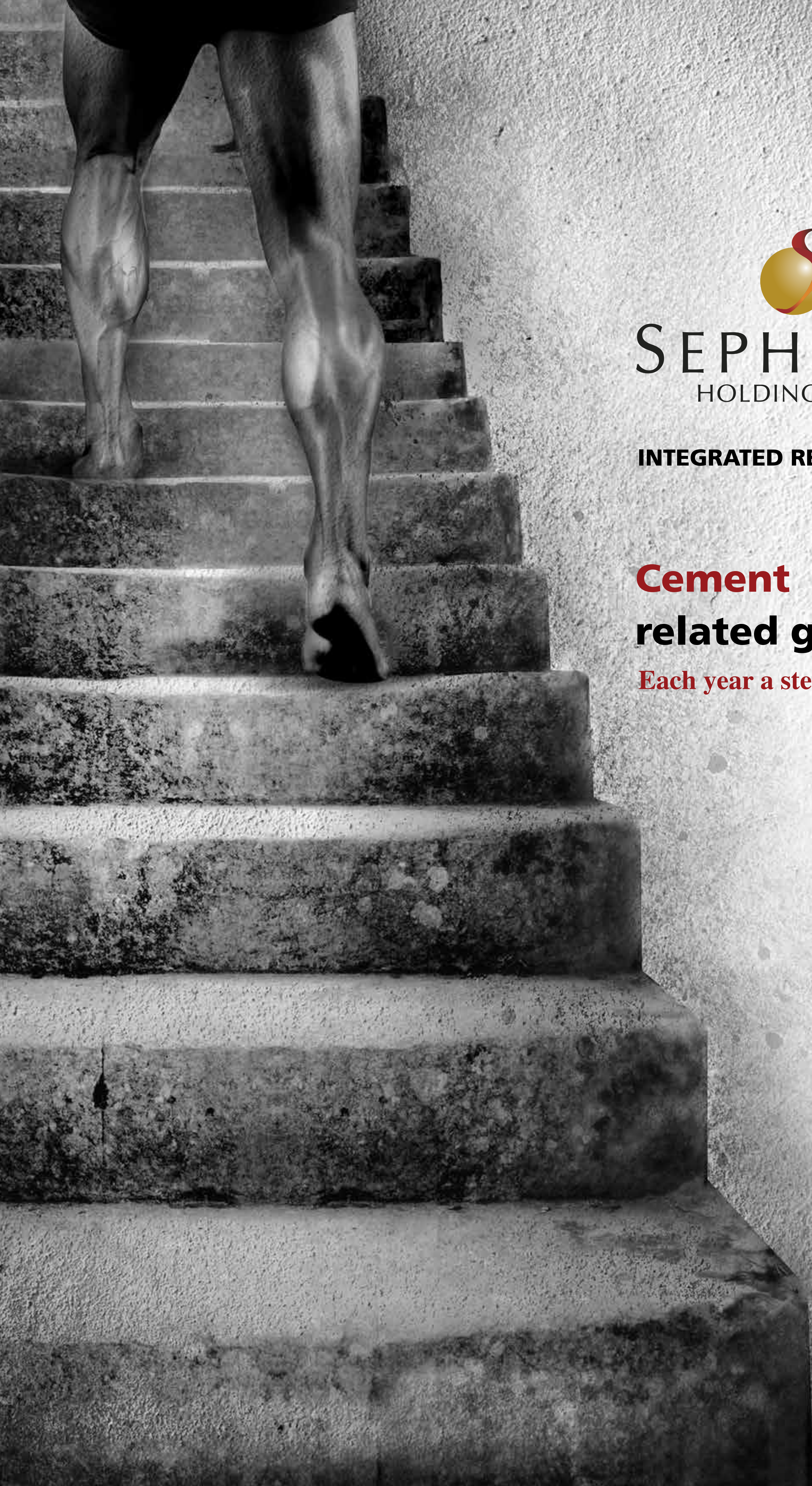

SEPHAKU
HOLDINGS LTD

INTEGRATED REPORT 2012

Cement related growth

Each year a stepping stone

Contents

Sephaku Holdings at a glance

- **Developing an industrial minerals development company, focused on southern Africa.**
- **Heightened focus on cement following the unbundling of Sephaku Fluoride in March 2012.**
- **Liquid, focused and attractive investment opportunity.**
- **Flagship Aganang cement project under development. Production to begin by the end of 2013.**
- **1 million LTI-free hours achieved at Aganang project and 0,5 million project to date hours at the Delmas project following a single LTI at Delmas in May 2012.**
- **High level of historically disadvantaged South Africans ownership – 41,25%.**
- **Highly respected and experienced executive team.**
- **Appointment of Brent Williams as chairman, Lelau Mohuba as chief executive officer (CEO) and Neil Crafford-Lazarus as financial director (FD).**
- **Listed on the JSE.**
- **Market capitalisation at year end of R362m, but has traded between R475m and R515m since August 2012.**

Report scope and approach

Sephaku Holdings presents its first integrated report covering the annual operating, financial and non-financial performance for the year ended 30 June 2012 for its projects.

This report has been developed in line with the requirements of the IFRS, the Code of and Report on Governance Principles for South Africa (King III), the South African Companies Act and the Listings Requirements of the JSE Limited.

We have reported on our sustainability performance in line with our commitment to responsible mining and operation with the aim of incrementally improving our performance and reporting in this area as our operations develop and grow. Cognisance has been taken of the GRI G3.0 guidelines in reporting on our non-financial performance.

The financial statements have been audited by Sephaku Holding's external auditor, PKF (Gauteng) Inc. in compliance with the applicable requirements of the Companies Act and have been prepared under the supervision of NR Crafford-Lazarus, CA (SA). The independent auditors' report by PKF (Gauteng) Inc. may be found on page 46.

Any queries regarding this report or its contents should be addressed to:

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Sephaku Holdings

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Corporate profile

Sephaku Holdings is an industrial minerals development company, focused on southern Africa. Its vision is to realise shareholder value by focusing on the construction-related sector, with a specific interest in cement.

Sephaku Holdings heightened focus on cement is the result of the unbundling of Sephaku Fluoride, a transaction which was approved by shareholders in March 2012. Sephaku Holdings now presents a more liquid, focused and attractive investment opportunity.

The Aganang cement project, located between Lichtenburg and Mafikeng in the North West Province, South Africa, is Sephaku Cement's flagship cement asset. This asset is being developed through Sephaku Cement, of which Sephaku Holdings holds 36% and Dangote Cement 64%. Production is targeted for the end of 2013.

From inception, Sephaku Holdings has maintained a high level of ownership by HDSAs with ownership currently at approximately 41,25%. The executive team of Sephaku Holdings and Sephaku Cement comprises of highly respected and experienced individuals with a wealth of financial, legal and technical expertise in all aspects of the mining and cement industry.

Sephaku Holdings is listed on the JSE in the mining sector and trades under the share code SEP.

Aganang cement plant

The Aganang project is the single most important project held by Sephaku Cement. The primary objective is to establish and operate a new clinker and cement production plant using the secured limestone deposit situated on the Stiglingspan, Verdwaal and Klein Westerford farms, located 7km south-west of Itsoseng and 34km west of Lichtenburg. The Aganang project will comprise of a limestone mine and a cement manufacturing plant and is on track to be in production by the end of 2013, producing approximately 1,77Mtpa of clinker and 1,1Mtpa of cement.

Delmas milling plant

Sephaku Cement's Delmas plant is situated in Delmas, Mpumalanga. Approximately 55% of the clinker produced at Aganang will be transferred to the Delmas cement-grinding facility for further processing. The location of the Delmas site was chosen due to (a) the proximity to the Kendal Power Station, and (b) the logistics cost of moving clinker from Aganang which is significantly lower than bulk cement, coupled with the fact that raw materials can be transported on the return journey, further optimising costs.

Sephaku Ash (a division of Sephaku Cement)

Sephaku Cement has a nine-year contract with Eskom to acquire and remove waste ash from the coal-burning process at Kendal Power Station. The ash produced from this plant will be used as a cement extender at the Delmas milling plant in order to produce blended cement. The classification plant was commissioned in September 2009 and has the capacity to produce up to 800 000tpa.

Dwaalboom

During the financial year, Sephaku Cement announced its intention to develop a 3 000t per day integrated cement-production facility near Dwaalboom in Limpopo. This plant is set to further secure Sephaku Holdings' position within the South African market and the greater African infrastructure-development environment.

Sephaku Holdings' operations

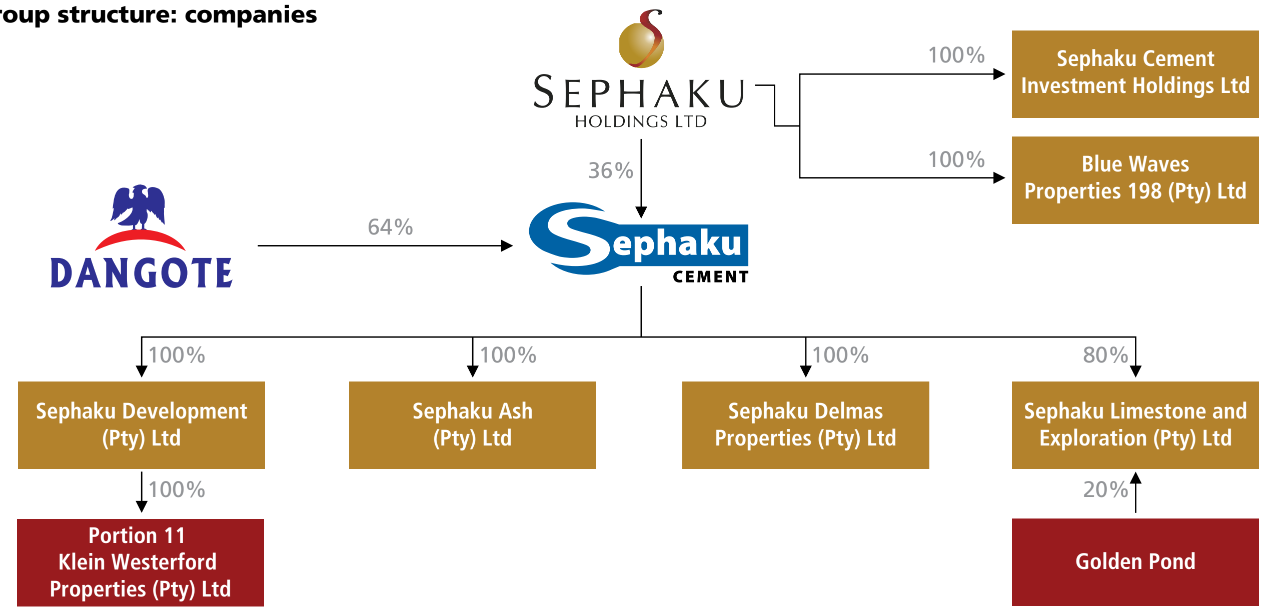
Operations

- Aganang cement plant
- Delmas milling plant
- Sephaku Ash
- Dwaalboom project
- Cities

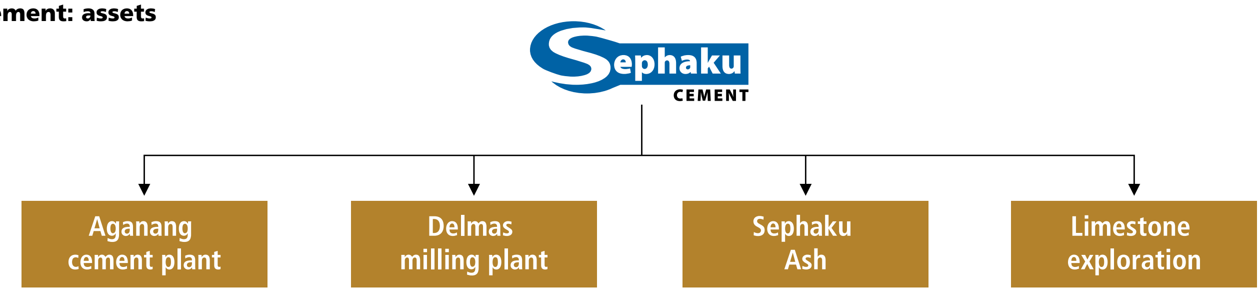
Corporate profile continued

Producing the building blocks for growth

Group structure: companies



Cement: assets



SEPHAKU
HOLDINGS LTD

LEGEND:

- Sephaku Holdings key developments
- Sephaku Cement key developments

2013

- Commence production of cement from Aganang and Delmas late 2013

2012

- Sale of 26% in African Nickel
- Shares in Sephaku Flouride unbundled to shareholders
- Securing of R1.95b loan facility

2011

- Renegotiated Sinoma contracts for increased capacity facility

2010

- Sephaku Holdings unbundles Incubex by distributing dividend *in specie*
- Sephaku sells Sephaku Gold Holdings to focus on cement and fluorspar
- Raised R779 million in equity from Dangote Cement
- Commenced construction at Aganang and Delmas

2009

- Listing on the JSE
- Received approval for Aganang EIA
- Received approval for Delmas EIA
- Commissioned ash plant at Kendal and commenced sales

2008

- Awarded NOMR by DMR
- Raised R350 million in equity from Dangote Cement
- Completed BFS
- Awarded Kendal ash contract by Eskom

2007

- Completed initial feasibility

2006

- Secured limestone prospecting rights

2005

- Change of name of Sephaku Holdings
- Incorporated as Zeranza Limited

Identifying and engaging with stakeholders

Sephaku Holdings and Sephaku Cement have an established process in place to engage with its primary stakeholders, including shareholders, analysts, members of the media, communities and employees, regulators and government as well as other parties.

An important area of focus for Sephaku Holdings during the year has been the development by Sephaku Cement, an associate of Sephaku Holdings and the primary operating vehicle, of a community policy to guide its engagement processes. This policy articulates the commitment to communicate and consult with stakeholders, including those communities affected by its operations.

A communications matrix, developed in 2011 by Sephaku Cement, provides the operations with a guideline to ensure a consistent and effective approach in identifying and engaging with stakeholders. Stakeholder groups are identified at each operation where a local-level engagement process is developed. Typically, this function falls within the ambit of risk management and organisational performance and is supported by the commercial division. All Sephaku Cement's projects and operations have formalised their community engagement strategy by preparing a CEP which defines a technically sound and culturally appropriate approach to community engagement.

During the year under review, stakeholders were identified by independent consultants during the EIA processes for the limestone-mining and cement-manufacturing facilities at Aganang and Delmas. The process was verified by an internal team of experts in communication, community development and human resources management. The stakeholders were classified as follows:

- Regulatory authorities
- Traditional authorities
- Neighbouring communities
- Landowners
- Employees
- Bargaining councils
- Business associates
- NGOs

Sephaku Cement's ability to effectively engage with its stakeholders across all levels of the business is a key factor in maintaining its legal, social and political licences to operate. The techniques for consultation with stakeholders, as outlined in the Sephaku Cement's communication matrix, include, but are not limited to, the following:

- Workshops
- Focus group meetings
- General community or public meetings
- One-on-one meetings
- Comments/response sheets
- Various media

Engaging
WITH STAKEHOLDERS ACROSS THE BUSINESS

Stakeholders engaged by Sephaku Cement during 2012			
Stakeholder group	**Topics discussed**	**Method of engagement**	**Frequency of engagement**
• Regulatory authorities (national, provincial and local) • Traditional authorities	• Project status • General compliance • Health and safety during the construction phase	• Meetings • Written submissions	• Quarterly • Ad-hoc • On request
• Neighbouring communities • Landowners	• Project update • Employment and other benefits of the project • Access to mining jobs • Need for Sephaku Cement to support communities in managing agricultural activities likely to be affected by mining activities • Implementation of community development initiatives	• Meetings • Focus group sessions • Written submissions	• Monthly • Ad-hoc • On request
• Business associates • Service providers • NGO • Bargaining councils	• Compliance with labour laws • Local procurement opportunities • General community development initiatives: skills development, and SMME development and support	• Meetings • Written submissions	• Quarterly • Ad-hoc and • On request

A number of environmental and social risks were identified during the EIA processes. Appropriate management plans are being developed to manage these risks. Sephaku Cement has also established a stakeholder engagement forum and holds meetings on a six-monthly basis to identify social and economic, human rights, health, safety and environment issues/risks that need to be managed during the construction and operational phases of its projects. In addition, Sephaku Cement has in place a complaints register and grievance procedure to be used by stakeholders. These procedures include processes for a feedback mechanism once issues/risks have been identified or raised. Risk Managers have been appointed at the Aganang and Delmas sites to manage these issues, and provide feedback to all I&APs.

It was established during various stakeholder engagement meetings and one-on-one interviews that key stakeholders support the Aganang cement project as they believe that it will benefit the communities in the Ditsobotla and Victor Khanye local municipalities through skills transfer during construction, job creation, community development as outlined in the SLP for the Aganang mining operation, SMME development, and support and other secondary economic spin-offs. Sephaku Development, a wholly owned subsidiary of Sephaku Cement, has begun the implementation of the SLP and communities are already realising the skills development benefits of these projects.

A much-needed agricultural management plan has been developed, with various options to manage the impact of mining on grazing and crop production land. These options have been presented to government and affected communities for consideration.

Statement by: Brent Williams (chairman), Dr Lelau Mohuba (CEO) and Neil Crafford-Lazarus (FD)

This report is presented by Brent Williams, chairman since March 2012; Lelau Mohuba, CEO (previously chairman) since March 2012; and Neil Crafford-Lazarus, FD (previously CEO) since March 2012. These leadership changes were effected in line with good governance practices.

This is Sephaku Holdings' third annual report since listing, and its first integrated report.

The focus of this report is on the rationalisation of assets to a cement-focused business as promised to the shareholders. The flagship operation, Aganang cement plant near Lichtenburg, is due to start production towards the end of 2013.

Sephaku Holdings is therefore pleased to report on a number of important milestones during the year under review.

Unbundling Sephaku Fluoride

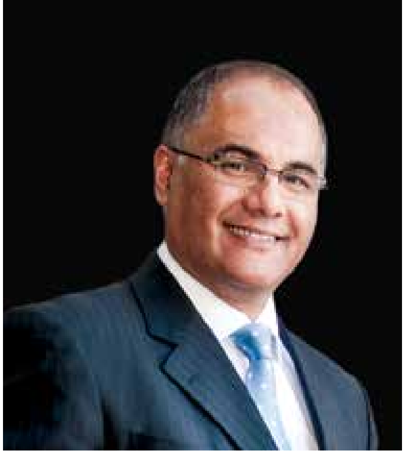
During the capital-raising activities for the cement projects, it became clear that potential investors had an appetite for investing in either cement or fluoride, but that the mix of construction, chemicals and minerals held little investor appeal.

As management, it was considered necessary to sharpen focus, which prompted the unbundling of the fluorspar assets into Sephaku Fluoride, a development which was successfully concluded in March 2012. The move unlocked Sephaku Fluoride's value, enabling Sephaku Fluoride to operate separately while releasing greater long-term value to its shareholders. The unbundling offers investors the important element of choice and the opportunity to seek optimum value in their mineral of interest. Sephaku Holdings is pleased to report that the unbundling took place seamlessly and was well received by the market.

Strategic focus

These developments have created the space to concentrate on strategic focus for management. That Sephaku Cement has managed to accelerate the construction and development of the cement plant at Aganang, speaks volumes for its commitment

Focusing
ON CEMENT PRODUCTION



Brent Williams
Chairman

Dr Lelau Mohuba
CEO

Neil Crafford-Lazarus
FD

and expertise. Investors can now see the tangible results of management's strategy: Sephaku Holdings is now 100% focused on cement business and this is where energies will be directed in the year ahead.

Disposal of nickel

The sale of nickel must also be noted as a further implementation of the strategy to focus on cement. Since the cement plants are still under construction and not generating any income, Sephaku Holdings was financed, for the year under review, through the sale of its 26% interest in African Nickel. Sephaku Holdings sold its interest in this exploration asset shortly before year end. The proceeds from this transaction will provide funding for Sephaku Holdings overheads for the next 18 to 24 months. This was the final step in the refocusing.

Post year-end funding success

Another highlight, this time post year-end, was securing funding for the cement project. As Sephaku Cement had the luxury of time and the support of Dangote Cement, it was able to secure the funding on favourable terms, particularly given current market circumstances. This also ensured closure at the latest possible point in time, optimising the time to the first repayment of the loan.

Important partnerships

Sephaku Cement's partnership with Dangote Cement, the largest cement operator in Africa, continues to be pivotal and constructive. Any new development comes with the most advanced plant and equipment, and all the efficiencies that would give Sephaku Cement the competitive edge in the market.

JSE Listing

The JSE requires mining companies listed in the exploration and development category to have a spread of assets. With the unbundling of fluorspar and the sale of the nickel assets, the spread of Sephaku Holdings was reduced to its interest in Sephaku Cement and a limestone prospecting asset. In order to expand the assets under the new focus area the Company has acquired an interest in a further limestone prospecting asset and has announced the acquisition of Métier Mixed Concrete, subject to shareholder and Competition Commission approval. If this transaction is successfully implemented, it may result in a move from the JSE's mining category to building and construction.

Market review

The year under review was another challenging one for the market, characterised by restraint and concern for exploration resource investments on the part of most investors keen for producing investments.

Taking the development status of Sephaku Holdings assets into account, Sephaku Holdings share price performance was satisfactory, declining from R2,80 to R1,90 at financial year-end, post unbundling of Sephaku Fluoride. However, in the two months post year-end, it recovered to a level of between R2,75 and R3,00 and Sephaku Holdings expects it to increase further as Sephaku Cement gets closer to production. Although Sephaku Holdings did not close the year on a high, it has definitely seen interest post year-end, attributing this to the unbundling of Sephaku Fluoride. Sephaku Holdings always believed that the market did not recognise it for the value in the underlying assets, and that individually the two companies had more value than the combined share price. This was confirmed by the fact that there was a recovery to pre-unbundling levels within the first two months after year-end.

Cement and the market

The domestic cement market, in line with global trends experienced a considerable decrease in volumes during the period from 2008 to 2010. However, in 2011 the market had turned and cement volumes increased by 3.3% and continued to grow in 2012. Notwithstanding the fact that government has been slow to implement its ambitious infrastructure plan and that the residential market has been lack-lustre, this current growth bodes well for the medium- to long-term cement market particularly once these two areas of high cement demand start to gain momentum.

From the supply side it is well known that South Africa has significantly old and largely inefficient capacity, as well as the fact that there is considerable debate regarding true cement capacity. Sephaku Cement believes that using a first principles approach to calculating capacity, based on a cement company's ability to produce clinker and adding cement extenders to this, is the realistic measurement of cement capacity. Using this approach, it

Statement by: Brent Williams (chairman), Lelau Mohuba (CEO) and Neil Crafford-Lazarus (FD) continued

is therefore Sephaku Cement's view that domestic cement capacity as published from time to time is overstated by *circa* 10% to 12%.

Taking into account the average age of existing cement facilities, coupled with the fact that the market is growing once more, suggests that the time is ideal for new efficient capacity to be introduced into the domestic market, and as a result Sephaku Cement is clearly well positioned in this regard.

Several others factors exist which will ensure that Sephaku Cement is well positioned vis-à-vis the current incumbents:

- The Sephaku Cement facilities will have world-class leading technologies for both clinker production and cement milling, which will provide significant efficiency benefits in respect of coal and electricity consumption.
- Sephaku Cement has access to its own fly ash supply, based at Eskom's Kendal Power Station which is in close proximity to the Delmas milling plant, resulting in lower input costs for extenders, thereby providing a competitive advantage to the markets that will be served from Delmas.
- The Delmas milling plant itself is the most competitively well-positioned facility to serve the markets on the eastern side of Gauteng, Mpumalanga, Limpopo and Northern Natal. Delmas is in close proximity to sources of coal required for the Aganang plant. This offers significant opportunities for logistics in the form of return loads for the incoming clinker to Delmas.
- The location of both of Sephaku Cement's facilities and the markets that will be served are predominantly inland, and as a result the threat of imports to Sephaku Cement is minimal.
- Sephaku Cement has obtained the services of various professionals with significant experience in all areas of cement production, marketing and distribution, who have been at the core of the development project and the business itself from the start.

Customer service is a key differentiator in market penetration and retention, and this is an area that will take centre stage in Sephaku Cement's approach to the market. Several strategies have been developed and will be implemented to ensure that Sephaku Cement is fully prepared to deliver on its intent of not only being the lowest cost producer but the highest service-level provider. Sephaku Cement has demonstrated its ability to obtain market share through differentiated service offerings, borne out in the success of its ash business which, in a short space of time since entering the market, has been able to obtain circa 35% of the retail ash market.

Fast track production and skills transfer

In terms of the fixed price turnkey agreement reached with Sinoma for the complete plant, including equipment design and manufacture and plant construction, Sinoma will use their own labour – this is, however, limited to skilled workers. Recognising the severe skills shortage being experienced in South Africa and after a comprehensive process, various South African government departments approved the use of Chinese labour subject to a formal and strict procedure for each and every applicant.

During the construction phase, Sinoma is required to employ a minimum ratio of local workers and ensure skills transfer during this process. In addition, there are many local contractors employed on various sub-projects associated with the primary Sinoma turnkey project, with these contractors exclusively using local labour.

Importantly, Sinoma is contractually obliged to ensure that all workers return to China at the end of the project. Sephaku Cement is therefore of the view that while the temporary use of this highly skilled prodigiously efficient Chinese workforce may be seen to be a negative, the reality is that many South Africans will bear the fruits over the long-term though direct and indirect job creation specifically in two regions that are in dire need of fixed investment and job creation. To this end Sephaku Cement will create approximately 400 permanent direct jobs at the Company, and it is estimated that in excess of 1 500 indirect permanent jobs will be created through the various 3rd party suppliers required to service Sephaku Cement's needs.

Safety management on both sites is absolutely critical - in this regard, Sephaku Cement has implemented a zero tolerance principle on safety non-conformance and is actively engaged in the management and monitoring of safety with Sinoma, ensuring strict adherence to current South African safety legislation.

Looking ahead

The year ahead promises to be yet another exciting year for Sephaku Holdings and its associate, Sephaku Cement, one that will no doubt be rewarded with the continued progression of the Aganang plant and Delmas project. In parallel to this progression, Sephaku Cement is hard at work preparing itself for the operational and market entry phase of this exciting plant with the intent of bringing it into production towards the end of 2013.

While Sephaku Holdings' current focus is based entirely on cement, greater synergies and integration opportunities are being sought particularly in accessing the construction materials sector and it is looking forward to being able to report back to shareholders on the progress made on the Métier Mixed Concrete transaction in the year ahead.

Sephaku Holdings is well funded and looks forward to returning solid and sustained growth to its shareholders.

Brent Williams	Lelau Mohuba	Neil Crafford-Lazarus
Chairman	CEO	FD

Review of projects

Sephaku Cement will be the first new entrant into the South African cement producer market since 1934 and has secured one of the last economical limestone deposits in South Africa, with proven raw materials supporting a minimum 30-year life of mine.

The cement project consists of four sub-projects and is being developed in a joint venture between Sephaku Holdings (36%) and Dangote Cement (64%) through Sephaku Cement. Dangote Cement is the largest cement producer in Sub-Saharan Africa.

Aganang project

Description

The Aganang project is the main driver and the single most important project held by Sephaku Cement. The primary objective of this project is to establish and operate an integrated new cement-production plant, utilising the secured limestone deposit covering an area of approximately 3 600ha, on the farms Stiglingspan, Verdwaal and Klein Westerford located 7km south-west of Itsoseng and 34km west of Lichtenburg in North West Province, South Africa. The Aganang project will consist of a limestone quarry, a clinker production facility and a cement-manufacturing plant. The operations to be conducted on the Aganang project will include:

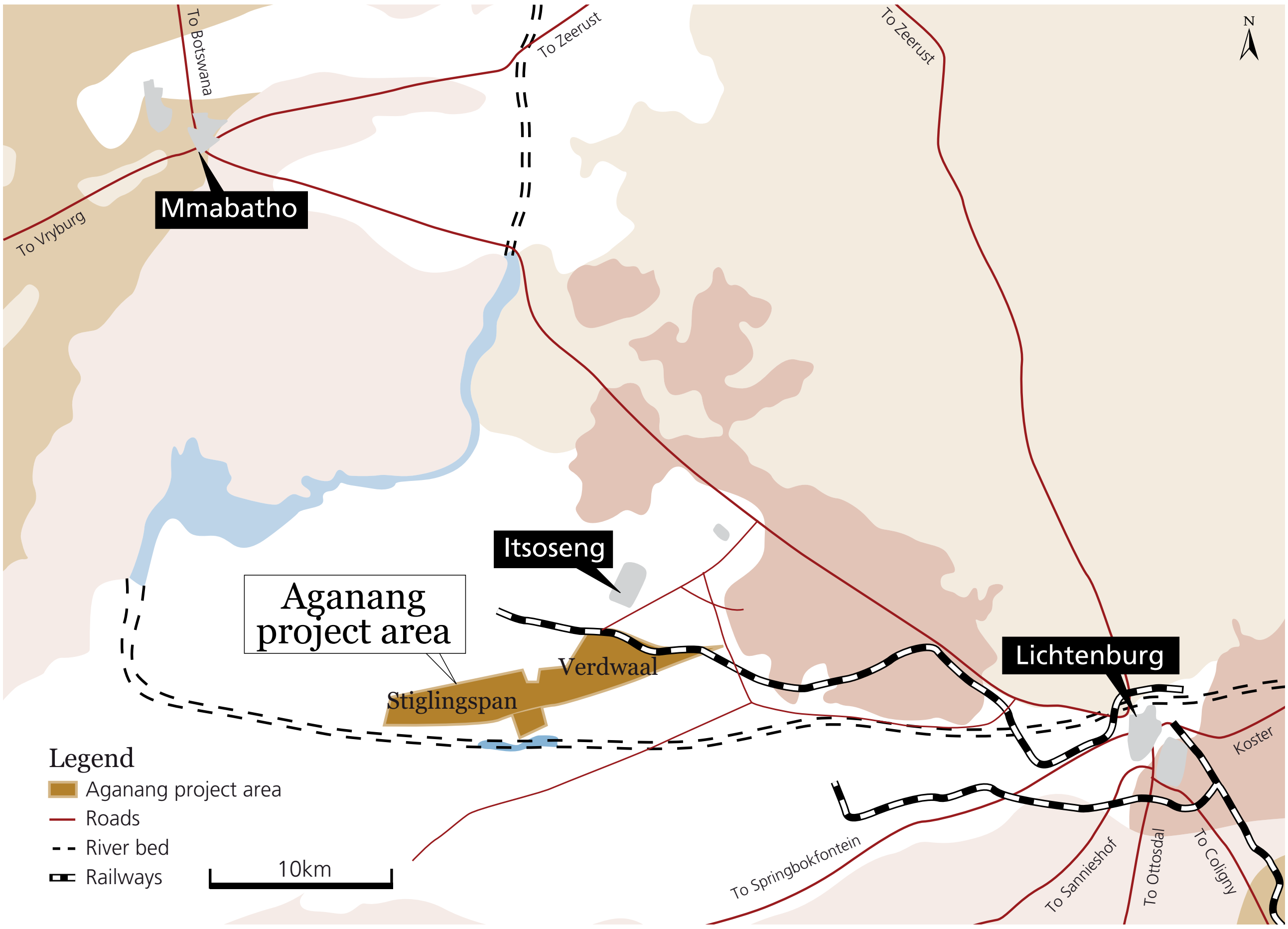
- mining of limestone, being the principal raw material;
- chemical processing of the raw materials to produce clinker; and
- milling of approximately 45% of the clinker and blending with other materials to produce the finished cement product.

The quarrying operation will be confined to surface mining and entails the removal of a calcrete deposit which will then be crushed, screened, homogenised, proportioned, milled and blended to form the basic raw meal fed to the cement-manufacturing plant. The expected life of the limestone quarry and the cement project is in excess of 30 years, based on the delineated mineral resources and new guaranteed kiln production figures of 6 000t per day of clinker. The name of the project, Aganang, is Setswana for 'empowering each other'. It was formerly known as the Itsoseng project.

Developing

FLAGSHIP AGANANG CEMENT PROJECT

Aganang project – location map



Mining rights

The NOMR for the Aganang project was granted in terms of Section 23(1) of the MPRDA, 2002 (Act No 28 of 2002) whilst the environmental authorisation was granted in terms of Section 24(2)(a) of the NEMA, 1988 (Act No 107 of 1998). The relevant mineral titles to the properties Verdwaal 57IO, Klein Westerford 78IO and Stiglingspan 73IO are held under this NOMR, which is valid for 30 years. The Minister of Mineral Resources granted to Sephaku Development, a wholly owned subsidiary of Sephaku Cement, the sole and exclusive right to mine and recover minerals in, on and under the mining area and to sell the minerals subject to the terms and conditions of the NOMR. The provisions of the MPRDA and any other relevant law will remain in force for the duration of this right.

Geology

Karoo-age sediments, in the form of the Dwyka and Ecca Group tillites and shales, are developed in the vicinity of the tarred road linking Lichtenburg and Mafikeng and immediately east of Lichtenburg. The youngest formations are the Lichtenburg calcretes, estimated to be of Late Pliocene age (five millennia old), and the Quaternary Kalahari sands in the Mafikeng area. The limestone deposit occupies a surface area of approximately 3 600ha. The calcrete is covered by a thin layer of soil. Due to silica contamination during mining, it is estimated that the topmost 0,5m of calcrete and topsoil will, generally, be removed as waste and used for rehabilitation purposes. The usable seam of calcrete is, on average, approximately 6m thick.

Exploration

Before Sephaku Cement's involvement, Anglo American plc had explored the area since 1990. Exploration had been carried out on the Sephaku Development mineral rights area in phases. Anglo American completed five phases of regional drilling in North West Province and drilled in excess of 500 boreholes on the Sephaku Development mineral rights area alone. The boreholes were spaced either 200m or 500m apart on a regular grid on a selected basis, providing coverage over almost the entire mineral-rights area.

Sephaku Cement reviewed the results obtained from the Anglo American drilling and used this information to plan further drilling programmes to be carried out under its own supervision. Percusso Boor (Pty) Ltd was chosen as the drilling contractor on the basis of previous work on similar projects.

In 2007, Sephaku Development carried out two additional phases of exploration drilling which were completed in March and September of that year. No further exploration drilling is planned for the foreseeable future.

The original database was supplied to Venmyn Rand (Pty) Limited before the introduction and use of Surpac™. This was reported in the FSR dated 27 February 2008 and presented as a summary database. It consisted of:

- an aerial photograph draped over a farm boundary map, indicating the three mineral resource blocks (A, B and C), showing defined mine blocks derived from exploration drilling for each block; and
- tables presented, thereafter, displaying summary borehole information for each mining block, including the associated geochemical criteria and other assay data.

Mineral resource and mineral reserve statement

RHC was employed to formally capture all exploration data into one contiguous database and then to model this data according to criteria specified by the Sephaku Cement technical management team. In January 2008, Venmyn assisted Sephaku Cement in publishing a mineral resource estimation and classification using best practice by following the principles and guidelines of the SAMREC code. This code is recognised as the basis for reporting mineral project valuation and ensures compliance with the JSE Listing Requirements.

The main resource-defining criteria agreed upon were:

- an LSF of >107%;
- a MgO content of <2,5%; and
- a silica content of <14%.

Subsequently, the modifying factors, applied to the conversion of the indicated and measured limestone resources to proven and probable limestone reserves, were carefully considered. In October 2009, these modifying factors were finally reviewed. Those applied for the sequential conversion of raw data to mineral resources, and then on to mineral reserves, were as follows:

- an LSF >107%;
- MgO content of <2,5%;
- silica content of <14%;
- removal of isolated blocks (minimum of 200m by 200m mining area);
- sidewall straightening (minimum of 200m wall length in mining direction); and
- mining restriction of infrastructure, statutory constraints and farm boundaries (farm boundary: 50m, railway line: 100m, grave: 50m, water boreholes: 50m and water courses: 100m).

The initial independent mineral resource and mineral reserve statement for the limestone deposit of the Aganang project was compiled by Venmyn and reported on in a technical statement, dated 31 January 2008, based on the final revision of modifying factors. The initial mineral resource and mineral reserve statement was updated on 30 October 2009 on the basis of the detailed geological modelling, mine planning and scheduling conducted by RHC on the asset. Surpac™ software was again used to assist in generating more accurate and precise estimates of the limestone mineral resources and mineral reserves. Venmyn reviewed the mineral resource and mineral reserves in the generation of the CPR. The results are summarised in the table below.

Mineral resources	Area (ha)	Thickness (m)	Volume (10^6m^3)	Tonnage (Mt)
Measured	788	4,71	44,34	93,11
Indicated	237	4,45	10,52	22,09
Inferred	140	4,89	6,84	14,37
Total/ave	**1 165**	**4,68**	**61,70**	**129,57**
Mineral reserves				
Proved	761	5,66	43,05	90,41
Probable	205	4,56	9,35	19,64
Total/ave	**966**	**5,42**	**52,40**	**110,05**

Delmas project

Sephaku Cement's Delmas plant is situated in Delmas, Mpumalanga. Approximately 55% of the clinker produced at Aganang will be transferred to the Delmas cement-grinding facility for further processing. The location of the Delmas site was chosen due to (a) the proximity to the Kendal Power Station, and (b) the logistics cost of moving clinker from Aganang which is significantly lower than bulk cement, coupled with the fact that raw materials can be transported on the return journey, further optimising costs.

Fly ash produced at Sephaku Cement's fly ash classification plant, which is located at Eskom's Kendal Power Station, approximately 35km to the east of Delmas, will be used as an extender to produce the final cement product.

State-of-the-art equipment, including a Loesche vertical roller mill, will be installed and the Delmas plant will have significant storage capacity for both bag and bulk cement.

Fly ash project

In 2009, Sephaku Cement commissioned a 1,2Mtpa class-leading ash beneficiation plant, after a long-term agreement with Eskom was secured in 2008. Sephaku Ash, which operates as a division of Sephaku Cement, has made considerable progress in establishing itself as worthy alternative to the market, which for decades has had to endure a single supplier. It is estimated that Sephaku Ash currently has an approximate 35% share in the retail ash market. Once the Delmas grinding plant is commissioned, Sephaku Ash's volume is expected to increase threefold.

Dwaalboom project

Description

The Dwaalboom calcrete deposit is located approximately 8km north-west of competitor PPC's Dwaalboom Cement Plant, 8km south west of the town of Dwaalboom and some 80km west-southwest of the town of Thabazimbi in Limpopo province, South Africa.

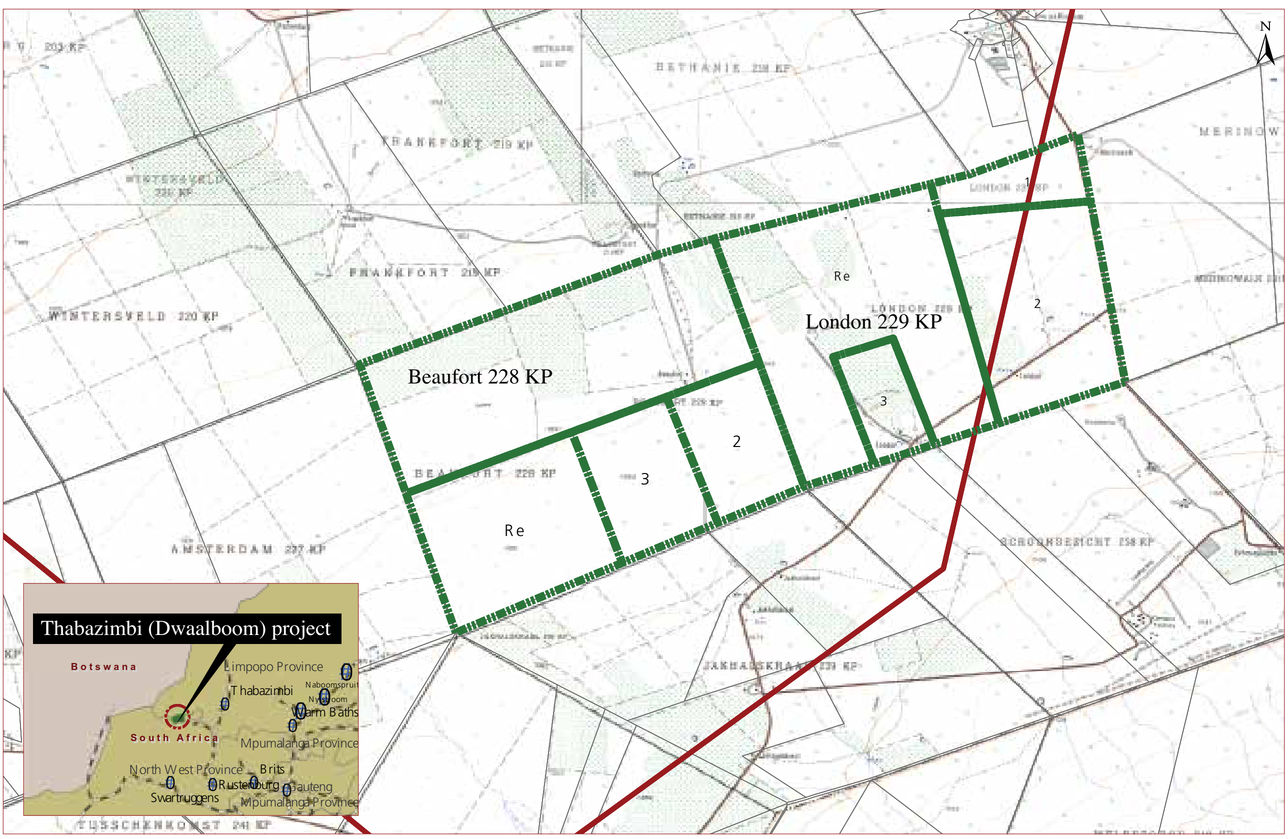
The deposit covers an area of approximately 3 052ha over portions of the farms of Beaufort 228KP and London 229KP.

Prospecting rights

The prospecting right for the Dwaalboom project was granted in terms of Section 17(1) of the MPRDA on 15 October 2008.

The relevant mineral title to the properties Beaufort 228KP and London 229KP is held under prospecting right no. NW30/5/1/1/2/1390PR and is valid for a period of five years, commencing on 15 October 2008 and ending on 14 October 2013. In terms thereof, the Minister granted Sephaku Development the sole right to prospect for iron ore, limestone, oil shale and silcrete

Dwaalboom project – location map



Projection:
GCS W GS84

SCALE:
0 0.5 1 2 3 4 5 Km

(silica) on and under the prospecting area. The provisions of the MPRDA and any other relevant law will remain in force for the duration of this right.

Geology

Quarternary sediments in the form of two distinct phases of calcrete, cover approximately 75% of the prospecting right on the farms Beaufort 228KP and London 229KP. The upper 12 to 15m of the type profile is represented by an average of zero to 0,5m of ferrous topsoil, zero to 2,5m of nodular calcrete and 2,5 to 12m of hardpan calcrete. In the west, the floor is generally composed of Swazian granitic gneiss.

The calcrete profile thins to the east and generally pinches out on the farm London 229KP where the basement granitic gneiss and syenitic intrusives tend to sub-crop. On the eastern-most side, 50% of the farm London 229KP, lava displaces the granitic gneiss as basement sub-outcrop. It is generally accepted that the $CaCO_3$ has been derived by the solution and migration of the Malmani Dolomite Sequence which occurs to the south of the target area.

The two phases of calcrete are an immature upper nodular phase within a siliceous loamy matrix with a lower, annealed hardpan calcrete occurring below. The nodular phase may be mechanically beneficiated by screening out the excess silica in the interstitial matrix, although tests have shown this to lead to a concomitant increase in residual MgO content. The underlying hardpan calcrete tends to be of a lower grade although the recombination with screened nodular phase has been shown to be of sufficient quality to produce viable cement clinker.

Exploration

Before Sephaku Development's involvement, JCI and PPC had explored the area, starting in the 1960s. JCI investigated the remaining extent and Portion 3 of the farm Beaufort 228KP and developed a rudimentary resource estimate.

PPC opted not to renew its rights to limestone over the farms Beaufort 228KP and London 229KP and Sephaku Development then successfully applied for the right to prospect in 2008.

In May 2009, Sephaku Development commenced with a limited exploration programme, developing nine pits located on the JCI target area spanning the remaining extent and Portion 3 of the farm Beaufort 228KP. Digging was done by TLB and the final depth was logged as the depth at which mechanical refusal took place. In the resultant sample two subsets were submitted for chemical analysis: nodules were separated out by hand and bagged and the remaining matrix was also bagged. Chemical analysis proved the nodules to be of a high quality whilst the matrix was shown to be siliceous with much lower carbonate content. This phase confirmed the earlier JCI results.

In April 2010, Sephaku Development continued with a second phase of prospecting which comprised the digging of 47 additional bulk pits spaced evenly over both Beaufort 228KP and London 229KP. The combined results from the first two phases of bulk pitting were reported by RHC with Surpac™ software on 30 August 2010. These results were draped over the farm boundaries and showed the majority of the nodular resource to occur on Beaufort 228KP. Data was reported on both in terms of pre- and post-screened nodular phases.

Between 5 January 2011 and 4 March 2011 a third phase of exploration was carried out on the farm Beaufort 228KP. This comprised a total of 690m of RC drilling, split between 47 boreholes. Borehole depths varied between 5m and 31m depending on the under-footing encountered at each hole and were spaced roughly 1 000m apart.

The results of all three phases of bulk pitting and RC drilling were combined and reported on by RHC in May 2011. One contiguous database was created and results overlain over relevant farm boundaries.

Mineral resources and mineral reserves statement

RHC was employed to collate all exploration data into one contiguous database and then to model this data according to criteria specified by the Sephaku Cement technical management team. In May 2011, Sephaku Cement, assisted by RHC, published a mineral resource estimation and classification adhering to the principles and guidelines of the SAMREC Code.

The main resource-defining criteria agreed upon were:

- where no hardpan calcrete was intersected, the deleterious part of the nodular phase was screened-out at >10mm and this post-beneficiation phase was used as basis for estimation; and
- where both nodular and hardpan calcrete were encountered, a composite "seam" of calcrete was defined within the farm boundaries as containing > 39% CaO and <4,5% MgO.

No further physical modifying factors have been considered yet and, consequently, the conversion of raw data was limited to mineral resources as follows:

Mineral resources

	Farm	Tonnage
Measured	–	–
Indicated	Beaufort 228KP	44 425 000
Inferred	London 229KP & Beaufort 228KP	24 278 000
Total resource		**68 703 000**

Directorate

From left to right

Front row

Gustav Mahlare • Shibe Matjiu • Neil Crafford-Lazarus • Dr Lelau Mohuba • Brent Williams • Rudolph de Bruin

Back row

Jan Wessels • Dr David Twist • Jennifer Bennette • Pieter Fourie • Moses Ngoasheng

Brent Williams

Chairman - independent non-executive director

BA (UCT) BProc (UWC) LLM (Harvard University Law School) DLA Piper Harvard Leadership Programme (Harvard Business School)

Brent was admitted as an attorney in 1992. He is a partner in Cliffe Dekker Hofmeyr's corporate and commercial department as a commercial and mergers and acquisitions practitioner. Significant recent roles include being the lead partner advising the Public Investment Commission in its acquisition (together with Growthpoint Properties Ltd) of the V&A Waterfront (value: R9,7bn) and the lead partner advising Lonmin PLC regarding the acquisition by Shanduka Resources of an 18% stake in Lonplats (value: R2 317bn). He is listed in the mergers and acquisitions categories of these legal directories: Legal 500 EMEA and Best Lawyers International 2010 and 2011, South Africa. He is currently the CEO of Cliffe Dekker Hofmeyr, a leading business law firm and one of South Africa's largest, with 120 partners and approximately 260 professionals.

Dr Lelau Mohuba

CEO – executive director

MB ChB (University of Natal, now Nelson Mandela School of Medicine)

Lelau retired as a medical practitioner after a 22-year career. He obtained his MBChB degree in 1980 from the former University of Natal and spent 18 of his 22 years in private practice, in the township of Mankweng, in Limpopo province. His commercial experience began in 2002 with the formation of Shikisha & Tyre (Pty) Ltd, a joint venture company with Goodyear Holdings, in which he served as both CEO and chairman. He was the founding chairman and CEO of Lekgotla Investments (Pty) Ltd in 2003, a platinum exploration company. In the same year he became business development director for Boynton Platinum (Pty) Ltd, a subsidiary of the TSX-, AIM- and JSE-listed Platmin Ltd, and played a significant role in that listing. Lelau is the co-founder of Sephaku Holdings and was also the founding chairman. He now serves as its CEO.

Neil Robus Crafford-Lazarus

FD – executive director

Chartered Accountant (South Africa), BCompt (Hons) (UNISA)

Neil started his career in mining finance when he joined the Anglo American Corporation as a tax advisor in 1988. In 1990, he joined Gencor and held senior management positions in taxation, business development and corporate finance through the Gencor unbundling and listing of Billiton on the London Stock Exchange. In 1998, he joined Xstrata SA (Pty) Limited as CFO and was appointed financial director in 1999. In October 2005, Neil joined Platmin as CFO in anticipation of the company's simultaneous listing on the TSX and AIM, a position that he held until May 2007. He joined Sephaku Holdings on 1 June 2007 and was the CEO through its listing on the JSE. He now serves as the financial director.

Rose Raisibe Matjiu

ISD executive director

Certification in Mining and Minerals (Wits), MA (Medical Social Work) (University of Pretoria), BA (Hon) (Social Work) (University of the North)

Rose has extensive experience as a professional community and social worker in both government and the private sector. She was previously a director of Boynton, the managing director of SM2 Social and Training Consultants, where she was involved in training on government developmental projects, and a provincial director for the Limpopo province for the Deaf Federation of South Africa. She worked on the establishment of Disability Desks in the Office of the Deputy President, to address the needs of the disabled in South Africa. She is also a member of South African Women in Mining and the Business Women Association.

Modilati Gustav Mahlare

Independent non-executive director

Chairman of the audit committee

BCom (Accounting), BCompt (Hons)

Modilati joined National Sorghum Breweries in July 1992 as a financial controller and internal auditor and was later promoted to the position of financial manager. He was employed by PricewaterhouseCoopers from July 1995 to April 2007. He later joined SEMA Integrated Risk Solutions in May 2007 as a director where he specialises in internal audit, corporate governance, risk management as well as management consulting.

Pieter Frederick Fourie

Non-executive director

CEO: Sephaku Cement

BCom (Accounting), Executive Development Program (PRISM) for Global Leaders (Switzerland)

Pieter has extensive experience in the cement industry, having been the Marketing Director of Blue Circle (subsequently acquired by Lafarge SA), the Managing Director of the cement business unit of Lafarge SA and Strategic Development Director for Africa based at Lafarge head office in France. Pieter's role at Blue Circle included sales, distribution and marketing and he was primarily responsible for leading Blue Circle from a legal cartel into a competitive environment. He was promoted to Managing Director of the cement business unit at Lafarge SA, at that time a company producing 1,7Mt of cement per annum. Pieter subsequently accepted an assignment at Lafarge's head office, in a strategic development role aimed at integrating newly acquired business in Africa into Lafarge's portfolio and identifying new business opportunities. Pieter assumed the position of CEO of Sephaku Cement in May 2007 and was appointed a director of Sephaku Holdings in November 2009.

Christiaan Rudolph de Wet de Bruin

Non-executive director

BCom (University of the Free State), LLB (Rand Afrikaans University)

Rudolph practised as an advocate at the Pretoria Bar from 1977 to 1989. Since then he has concentrated on finding, acquiring and developing mineral exploration and mining projects in various African countries. He was a founding member of the Platmin group and focused, during his time with the company, on building Platmin into a credible platinum explorer and producer. With the advent of the new MPRDA in 2004, Rudolph supervised the conversion of Platmin's rights to new order rights and the application for new order prospecting rights. He was also involved in the various fund raisings carried out by the group in the United Kingdom and North American markets. Rudolph left Platmin in 2006 and co-founded the Sephaku group. He subsequently established the Sephaku group's flagship projects as well as the companies for which members of the Sephaku group are currently the BBBEE partners.

Moses Modidima Ngoasheng

Non-executive director

MPhil (University of Sussex), BSocSci (Hons) (University of Natal), BA (Economics and International Politics) (UNISA)

Moses was instrumental in developing the industrial policy of the ANC and was the economic advisor to President Thabo Mbeki from 1995 to 2000. Moses is the co-founder and CEO of Safika Holdings, one of the pre-eminent investment holding companies to emerge in the post-1994 era. He also serves on numerous boards, including SA Breweries Ltd (the local unit of SABMiller), Dimension Data (Middle East and Africa), Business Leadership South Africa, Safika Oosthuizen Transport, and Safika Highbury Media. Moses also chairs the board of The Kelly Group.

Dr David Twist

Non-executive director

BSc (Hons) (Geology), PhD (Geology)

David studied in the UK completing his PhD in geology in 1980, then joining Impala Platinum Holdings Limited as a geologist. In 1981, David became a research officer in the Bushveld Research at the University of Pretoria. In 1990, he teamed up with Rudolph de Bruin, and together they concentrated on mineral exploration in Africa. He was a founding member and CEO of Platmin until 2006, as well as a co-founder of Sephaku Holdings. David is a member of the Geological Society of London and a member of the American-based Society of Economic Geologists.

Johannes Wilhelm Wessels

Alternate director to Christiaan Rudolph de Wet de Bruin

BJuris (North West University), LLB (University of South Africa)

Johannes joined the Sephaku group in early 2007. He serves as a director of various companies in the group including, among others, Sephaku Cement, Sephaku Fluoride, African Nickel Limited, Taung Gold Ltd and Cross Company Management (Pty) Ltd (previously Sephaku Management (Pty) Ltd). He is part of the executive teams in a number of companies in the group and is, inter alia, responsible for legal advice, negotiations and deal making, and contractual arrangements. After the completion of his studies, Johannes undertook his articles with Adams & Adams and was in private practice until he joined the Sephaku group. He was a founding partner of the Truter & Wessels firm where he was a senior partner from 1987 until the firm's amalgamation with Couzyn, Hertzog & Horak Incorporated in 2000, after which he became head of the commercial department of the new Couzyn, Hertzog, Horak & Wessels Incorporated. Johannes still serves the firm as a consultant.

Jennifer Bennette

Company secretary

Alternate director to Rose Raisibe Matjiu

Jennifer matriculated in 1980 at Cambridge High, East London. From 1980 till 1999 she was employed by several firms of attorneys as a paralegal. From 1999 to 2007 she was the company secretary for the Platmin group, which listed on the TSX and AIM in 2006. Since 2008 she has been the company secretary for Sephaku Holdings, which listed on the JSE in August 2009, and company secretary of Sephaku Cement from 2010. Jennifer is responsible for all company secretarial work and has attended several courses on the role of the company secretariat.

Management

Duncan Leith

Commercial manager: Sephaku Cement

BCom (UNISA), Young Managers Program (INSEAD, France), MBA (GIBS)

Duncan has extensive experience in all commercial aspects of the cement industry, having worked for Lafarge (formerly Blue Circle) for 10 years, where his role was to establish a fully integrated logistics process after the disbanding of the cartel in 1994. After the acquisition of Blue Circle by Lafarge, Duncan was promoted to distribution manager, where he was responsible for logistics as well as all distribution depots. He was later promoted to commercial manager with total responsibility for marketing, sales, distribution and logistics. Before joining Sephaku Cement on 1 November 2007, Duncan spent three years with the Imperial Group managing their Renault Trucks franchise. He is currently responsible for marketing, sales and distribution.

Duan Claassen

Operations manager: Sephaku Cement

BEng (Metallurgical Engineering) (University of Pretoria), Young Manager's Programme (INSEAD, France), MDP (Duke University, USA)

Duan completed his in-service training as a graduate engineer at De Beers' Venetia Mine, a greenfields project, in 1993. He left De Beers in 1997, prior to which he was minerals processing engineer, and joined Blue Circle Cement as a process engineer. Duan held various management positions at the Lichtenburg Plant, participated in the integration into Lafarge, and left Lafarge in 2006 as plant operations manager. He was recruited by PPC in March 2006 as operations manager of the Dwaalboom factory, where a new kiln line was being installed. He left PPC and joined Sephaku Cement on 1 January 2008.

Gay de Witt

Chief financial officer: Sephaku Cement

BCom (Honours) (University of Pretoria), CTA (University of SA), CA (SA) (SAICA)

Gay has comprehensive experience in fields ranging from finance and operations to risk. She joined Clover Danone as finance controller where she gained valuable experience in the fast moving consumer goods market. From there she held a business control role where she broadened her general business experience. Gay was instrumental in establishing the sub-Saharan Africa expansion plan with exports to Angola. She joined Sephaku Cement on 1 July 2009.

Puseletso Makhubo

Organisational performance manager: Sephaku Cement

BAdmin (Hons) (Industrial Psychology), MDP (University of KwaZulu-Natal, formerly University of Durban Westville), MBL (UNISA)

Puseletso has extensive experience in human resource management, particularly in the financial and manufacturing sectors. She previously held key positions in the human resources field while working for Nedcor Electronic Banking, the Development Bank of Southern Africa and Lafarge Gypsum, where she was the human resources director for the business unit Puseletso's current role involves developing and implementing human resources strategy and systems, guiding the overall provision of human resources services, policies, transformation and community engagement programmes for Sephaku Cement. She joined Sephaku Cement 1 October 2008.

Heinrich de Beer

Engineering project manager: Sephaku Cement

BEng Mechanical (PU for CHE), MDP (PU for CHE), LDP (GIBS)

Heinrich started his career as a project engineer and later as maintenance manager at Mittal (Iscor), Vanderbijlpark Carbonisation Plant. He then joined Lafarge as depot manager for their Kaalfontein terminal, later becoming depot operations manager responsible for all of Lafarge Cement's distribution facilities as well as their Richards Bay grinding plant. Heinrich was also promoted to development manager at the Lichtenburg plant where he was responsible for major projects (including involvement in Lafarge SA's recent new kiln line), automation and IT, quality and environment. He joined Sephaku Cement on 1 June 2009.

Corporate governance

The board of directors of Sephaku Holdings provides leadership, based on an ethical foundation, and oversees the overall process and structure of corporate governance. Each business area and every employee of Sephaku Holdings and its associate Sephaku Cement is responsible for acting in accordance with sound corporate governance practices.

Sephaku Holdings and its major associate, Sephaku Cement, are committed to the principles of good corporate governance, to applying the highest ethical standards in conducting business, seeking to guide and oversee Sephaku Holdings and Sephaku Cement as it balances the need to be a good corporate citizen, while generating sustainably superior levels of performance and a good return on shareholders' investment.

Sephaku Holdings constantly strives to integrate the key concepts of King III into its business and to adjust structures and processes to comply with the provisions of the Companies Act to ensure continued good governance.

The board of Sephaku Holdings

The board of Sephaku Holdings supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration of legitimate stakeholder involvement. Sephaku Holdings has a unitary board that takes overall responsibility for the success of Sephaku Holdings. The Sephaku Holdings board exercises leadership and sound judgment to achieve sustainable growth and to act in the best interest of Sephaku Holdings and its stakeholders.

The Sephaku Holdings board comprises of nine directors, three of whom are executive directors and six non-executive directors – of which, two are independent non-executive directors.

The Sephaku Holdings board is satisfied that it has the requisite balance of skills, knowledge, experience and diversity to make it effective.

Four Sephaku Holdings board meetings were held during the year under review.

Attendance at board meetings

Name	30 November 2011	26 January 2012	28 March 2012	27 June 2012
B Williams (appointed 3 May 2012)	–	–	–	✓
Dr L Mohuba	✓	✓	✓	✓
NR Crafford-Lazarus	✓	✓	✓	✓
RR Matjiu	✗	✓	✓	✓
PF Fourie	✓	✓	✓	✓
MM Ngoasheng	✓	✓	✓	✓
CRDW de Bruin	✓	✗*	✓	✓
Dr D Twist	**	✗	✗	✗
MG Mahlare	✗	✓	✓	✓
GS Mahlati (resigned 2 July 2012	✗	✗	✗	✓
J Bennette (company secretary)	✓	✓	✓	✓

✗ *Submitted apologies and was granted a leave of absence in terms of Sephaku Holdings' articles of association.*

* *Represented by JW Wessels, his alternate.*

** *Participated by way of teleconference.*

The Sephaku Holdings board is responsible to shareholders for the conduct of the business of Sephaku Holdings, which includes providing Sephaku Holdings with clear strategic direction. The schedule of matters reviewed by the board includes:

- approval of Sephaku Holdings' strategy and annual budget;
- overseeing operational performance and management;
- ensuring that there is adequate succession planning at senior levels;
- overseeing director selection, orientation and evaluation;
- approval of major capital expenditure or disposals, material contracts, material acquisitions and developments;
- reviewing the terms of reference of board committees;
- determining policies and processes which seek to ensure the integrity of risk management and internal controls;
- maintaining and monitoring the systems of internal control and risk management;
- communication with shareholders, including approval of all circulars, prospectuses and major public announcements; and
- approval of the interim statement and annual report and accounts (including the review of critical accounting policies and accounting judgments and an assessment of Sephaku Holdings' position and prospects).

The Sephaku Holdings board retains full and effective control over the business of Sephaku Holdings. At the level of Sephaku Cement the board has defined levels of materiality through a written delegation of authority, which sets out decisions the board has reserved for itself. The delegation will be regularly reviewed and monitored.

In accordance with Sephaku Holdings articles of association, all of the directors are subject to retirement by rotation and re-election by shareholders at least every three years. The Sephaku Holdings board intends to meet at least four times a year, or more frequently if circumstances so require. Information relevant to meetings is supplied on a timely basis to the Sephaku Holdings board, ensuring directors can make informed decisions. The directors of Sephaku Holdings have unrestricted access to information, management and the company secretary in relation to Sephaku Holdings. All Sephaku Holdings directors are entitled to seek the advice of independent professionals on matters concerning the affairs of Sephaku Holdings, at the expense of Sephaku Holdings.

Division of responsibility

There is a clear division between the roles of the chairman and CEO. The Sephaku Holdings board is chaired by an independent non-executive director. The chairman is responsible for providing leadership to the Sephaku Holdings board, overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices. The CEO is responsible for implementing and maintaining the strategic direction of Sephaku Holdings and ensuring that the day-to-day affairs of the operations are appropriately supervised and controlled. The non-executive directors all have a high degree of integrity and credibility and the composition of the Sephaku Holdings board provides for objective input into the decision-making process, thereby ensuring that no one director holds unfettered decision-making powers or too much influence. The directors come from diverse backgrounds and bring to the Sephaku Holdings board a wide range of experience and knowledge.

Board committees

In line with the recommendations of King III, the Sephaku Holdings board delegates certain functions to various Sephaku Holdings board committees on which independent non-executive, executive and non-executive directors play an active and pivotal role. All committees operate under board-approved terms of reference, which are reviewed and updated regularly to further align them with best practice and to take into consideration the recommendations set out in King III. The audit committee is chaired by an independent non-executive director who attends the AGM of Sephaku Holdings in order to respond to shareholder queries. The chairmen of these committees are, in conjunction with the Sephaku Holdings board, elected by the members of each committee and hold office for not more than five consecutive years, unless sound reasons cause the Sephaku Holdings remuneration and nomination committee and the board to determine otherwise.

In view of the fact that the audit and risk committee is a statutory committee under the new Companies Act and in terms of the recommendations set out in King III, shareholders will elect the members of the committee at Sephaku Holdings' 2012 AGM.

Members of Sephaku Holdings and Sephaku Cement's executive committees

Sephaku Holdings	Sephaku Cement
Dr L Mohuba (chairman)	PF Fourie (chairman)
NR Crafford-Lazarus	D Leith
JW Wessels	D Claassen
RR Matjiu	H De Beer
	G De Witt
	P Makhubo
	J Bennette

The executive committees are responsible for operational activities, developing strategy and policy proposals for consideration by the Sephaku Holdings board and implementing the Sephaku Holdings board's directives. In assisting the Sephaku Holdings CEO in the performance of his duties, the role of the executive committees includes:

- developing and implementing strategy, operational plans, policies, procedures and budgets;
- monitoring operational and financial performance;
- assessing and controlling risk;
- prioritising and allocating resources; and
- monitoring competitive forces in each area of operation. The executive committees meet monthly with additional meetings convened when necessary. They have a properly constituted mandate and formalised level of authority document by which they abide.

Audit and risk committee

Members
MG Mahlare (chairman)
B Williams
PF Fourie

* *King III requires the audit committee to have at least three independent non-executive members.*

The audit and risk committee acts in terms of written terms of reference, meets regularly with its external auditors, Sephaku Holdings' executive management and the Sephaku Cement executive committee. Others, including Sephaku Holdings' CEO and FD, who attend audit and risk committee meetings by invitation, do not have a vote.

The role of the audit and risk committee is to:

- nominate a registered and independent auditor, determining fees to be paid and terms of engagement;
- determine any non-audit services that the auditor may provide and pre-approve these;
- prepare a report for the annual financial statements for that financial year, describing how the audit and risk committee carried out its functions, stating whether the audit and risk committee is satisfied that the auditor was independent of Sephaku Holdings, and commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of Sephaku Holdings;
- deal appropriately with any concerns or complaints relating to the accounting practices and audit of Sephaku Holdings, the content or auditing of Sephaku Holdings financial statements, and the internal financial controls of Sephaku Holdings;
- make submissions to the Sephaku Holdings board on any matters concerning accounting policies, financial control, records and reporting; and
- perform other functions determined by the Sephaku Holdings board, including the development and implementation of a policy plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within Sephaku Holdings.

The committee met three times in the year under review.

The Sephaku Holdings board has determined that the audit and risk committee fulfilled its responsibilities for the year under review and, as required, reports that it is satisfied with the expertise and experience of the FD and the independence of PKF (Gauteng) Inc.

Attendance at audit and risk committee meetings

Name	20 September 2011	26 March 2012	18 June 2012
MG Mahlare (chairman)	✓	✓	✓
PF Fourie	✓	✓	✓
NR Crafford-Lazarus (ex-officio member)	✓	✓	✓
L Mohuba (ex-officio member) (28 March 2012)	–	✓	✓
A Verster (invitee)	✓	✓	✓
S Steyn (acting CFO until 28 March 2012 – invitee)	✓	–	–
M Manilan (PKF – invitee) (retiring audit partner)	✓	–	–
R Huiskamp (PKF – invitee) (new audit partner)	–	✓	✓
J Bennette (company secretary)	✓	✓	✓

Risk management

In order to ensure the sustainability of its business development and to meet the risk tolerance and risk appetite targets defined, the executive committees of Sephaku Holdings and Sephaku Cement aim to prevent and control the risks to which it is exposed on an on-going basis. The audit and risk committee continually employs established standard procedures and risk management systems to identify and analyse the main risks to which it is exposed. These systems are designed to eliminate or reduce the probability that risks will arise as well as to limit their impact.

Risk identification and analysis

Risk identification and analysis is structured around several co-ordinated approaches conducted under the responsibility of the Sephaku Holdings and Sephaku Cement executive committees. A follow-up of the main risks, on the basis of the risk mapping, has been conducted and submitted to the audit and risk committee. An in-depth analysis has been performed on the main risk areas identified and action plans have been developed and are being progressively implemented, where necessary.

As part of the audit and risk committee's mandate, as defined in its terms of reference, strategic, reputational, operational and legal risks reviews are conducted periodically by the executive committees of Sephaku Holdings and Sephaku Cement together with the heads of the operational units. These reviews include an analysis of the main risks to which the operational entities are exposed. Every year, an analysis of the identified risks is performed by the executive committees of Sephaku Holdings and Sephaku Cement, in conjunction with the relevant functional departments. This analysis serves as a basis for updating the risk controls, which are deployed across the main business units and within the functional departments.

Risk management systems

An active risk management plan based on the risk identification and analysis work described above is continually adjusted in response to new issues and risks to which Sephaku Cement is exposed. The executive committees of Sephaku Holdings and Sephaku Cement oversee both the identified risk universe of Sephaku Holdings and Sephaku Cement within the risk tolerance and risk appetite parameters set. As defined by the terms of reference of this committee, the committee oversees the identification of strategic, reputational, operational and legal risks. In assessing these risks, the committee considers, amongst other factors, the following:

- the probability of occurrence;
- the severity of the risk;
- the control environment related to each risk identified; and
- the adequacy and effectiveness of existing and any additional remediation required.

The executive committees of Sephaku Holdings and Sephaku Cement have defined a methodology for measuring and monitoring:

1. Secure access to certain raw materials

Managing the risk associated with access to raw materials is organised primarily through actions to secure long-term access to resources via acquisitions and development projects, and on-going management of land resources and other supply sources.

2. Manage environmental, health and safety risks

The environmental impact of the business operations is managed. The executive committees of Sephaku Holdings and Sephaku Cement monitor the application of the environmental policy, which policy covers managing production facilities in compliance with the law, minimising quantities of non-renewable resources used, minimising waste production and implementing quarry rehabilitation plans.

3. Financial and market risk management

Management of financial and market risks (currency and interest rate risk, liquidity risk, equity risk and risk of price volatility for energy sources used in the production cycle) is reviewed constantly by the executive committees of Sephaku Holdings and Sephaku Cement. The executive committees determine the parameters within which to cover these risks and define the responsibilities of the various parties involved.

Remuneration and nomination committee

Members
MM Ngoasheng (chairman)
CRDW de Bruin
Dr L Mohuba
NR Crafford-Lazarus (ex-officio member)

The remuneration and nomination committee is responsible for reviewing the composition of the Sephaku Holdings board and identifying and making recommendations to the Sephaku Holdings board regarding the appointment of new directors. Appointments to Sephaku Holdings board are made taking into account the need to ensure that the board provides a diverse range of skills, knowledge and expertise, the necessity of achieving a balance between skills and expertise, the professional and industry knowledge necessary to meet Sephaku Holdings' strategic objectives, and the need to ensure demographic representation. It also satisfies itself that appropriate succession plans are in place for the board and senior management of Sephaku Holdings, and reviews the performance of non-executive directors to ensure that they have devoted sufficient time to their duties.

The remuneration and nomination committee approves the remuneration policies for the executive directors and senior management of Sephaku Holdings, having considered relevant market norms and independent advice, where appropriate. No director or manager is involved in any decision regarding his or her own remuneration.

One meeting is scheduled annually with special meetings called as and when required.

Attendance at remuneration and nomination committee meetings

Name	26 March 2012	18 June 2012
MM Ngoasheng (chairman)	✓	✓
CRDW de Bruin	✓	✓
L Mohuba	✓	✓
NR Crafford-Lazarus (ex-officio member)	✓	✓
J Bennette (company secretary)	✓	✓
PF Fourie (invitee)	–	✓
JW Wessels (invitee)	–	✓

Social and ethics committee (incorporates environment, health and safety)

Members
B Williams (chairman)
JW Wessels
RR Matjiu

Sephaku Holdings is committed to the highest ethical standards. The code of ethics has been aligned with corporate governance trends and practices. It has been adopted as part of Sephaku Holdings' continuing effort to:

- comply with all applicable laws and regulations;
- observe the highest standards of honesty and integrity;
- have due regard for the interests of stakeholders;
- conduct our business sustainably;
- ensure safety and health;
- ensure the protection of the environment; and
- ensure the education and training of employees, officers and directors.

A qualified safety, health and environmental officer is employed by Sephaku Cement to oversee induction and safety procedures at each site. The safety procedures of all contractors are evaluated before they come on site.

Sephaku Cement has achieved 1 million LTI-free hours on the Aganang project and 0,5 million LTI-free hours on the Delmas project following a single LTI at the Delmas project in May 2012. Sephaku Cement continues to be vigilant in respect of safety performance and strives for continuous improvements from Sephaku Cement's employees as well as contractors.

Attendance at meetings

Name	12 June 2012
B Williams (chairman)	✓
JW Wessels	✓
RR Matjiu	✓
J Bennette (company secretary)	✓

Company secretary

To enable the Sephaku Holdings board to function effectively, all directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. This includes information such as agenda items for board meetings, corporate announcements, investor communications and any other developments which may affect Sephaku Holdings or its operations. Where appropriate, the directors may also consult with independent professionals and advisors, at Sephaku Holdings' expense.

Induction of directors includes a briefing on their fiduciary and statutory duties and responsibilities (including the JSE Listings Requirements). Training of directors includes the provision of on-going support and resources in order to enable them to extend and refresh their skills, knowledge and understanding of Sephaku Holdings. Professional development and training is provided through regular updates on changes and proposed changes to laws and regulations affecting Sephaku Holdings or its businesses, and professional and skills training.

Sephaku Holdings' company secretary is responsible for the functions specified in chapter 88 of the Companies Act, including that all meetings of shareholders, directors and board sub-committees are properly recorded. The removal of the group company secretary would be a matter for the Sephaku Holdings board as a whole.

Conflicts of interest

Sephaku Holdings board members disclose their interests in material contracts involving Sephaku Holdings, directorships they hold which may pose potential conflicts of interest, and their shareholding in Sephaku Holdings. Directors recuse themselves from making decisions which could in any way be affected by vested interests.

Share dealings

Directors, officers, participants and staff who may have access to price-sensitive information are precluded from dealing in Sephaku Holdings shares during closed-periods, which include the lead-up to the release of interim and final results as well as during sensitive periods.

Details of share dealings by Sephaku Holdings directors are disclosed to the board and the JSE through SENS.

Written requests to trade in Sephaku Holdings shares by directors and their associates, officers and senior personnel and the requisite approval to trade in Sephaku Holdings shares, outside of closed periods, are kept on record at Sephaku Holdings' offices.

Donations to political parties

Sephaku Holdings did not make any donations to political parties during the year under review.

Other

The Sephaku Holdings board is committed to honest, open and regular communication with all stakeholders on financial and non-financial matters. Sephaku Holdings reports formally to shareholders when half-year and full-year results are announced. Shareholders are invited to attend AGMs and to pose questions to the directors. All executive and non-executive directors are required to attend the meetings. The AGM provides an opportunity for the chairman to present to the shareholders a report on current operations and developments and enables the shareholders to question and express their views about Sephaku Holdings business.

Resolutions are proposed on each substantially separate issue, including the receipt of the financial statements, and shareholders are entitled to vote either in person or by proxy. The company secretary acts as advisor to the board, plays a pivotal role in ensuring compliance with statutory regulations, the King III report and the King Code, the induction of new directors, tabling information on relevant regulatory and legislative changes and giving guidance to the directors regarding their duties and responsibilities. The directors have unlimited access to the advice and services of the company secretary.

Human rights

We are committed to ensuring that activities and operations are conducted in an ethical manner that supports fundamental human rights, showing respect to traditional rights, values and cultural heritage.

The community policy and International Finance Corporations Performance Standards are being applied in discussions currently under way with communities adjacent to the Aganang project and the North West government representatives, which relate to the implementation of plans to manage the impact of mining on agricultural land.

Remuneration policy

1. Introduction

Sephaku Holdings' remuneration practices will reflect the dynamics of the market and context in which it operates. Remuneration will play a critical role in attracting and retaining high performing individuals. Remuneration will also be used to reinforce, encourage and promote superior performance and achievement of organisational goals. Remuneration will not be a stand-alone process but will be fully integrated into other management processes.

2. Purpose

The purpose of this policy is to provide management with guidelines on which to base remuneration decisions.

3. Scope

The guiding principles cover all categories of employment. The policy applies to all employees who work for Sephaku Holdings.

4. Objectives

- Reflect the dynamics of the market and the context in which it operates.
- Is aligned with the strategic direction and value drivers of the organisation.
- Aims to attract retain and motivate superior performance.

5. Definition of terms

The following terms are applicable to Sephaku Holdings.

5.1 Total guaranteed package (referred to as 'all-inclusive total package') is the total annual guaranteed remuneration of employing an incumbent. The costs include the following.

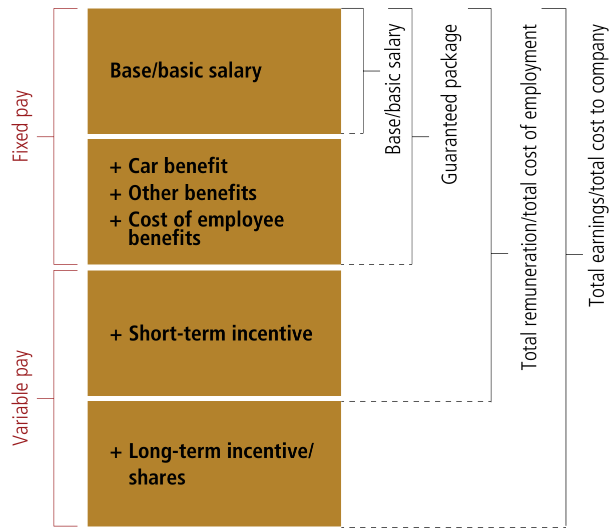
Base salary
+ benefits (car allowance)
= basic cash package
+ employer contributions (medical aid/retirement)
= TOTAL GUARANTEED PACKAGE
+ inconvenience pay (overtime/standby/shift)
+ short-term incentives (variable)
+ employer statutory contribution. (COIDA, UIF)
+ employer contributions (group life, funeral cover)
= TOTAL COST OF EMPLOYMENT

5.2 Variable pay is defined as a non-guaranteed pay that may relate to performance of an individual, team and the organisation.

5.3 Inconvenience pay

Inconvenience pay such as overtime, shift and standby allowances, fall outside the definition of total guaranteed package and are payable in addition thereto. (See inconvenience policy)

5.4 The remuneration structure for Sephaku Holdings Ltd is illustrated in the diagram below.



5.5 Incentives: These are annual bonuses tied to the performance of the organisation, division and/or individual performance. Short-term incentives refer to incentives payable within a one-year review period.

5.6 Long-term incentives: These are schemes where a longer term, sustained company performance are incentivised, these are awarded on management discretion.

6. Remuneration strategy

Sephaku Holdings remuneration strategy:
"To ensure that the Company attracts and retains the right employees and that it motivates them to perform in alignment with its enterprise business plan. At the same time we aim to reward outstanding performance/achievement in the process and enforce consequence for non-delivery.

7. Guiding principles of remuneration

- Integration with other people management solutions and initiatives;
- Flexible and adaptable;
- Manages risk and liability;
- Fair and equitable;
- Reinforces teamwork and culture of belonging and high commitment;
- Complies with legislation;
- Reinforces an outcome based reward with current and future focus.

Sephaku Holdings' remuneration management is market related and market surveys and benchmarks will be applied to maintain the system.

7.1 Positioning

Positioning of the total guaranteed package will be based on the individual/or candidates/employees level of demonstrated competency, qualification, experience and performance. The total guaranteed package of individuals new to the position will normally be at the point of entry at the low end of the pay range. (See performance levels below). With increased experience, learning and performance the total guaranteed package will be adjusted based on the outcomes performance reviews.

- Entry point: New to the job or building the skill
- Needs improvement: The skill needs enhancing to improve performance
- Effective : Meets expectations
- Excellent : Exceeds expectations
- World-class: Expert and fully competent

Scarce skill: Total remuneration package applied to this category of people will be targeted at the top end of the market range, or alternatively a non-pensionable temporary additional remuneration should be considered until such time as the market stabilises or the risk is mitigated.

7.2 Structuring of total guaranteed package

- All employees will be required to allocate 10% or 12% or 15% of their pensionable basic salary towards pension. This is a condition of employment.
- A maximum of not more than 30% of pensionable basic salary can be allocated as a car allowance for employees in grade Hay 13 and above,which are structured according to SARS guidelines for business travel.
- All employees will be required to be members of the approved employer medical aid scheme. Proof will be required where employees are covered by the medical aid of their spouses/partners.

8. Remuneration package make-up:

The table below summarises the main components of the reward package for all employees

Objective and practice	Award size and performance conditions
Guaranteed pay: • Remunerate above the market and industry average for key positions. • Remunerate market related salaries for all other positions. • Review total guarantee annually and set on 1 July.	• The level of skill and experience, scope of responsibility and the total remuneration package are taken into account when rewarding employees. • Appropriate market percentiles based on skills, experience and competitiveness.
Short-term incentive: • To motivate employees and incentivise delivery of performance over the one year financial year period. • The appropriateness of measures and weightings are reviewed annually to ensure they continue to support the strategy. • The annual bonus is paid in cash in March each year for performance over the previous financial year.	**Performance period:** • Performance over the financial year is measured against targets sets in the balanced scorecards. • Target bonus is (15% or 20% or 25% or 30%) of total guaranteed pay aligned to the level of a position as defined in performance management policy.
Long-term incentive: • To motivate and incentivise delivery over long term • Award levels and framework for determining vesting to ensure continued support of the Company strategy.	**Performance period:** • Performance over three financial years is measured against targets for the performance period .

9. Governance

- The remuneration committee will advise the board on remunerations practices.
- The remuneration committee will submit all policy amendments to the board for renewed approval.
- The remuneration committee will brief all members of the board and will prepare the board for its dealings with remuneration issues.
- The board of directors will monitor the compliance with regards to the remuneration policy once a year.

10. Accountability

- The board is responsible for making decisions in respect to the remuneration of directors and the CEO.
- The CEO is responsible for decisions relating to total guaranteed remuneration and incentives of all employees.
- The remuneration committee will make recommendations on long term incentives for all employees.

Remuneration framework

Sephaku Holdings adopts a total reward strategy in remunerating all its employees. This is to ensure that all employees are appropriately rewarded and are made aware of the terms and conditions under which they are employed.

The objective of this framework is to provide remuneration principles for Sephaku Holdings' executive and non-executive directors and staff members.

1. Key principles of the framework

The key principles of this framework are to ensure that Sephaku Holdings:

(a) appropriately compensates employees for services they provide to the Company;

(b) provides a flexible and competitive remuneration structure which is:

  (i) referenced to appropriate benchmarks;

  (ii) reflects market and industry practices;

  (iii) tailored to the specific circumstances of Sephaku Holdings, so as to attract, motivate and retain highly skilled employees;

(c) aligns remuneration practices with the business strategy, objectives, values and long term interests of the Company;

(d) ensures equitable remuneration to help facilitate the deployment of people around the business;

(e) complies with all relevant legal requirements;

(f) variable remuneration payment is aligned to the Company performance, both on divisional and individual level.

2. Remuneration framework

The following are the components of the remuneration framework within the Company:

- Monthly pay and benefits, such as salary and company contributions to retirement funding and medical aid.
- A short-term incentive (STI) scheme, which is performance based.
- A long-term incentive which is linked to long-term value creation.

2.1 Monthly pay and benefits

- Market data is used to benchmark salary and benefits and to inform pay (pay at above the market average).
- Salary and benefit adjustments for all employees are approved by the CEO.
- Salary and benefits adjustments for directors and executive managers are approved by the remuneration committee.

2.2 Incentive scheme

- The objective is to reward performance, motivate and encourage excellent performance.
- The incentive is linked to the performance management process, where there is a clear relationship between individual performance and creation of value to shareholders.
- A percentage of the total guaranteed pay is set up front and will be paid based on expected levels of performance achieved at corporate, divisional and individual level.
- The quantum of the STI scheme for all employees is determined by executive management and approved by the CEO.
- The quantum of the STI for the executive team and CEO is determined by the remuneration committee and approved by the board.

2.3 Long-term incentive plan

- A long-term incentive plan is aimed at long-term performance motivation and reward.
- A percentage of the total guaranteed remuneration or a share option scheme vesting three years plus.
- The scheme is linked to company absolute and or comparative performance.
- The quantum of the LTI for the senior employees, executive team and CEO is determined by the remuneration committee and approved by the board.

3. Who is responsible for making decisions in respect to remuneration?

- The board is responsible for making decisions in respect to remuneration of directors and the CEO.

4. The CEO is ultimately responsible for:

- Recommendation to the board relating to the remuneration of the executive committee; and
- decisions, relating to the remuneration of all staff.

Director and management remuneration

Directors' emoluments are set out in note 33 to the annual financial statements on pages 94 to 95 of this integrated report.

Beneficial shareholding of directors and associates as well as directors' interests in share options are disclosed in the directors' report on pages 48 to 53 of the integrated report.

Audit and risk committee report

for the year ended 30 June 2012

The information below constitutes the report of the audit and risk committee (the committee) in respect of the 2012 financial year of Sephaku Holdings and its subsidiaries in compliance with section 94(7) of the Companies Act.

Mandate and terms of reference

The audit and risk committee has adopted a formal mandate and terms of reference that has been approved by the board of directors. The committee has executed its duties during the past financial year in accordance with this mandate and terms of reference and has discharged its responsibilities contained therein. The terms of reference are reviewed annually.

Roles and responsibilities

The committee's roles and responsibilities include its statutory duties as per the Companies Act and the responsibilities assigned to it by the board.

Statutory duties

In the conduct of its duties, the committee has performed the following statutory duties:

- Nominated and recommended the re-appointment of PKF (Gauteng) Inc. as the external auditor of Sephaku Holdings, and noted Mr RM Huiskamp as the responsible individual. PKF (Gauteng) Inc. is a registered auditor who, in the opinion of the committee, is independent of Sephaku Holdings;
- determined the fees to be paid to the external auditor and their terms of engagement;
- ensured that the appointment of the external auditor complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determined the nature and extent of allowable non-audit services and pre-approved any proposed agreement with the external auditor for the provision of non-audit services to Sephaku Holdings;
- prepared a report which has been included in the annual financial statements;
- received and dealt with concerns relating to the accounting policies, internal audit, the auditing or content of annual financial statements, and internal financial controls of Sephaku Holdings; and
- considered and, when appropriate, made recommendations to the board on internal financial controls, accounting policies, records and reporting.

External auditor

The committee has satisfied itself that the external auditor, PKF (Gauteng) Inc. was independent of Sephaku Holdings, as set in sections 90(2)(c) and 94(8) of the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within the audit firm support and demonstrate their claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2012. The external auditors are invited to attend all audit and risk committee meetings. Findings by the external auditors arising from their annual statutory audit are tabled and presented at a committee meeting following the audit. The external auditor has expressed an unqualified opinion on the annual financial statements for the year ended 30 June 2012.

The committee has nominated, for re-appointment at the annual general meeting, PKF (Gauteng) Inc. as the external auditor of Sephaku Holdings for the financial year ending 30 June 2013. Sephaku Holdings has further satisfied itself that the audit firm is accredited to appear on the JSE List of Accredited Auditors.

Composition and attendance at meetings

The committee consists of two non-executive directors, of which the chairman is independent, and meets at least twice per annum. Special meetings are convened as required.

All committee members served on the committee for the full financial year.

The external auditors, in their capacity as auditors to Sephaku Holdings, attended and reported at all meetings of the audit and risk committee. Sephaku Holdings' risk management function was also represented. Executive directors attend meetings by invitation.

Details of composition and attendance of the committee meetings are set out below:

Name	Qualifications	20 September 2011	26 March 2012	18 June 2012
MG Mahlare (chairman)	BCom (Accounting), BCompt (Honours)	✓	✓	✓
PF Fourie	BCom (Accounting)	✓	✓	✓
NR Crafford-Lazarus (ex officio)	BCompt (Honours) CA (SA)	✓	✓	✓

Internal financial controls

The committee has reviewed:

- the effectiveness of the risk management, controls and governance processes including receiving assurance from management and external audit;
- significant issues raised by the external audit process; and
- policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, we believe that significant internal financial controls are effective and form a basis for the preparation of reliable financial statements. No findings have come to the attention of the committee to indicate that any material breakdown in internal financial controls has occurred during the financial year under review.

Financial statements

The committee assists the board with all financial reporting and reviews the annual financial statements as well as the preliminary results announcements, interim financial information and annual report, culminating in a recommendation to the board to adopt them. The committee took appropriate steps to ensure the financial statements were prepared in accordance with IFRS and in the manner required by the Companies Act.

Going concern

The committee reviewed a documented assessment by management of the going concern premise of Sephaku Holdings before recommending to the board that Sephaku Holdings will be a going concern in the foreseeable future.

Expertise and experience of the financial director and the finance function

The committee has satisfied itself that the financial director of Sephaku Holdings has appropriate expertise and experience to meet his responsibilities in that position as required in terms of paragraph 3.84(h) of the JSE Listing Requirements.

In addition, the committee satisfied itself that the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function met Sephaku Holdings' requirements.

Duties assigned by the board

The duties and responsibilities of the members of the committee are set out in the audit and risk committee terms of reference which is approved by the board. The committee fulfils an oversight role regarding Sephaku Holdings' integrated report and the reporting process, including the system of internal financial control.

The committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities.

Internal audit

Due to the size of the accounting function in Sephaku Holdings that is still in pre-production stage, an internal audit function is not viable at this stage. New appointments would firstly strengthen the accounting function and improve control through the division of duties rather than the performance of an internal audit function.

Risk management

The committee is responsible for the following:

- recommend to the board Sephaku Holdings' risk appetite;
- monitor the emerging risk profile of Sephaku Holdings on a regular basis and report its findings to the board;
- receive and review reports that assess the nature and extent of the risks facing Sephaku Holdings;
- ensure steps are taken by executive management to embed risk management practices within the day to day operations of the business;
- monitor the level of available capital and report to the board on the adequacy of the available capital relative to the emerging risk profile of Sephaku Holdings; and
- ensure that risk and capital management policies, processes and practices are adopted in Sephaku Holdings and review the adequacy and effectiveness of the risk-type control frameworks and policies.

Recommendation of the financial statements for approval by the board

The audit and risk committee has, at its meeting held on 19 September 2012, reviewed and recommended the annual financial statements for approval by the board of directors.

Mahlare

MG Mahlare
Chairman of the audit and risk committee

19 September 2012

King III compliance matrix

	Comply	Under review
Ethical leadership and corporate citizenship		
Effective leadership based on an ethical foundation	•	
Responsible corporate citizen	•	
Effective management of Sephaku Holdings' ethics	•	
Assurance statement on ethics in integrated report		•
Boards and directors		
The board is the focal point for and custodian of corporate governance	•	
Strategy, risk, performance and sustainability are inseparable	•	
Directors act in the best interests of Sephaku Holdings	•	
The chairman of the board is an independent non-executive director	•	
Framework for the delegation of authority has been established	•	
The board comprises a balance of power, with a majority of non-executive directors who are independent	•	
Directors are appointed through a formal process	•	
Formal induction and on-going training of directors is conducted	•	
The board is assisted by a competent, suitably qualified and experienced company secretary	•	
Regular performance evaluations of the board, its committees and the individual directors		•
Appointment of well-structured committees and oversight of key functions	•	
An agreed governance framework between Sephaku Holdings and its subsidiary boards is in place	•	
Directors and executives are fairly and responsibly remunerated	•	
Remuneration of directors and senior executives is disclosed	•	
Sephaku Holdings' remuneration policy is approved by its shareholders		•
Internal audit		
Effective risk-based internal audit	•	
Written assessment of the effectiveness of Sephaku Holdings' system of internal controls and risk management	•	
Internal audit is strategically positioned to achieve its objectives	•	
Audit committee		
Effective and independent	•	
Composition consisting of three independent non-executive directors		•
Suitably skilled and experienced independent non-executive directors	•	
Chaired by an independent non-executive director	•	
A combined assurance model is applied to improve efficiency in assurance activities	•	
Satisfies itself of the expertise, resources and experience of Sephaku Holdings' finance function	•	
Integral to the risk management process	•	
Oversees the external audit process	•	
Reports to the board and shareholders on how it has discharged its duties	•	

	Comply	Under review
Compliance with laws, codes, rules and standards		
The board ensures that Sephaku Holdings complies with relevant laws	•	
The board and directors have a working understanding of the relevance and implications of non-compliance	•	
Compliance risk forms an integral part of Sephaku Holdings' risk management process	•	
The board has delegated to management the implementation of an effective compliance framework and processes	•	
Governing stakeholder relationships		
Appreciation that stakeholders' perceptions affect a company's reputation	•	
Management pro-actively deals with stakeholder relationships	•	
There is an appropriate balance between its various stakeholder groupings	•	
Equitable treatment of stakeholders	•	
Transparent and effective communication to stakeholders	•	
Disputes are resolved effectively and timeously	•	
The governance of information technology		
The board is responsible for information technology (IT) governance	•	
IT is aligned with the performance and sustainability objectives of Sephaku Holdings	•	
Management is responsible for the implementation of an IT governance framework	•	
The board monitors and evaluates significant IT investments and expenditure	•	
IT is an integral part of Sephaku Holdings' risk management	•	
IT assets are managed effectively	•	
The audit and risk committee assists the board in carrying out its IT responsibilities	•	
The governance of risk		
The board is responsible for the governance of risk and setting levels of risk tolerance	•	
The risk management committee assists the board in carrying out its risk responsibilities	•	
The board delegates the process of risk management to management	•	
The board ensures that risk assessments and monitoring is performed on a continual basis	•	
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	•	
Management implements appropriate risk responses	•	
The board receives assurance on the effectiveness of the risk management process	•	
Sufficient risk disclosure to stakeholders	•	
Integrated reporting and disclosure		
Ensures the integrity of Sephaku Holdings' integrated report	•	
Sustainability reporting and disclosure is integrated with the Sephaku Holdings' financial reporting	•	
Sustainability reporting and disclosure is independently assured	•	

Social and ethics committee report

The board of Sephaku Holdings has established a social and ethics committee in line with the requirements of section 72(4) of the Companies Act. The mandate of the committee is to assist the board in ensuring that Sephaku Holdings, its subsidiaries and Sephaku Cement are and remain committed socially responsible corporate citizens. The committee's primary role is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development and social and ethics related matters covering the following:

- Stakeholder engagement processes
- Corporate social investment
- Health and safety
- Occupational health and hygiene
- HIV/Aids
- Ethics management
- Environmental management and sustainability
- Transformation

The work done by Sephaku Cement is set out below:

Stakeholder engagement

Sephaku Cement's community policy articulates the commitment to engage with stakeholders affected by its operations.

Sephaku Cement's stakeholders include groups on which Sephaku Cement has a significant impact, as well as those groups that can significantly impact its activities. These include Sephaku Cement's shareholders, all spheres of government, employees, local communities, civil society and NGOs.

In 2011, Sephaku Cement developed a stakeholder mapping tool to provide its operations with a guideline to ensure a consistent approach in identifying and engaging stakeholders. Each division identifies, prioritises and engages stakeholder groups at a local level. This role is typically managed by risk management and organisational performance teams with support from the commercial division at Sephaku Cement level.

Sephaku Cement's ability to work with stakeholders across all levels of its business is a key factor in maintaining its legal, social and political licence to operate.

Corporate social investment

Sephaku Cement's community investment strategy focuses on the delivery of socio-economic benefits for local communities beyond the life of its operations. Sephaku Cement aligns its investment with input received from stakeholder engagement programmes, as well as broader local and regional and integrated development plans.

Sephaku Cement continues to provide support to strategic social investment initiatives in the areas of education, enterprise development, environment, sports and recreation, health and wellbeing, youth empowerment and capacity development.

Transformation

Sephaku Cement supports the transformation and alignment of the empowerment requirements as set out in the MPRDA (No 28 of 2002) and the BBBEE Codes of Good Practice.

Sephaku Cement attained a BBBEE rating of AAA+ on the QSE scorecard in November 2011, with Sephaku Cement achieving maximum points on employment equity, procurement, social development and enterprise development.

A QSE verification certificate was acquired as Sephaku Cement's annual turnover was below R35 million per annum. To ensure that Sephaku Cement improves on all eight elements of the DTI scorecard, internal systems have been put in place to monitor progress on all the elements on a monthly and quarterly basis.

Employment practices

Non-discrimination

Sephaku Cement is dedicated to creating non-discriminatory employment practices in which employees are treated the same at all levels regardless of their background, race, gender or disability. Sephaku Cement commits to and supports the principles of employment, development and advancement of HDSAs as it acknowledges that distribution of human capital with cement manufacturing experience remains a barrier in the industry.

Sephaku Cement has set itself a five-year plan, which is aligned with the DTI BBBEE Codes of Good Practice, the Mining Charter and the Employment Equity Act. A plan and report was submitted to the Department of Labour during 2010 and the next plan and report is due at the end of December 2012.

An employment equity committee has been established to assist in implementing and monitoring employment equity initiatives. Training will be provided to all the members to ensure proper implementation of initiatives. This forum will meet once a year. The employment equity targets are monitored on a monthly basis through the use of the Organisational Performance Balanced Scorecard.

Child/forced and compulsory labour practices

No one under the age of 18 is employed at Sephaku Cement. Sephaku Cement's recruitment processes ensures that child labour does not occur at any of its operations.

Sephaku Cement aims to create sustainable employment opportunities and is committed to the provision of decent work and fair, ethical and progressive employment practices, in line with the requirements of national legislation, the International Labour Organization's Fundamental Principles and Rights at Work. No forced labour is allowed at any of the operations.

Freedom of association and collective bargaining

Sephaku Cement respects the rights of every employee to freedom of association and collective bargaining, and employees are free to join unions should they so wish.

Employee engagement structures have been established to keep employees fully informed about changes in the work place, conditions of employment and benefits through effective mechanisms of communication and participation.

Currently Sephaku Cement does not have enough employees for organised union membership. Once in full production, union representation and collective bargaining structures will be put in place as required.

Employee health and wellness

Sephaku Cement is committed to the promotion of good health for all its employees. Striving for this goal entails assisting in creating awareness and understanding of the possible implications of life-threatening viruses and diseases amongst employees, colleagues, contractors and customers.

A strategic wellness framework has been designed to assist any employee who experiences personal or work-related difficulties and to ensure optimal performance of employees. The following three key areas are addressed in the framework:

- **HIV/Aids management:** This is to ensure that there is consistent and equitable handling and management of employees with HIV/Aids and life-threatening diseases, and to also ensure that the impact of the conditions on business is managed in a manner that is consistent with current legislation. On an annual basis employees are encouraged to be aware of their general health status, through the annual Wellness and World Aids Days, where employees are provided with adequate counselling pre- and post-testing and support through the medical aid scheme/s. A policy is in place to provide guidance to all employees.
- **Wellness management initiatives:** Employees are referred to relevant service providers to assist with personal and health matters on a need basis through the employee assistance programmes and during the annual Wellness Day. Monthly wellness newsletters are distributed to all employees to encourage them to be aware of their general health status.
- **Occupational health and hygiene:** Significant risks identified in the work place are addressed and managed appropriately within Sephaku Cement. The occupational hygiene programme addresses occupational hygiene hazards such as chemical hazards, physical hazards (noise, illumination), ergonomics hazards, biological hazards and psychosocial hazards. Individual employee needs are taken into account at health-promoting proactive levels as well as through rehabilitation.

Respect for human rights

Sephaku Cement's community policy details the commitment to ensuring that its activities and operations are conducted in an ethical manner that supports fundamental human rights, showing respect to traditional rights, values and cultural heritage.

The community policy and the International Finance Corporation's Performance Standards are being applied in discussions that are currently under way with communities adjacent to the Aganang project and the North West government representatives, which relates to the implementation of plans to manage the impact of mining on agricultural land.

Anti-corruption

Corruption is recognised as one of the world's greatest business challenges and significantly hinders the development prospects of the countries where it is prevalent. It undermines good governance and the rule of law, distorts fair competition, and has a damaging economic and social impact on the countries and people it affects.

Sephaku Cement has a zero tolerance approach to all forms of corruption (including facilitation payments) by individuals and businesses acting on its behalf. It is in Sephaku Cement's interest to ensure that it has robust systems and procedures in place to identify, manage and minimise the risk of corruption throughout its operations. This includes training employees most at risk of exposure to corruption on how to deal with and combat corruption, and providing channels where they can confidentially disclose potentially corrupt activity.

Safety management

Health and safety is integral to the Sephaku Cement operational processes and practices. This is to ensure that all stakeholders are not compromised by its operations. Stakeholders are empowered to assume personal ownership of health and safety through continuous training and education. Sephaku Cement adheres to appropriate health and safety standards, which includes fire protection, good operating practices and sound management principles, to ensure that all possible measures are taken to minimize loses and avoid accidents. A health and safety committee has been established to monitor compliance.

Environmental management

Sephaku Cement is committed to the highest standard of environmental performance and the principles of sustainable development.

An environmental impact assessment was undertaken for all projects and authorisation in the form of a record of decision was granted for both the Aganang and Delmas projects.

Sephaku Cement is aligned to the principle of sustainable development in the design of the of the cement plant by selecting more energy-efficient equipment. Sephaku Cement will also investigate the use of renewable energies where possible, such as solar power and biofuels going forward.

Sustainability performance

Sephaku Holdings is focused on growth for its shareholders and for South Africa's economy as a whole. Integrated into this strategy is our commitment to conduct our business ethically with respect for the interests of all stakeholders, and with a sense of responsibility for the resources under our management.

Economic performance

Our vision in context

Sephaku Holdings is a South African industrial minerals development company with a major associate, Sephaku Cement. Sephaku Cement, through its subsidiaries, holds NOMR to extensive natural deposits of limestone, which have received approval for the construction of a world-class production plant strategically located in the respective mines and markets.

Once in full production, Sephaku Cement is set to become a prominent player in the South African cement industry. Sephaku Cement's first cement production project comprises two elements: a clinker and cement production facility – Aganang, near Lichtenburg, and a cement milling facility, now under construction, at Delmas. Collectively, they will produce 2,5Mtpa.

Creating and distributing value

With the cement project still under construction, Sephaku Cement is not yet in a position to generate value in the form of revenue through the sale of its products. A value-added statement will be prepared as Sephaku Cement's plants are commissioned.

Share performance

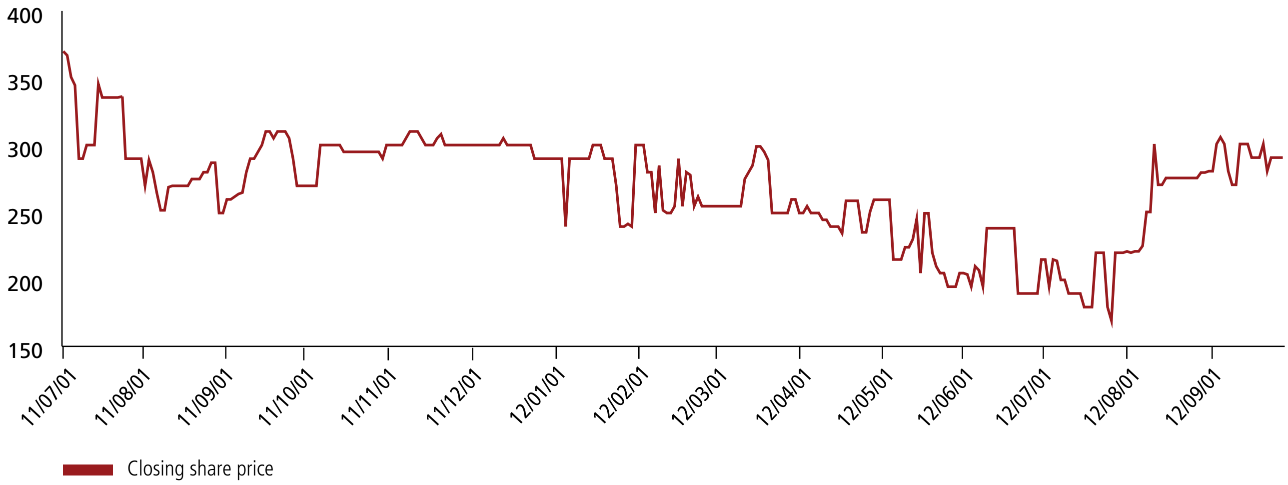
Significant value has been created for Sephaku Holdings shareholders during the past financial year as a result of corporate activity, specifically, the unbundling of Sephaku Fluoride and removing the final uncertainty with regards to Sephaku Cement finalizing the debt funding.

It was another difficult year for the market, characterised by caution and trepidation on the part of most investors, particularly with regard for resource investments focused on exploration rather than production.

Within that context, however, and taking the development stages of Sephaku Cement's assets into account, Sephaku Holdings share price performance was satisfactory and ended the year on R1,90 Post unbundling of Sephaku Fluoride, the share price moved from R2,80 to R1,90 at year end. However in the two months post year end, it recovered to a level of between R2,75 to R3,00.

Commencing
PRODUCTION FROM AGANANG AND DELMAS IN 2013

Closing share price



Compliance with relevant legislation

Sephaku Cement has been awarded a NOMR for its Aganang project and the necessary regulatory approvals have been granted for the construction of both the cement manufacturing plant at Aganang and the cement milling plant at Delmas. The SLP and EMP for Sephaku Cement's projects were approved as a requirement for the granting of the NOMR rights over the properties.

Transformation and compliance with the South African Mining Charter

Compliance with the South African Mining Charter is a priority for Sephaku Cement. The Mining Charter is aimed at facilitating the socio-economic transformation of the mining sector, through a framework of guidelines and targets that mining companies are required to meet in order to retain their NOMR.

Sephaku Cement supports the transformation and alignment of the empowerment requirements as set out in the MPRDA and the BBBEE Codes of Good Practice. Sephaku Cement attained a BBBEE rating of AAA+ on the QSE scorecard in November 2011, achieving maximum points on employment equity, procurement, social development and enterprise development.

A QSE verification certificate was acquired as Sephaku Cement's annual turnover was below R35 million per annum. To ensure that Sephaku Cement improves on all seven elements of the DTI scorecard, internal systems have been put in place to monitor progress on all the elements on a monthly and quarterly basis.

HDSA ownership

Sephaku Holdings is a South African minerals development company and is committed to promoting the fair and equal participation of HDSAs. Sephaku Holdings began as an HDSA-owned company and, throughout its corporate transactions, has retained a high level of HDSA ownership, currently at about 41,25%.

Procurement

Sephaku Cement recognises that procurement from local suppliers, HDSA suppliers and women-owned enterprises has an important role to play in the transformation of the South African economy, and that this is particularly the case in the areas in which its operations are located, where there is a dearth of economic activity and opportunity. Procurement data will be monitored, analysed and reported as Sephaku Cement's operations start up in line with Sephaku Cement's aim to identify, develop and procure some of its inputs from HDSA suppliers. Five-year targets have been set and the achievement and consolidation of those targets are laid out in detailed procurement progression plans, contained in the SLP. Progress against these targets will be reported annually to the DMR and to stakeholders.

Sephaku Cement is targeting a minimum of 70% of its overall procurement expenditure from BBBEE-certified suppliers and service providers by 2016 at Aganang. Sephaku Cement recorded an overall BBBEE procurement recognition level of 135% in 2012.

Procurement targets: expenditure targets with HDSA-owned suppliers at Aganang				
Year	Type of expenditure			
	Capital (%)	Services (%)	Consumables (%)	Total (%)
2012	4	6	6	4
2013	6	8	8	6
2014	15	15	15	15
2015	20	20	20	20

Anti-corruption

Sephaku Holdings and Sephaku Cement have a zero tolerance approach to all forms of corruption (including facilitation payments) by individuals and businesses acting on its behalf. It is in the interest of Sephaku Holdings and Sephaku Cement to ensure that it has robust systems and procedures in place to identify, manage and minimise the risk of corruption throughout its operations. This includes training employees most at risk of exposure to corruption on how to deal with and combat corruption, and providing channels where they can confidentially disclose potentially corrupt activity.

Social performance

Employment

As is typical of a developing company, employee numbers are still low. Sephaku Holdings employed nine permanent staff and Sephaku Cement has in its employ 62 permanent staff as at the end of June 2012.

Sephaku Cement is committed to drawing as much labour as possible from the communities surrounding its operations. Currently 19% of Sephaku Cement's employees come from the Ngaka Modiri Molema municipal area in Lichtenburg. The remainder comes predominantly from the cities of Johannesburg and Tshwane. The labour profile is expected to change as Sephaku Cement's projects mature to the production stage.

Expected employment opportunities of Sephaku Cement during construction and operational phases

Project	Construction*	Operation**
Aganang	150	179
Delmas	80	69
Kendal (Sephaku Ash)	n/a	20
Dwaalboom	>150	180

* *Direct employment, excludes contractors*
** *Excludes contracted services*

Sephaku Cement has contracted Sinoma International of China to construct the Aganang cement plant and the milling plant at Delmas. See discussion below.

Sinoma is required to honour the employment commitments and labour practices of Sephaku Cement, as stipulated by the Departments of Trade and Industry, Labour, and Mineral Resources. Additional third party contractors may also be engaged to manage certain aspects of mining or processing once the plants are closer to production.

Engagement with Sinoma

Sephaku Cement contracted a Chinese construction company, Sinoma, the global leader in cement plant construction, on a fixed price full turn-key basis to construct the plants at Aganang and Delmas.

At peak, Sinoma will employ approximately 1 900 skilled labourers from China while the average number of Chinese workers over the course of the construction period, which is currently estimated at 30 months, is approximately 700 for both sites. These employees are being accommodated in purpose-built housing facilities on site for the duration of the project. In terms of its corporate work permit contract, Sinoma is also responsible for ensuring each employee's return to his/her home country.

During construction approximately 230 direct jobs will be available to local workers, and skills transfer to local labour is included in the agreement with Sinoma to ensure that there is as much local economic benefit as possible.

Sephaku Cement CEO Pieter Fourie said: "We understand and share the disappointment of many of our stakeholders that this kind of construction requires the skills and expertise of foreign companies like Sinoma, especially given South Africa's high rate of unemployment. We are confident, however, that the skills transfer from Sinoma to local workers will be of great value and that, with growth and over time, the skills level in South Africa will rise to a level which can cater for the growth that the country is heading for."

Employment equity and women in mining

Sephaku Holdings is committed to ensuring the advancement of HDSAs. In line with this commitment, Sephaku Cement's employment practices seek to ensure that 40% of management and core skills are made up of HDSA employees, and this drive forms the basis of Sephaku Cement's recruitment, development and retention schemes. Sephaku Cement's employment equity objectives are linked to its succession management programmes and skills development initiatives. A learnership and bursary programme has been introduced in order to grow the pool of talented HDSA candidates in the future. Between 2012 and 2015, the Aganang project will provide four full bursaries annually to learners from within the Ditsobotla local municipality.

Sephaku Cement applauds the intentions and efforts of government to transform the gender base of the South African mining industry. In line with the targets set by the Mining Charter, Sephaku Cement aims to have 10% of technical and mining positions filled by women by the time its projects are commissioned. A total of 38,1% of the current workforce at Sephaku Cement is made up of women, although none of these are in technical or mining positions.

Employment practices

Sephaku Cement aims to create sustainable employment opportunities and is committed to the provision of decent work and fair, ethical and progressive employment practices, in line with the requirements of national legislation and the International Labour Organization's Fundamental Principles and Rights at Work.

Sephaku Cement condemns the use of forced labour and every employee receives fair compensation for their work, as determined by legislation.

Sephaku Cement recognises that employees are entitled to freedom of association and respects the right to collective bargaining. Employees are free to join unions should they so wish. Once a full time workforce is present, union representation and collective bargaining structures will be put in place as required.

Housing

Sephaku Cement is not planning to provide accommodation for its employees as most employees live within the local communities. Those recruited from further afield will be required to make provision for their own accommodation. However, Sephaku Cement will work together with them and other stakeholders to facilitate affordable housing and transport systems within the local areas.

Training and development

Sephaku Cement considers the skills development and career advancement of employees to be of significant value to the overall success of Sephaku Cement. By providing the best possible opportunities for employees to improve their skill levels and advance their education, Sephaku Cement hopes to continually raise its collective skills-set and contribute to the skills pool available to the industry as a whole.

Sephaku Cement has an extensive skills development programme, ranging from ABET to improved literacy and numeracy standards, learnerships, internships and mentorships. Portable skills plans for workplace qualifications are also in place, as are bursary schemes to support talented individuals at a tertiary education level.

These skills development programmes have been drafted in line with the Mining Charter and other relevant legislation, with the aim of exceeding the minimum targets and standards required.

In the 2012 financial year, Sephaku Cement spent a total of R1,6 million on employee training and development, which was equivalent to 3,7% of the total Sephaku Cement payroll. Sephaku Cement's expenditure targets for training and development, over the next five years, are based on an estimate of 3% of annual payroll.

Literacy and numeracy

Sephaku Cement's recruitment policy requires a grade 12 certificate – equivalent to an ABET level 4 on the NQF (NQF 1) – as a minimum entry requirement and since functional literacy or numeracy is achieved at NQF 1 level, no literacy or numeracy plans are envisaged for Sephaku Cement employees recruited at Aganang or Delmas. However, Sephaku Cement is committed to providing all contractor employees* at Sephaku Cement's operations the opportunity to improve their literacy and numeracy skills, with the co-operation of its contractors.

This training will take place at the established ABET centres, which have already financially benefited from the project.

* *With South African citizenship or permanent residence, as per legislative requirements.*

Learnerships and internships

Sephaku Cement's learnerships and internships are an essential component of work processes leading up to the achievement of a qualification and form part of a skills programme which constitutes credit towards a NQF qualification. They usually lead to skilled positions in technical support areas such as instrument technicians, electricians and diesel mechanics. A large percentage of Sephaku Cement's operational employees will be given the opportunity to take part in its learnership and internship programmes as part of their individual training.

Recruitment, however, will also focus on candidates from local communities who may not be employed directly by Sephaku Cement, but who will be able to earn valuable and transferable skills that will make them more employable to other mining groups in the area.

Safety and health

Health and safety is integral to the Sephaku Cement operational processes and practices. This is to ensure that no stakeholders are compromised by Sephaku Cement's operations. Stakeholders are empowered to assume personal ownership of health and safety through continuous training and education. The operations have embraced appropriate health and safety standards, which include fire protection, good operating practices and sound management principles, to ensure that all possible measures are taken to minimise loses and avoid accidents. A health and safety committee has been established to monitor compliance.

Safety management at the Sephaku Cement operations is solidly underpinned by a rigorous risk management discipline, which is headed by a specialist in this field. Daily inspections are held to monitor compliance with standards and procedures. A safety officer is assigned to each work section.

Detailed operational safety and health records are maintained and submitted to the relevant government authorities at the required regulated intervals. An on-site medical centre, an ambulance and two paramedics are available for any medical emergency.

The most significant measures for reporting injuries are in terms of reportable and lost time rates. The Aganang rates for the past year measured TIFR at 2,66, LTIFR at zero and TR at 137,33.

Health management

Sephaku Cement is committed to the promotion of good health for all its employees. A strategic wellness framework has been designed to assist employees who experience personal or work-related difficulties to ensure optimal performance.

The following three key areas are addressed in the framework:

- **HIV/Aids management:** This is to ensure that there is consistent and equitable management of employees with HIV/Aids and life threatening diseases, and to also ensure that the impact of the condition is managed in a manner that is consistent with current legislation. Employees are encouraged to be aware of their general health and, through the annual wellness and world Aids days, to check their status. Employees are provided with adequate counselling pre- and post-testing and support through the medical aid scheme/s. A policy is in place to provide guidance to all employees.
- **Wellness management initiatives:** Employees are referred to relevant service providers to assist with personal and health matters on an as-needed basis through the employee assistance programmes and during the annual wellness day. Monthly wellness newsletters are distributed to all employees to encourage them to be aware of their general health status.
- **Occupational health and hygiene:** Risks identified in the work place are addressed and managed appropriately within Sephaku Cement. The occupational hygiene programme addresses occupational hygiene hazards such as chemical hazards, physical hazards (noise, illumination), ergonomic hazards, biological hazards and psychosocial hazards.

Community investment

Fulfilling responsibilities to the thousands of people whose daily lives will be affected by the presence of Sephaku Cement's operations is of great importance. While Sephaku Cement acknowledges that there are disadvantages to living in the vicinity of a mine or a cement manufacturing plant, Sephaku Cement is committed to providing sustained economic and social benefits to the members of its host communities that outweigh these potential negative impacts. Sephaku Cement aims to leave a lasting positive impact that extends beyond the direct economic benefits that its operations will bring to the respective regions.

The SLP for the Aganang project contains comprehensive LED plans which have been drawn up in line with the IDPs of their respective affected communities. These are also based on detailed SIAs which have highlighted the socio-economic challenges faced in these areas, and how community members' expectations regarding the projects can best be met and managed.

Sephaku Cement's local communities

The table below details the communities and towns closest to its various future operations.

Operation	Local authority	Nearest town	Province
Aganang cement plant	Kopano community authority, Ditsobotla magisterial district	Lichtenburg, 34km	North West
Delmas milling plant	Victor Khanye local municipality	Delmas, 0km	Mpumalanga
Dwaalboom cement plant	Thabazimbi local municipality	Dwaalboom, 15km	Limpopo

Community investment objectives

Sephaku Development's overall objectives, with respect to community investment and development, are as follows:

- to contribute to the alleviation and, eventually, the eradication of poverty;
- to promote sustainable employment and advance the social and economic welfare of its local communities; and
- to extend the economic benefits of its operations beyond its primary activities, such that Sephaku Development's presence leaves a lasting legacy of economic improvements that outlive its operations.

Community investment projects

In order to achieve these objectives, Sephaku Development has identified those projects in which it believes its input would be most beneficial and effective. These cover a range of important issues, from education and health care to infrastructure and skills development.

Sephaku Development has committed to develop and support the projects, with both time and financial assistance, over the life-of-mine. Sephaku Development intends to report on its progress against these targets for each of the projects, and their overall impact, as they develop. Many of them bring additional temporary employment opportunities.

Community investment projects: Aganang

Project	Impact area	Direct beneficiaries	Sephaku Development contribution	Budget	Timeline
Construction of a domestic waste disposal site	Infrastructure development, public health	Itsoseng, Springbokpan, Verdwaal, Sheila and Bodibe communities	Designing, constructing, and managing the environmental authorisation permit applications	R900 000	Project completion: 2013
Construction of a local health clinic	Local health care	Springbokpan and Verdwaal communities	Funding for the completion of construction	R660 000	Project completion: 2013
Bakery and pallet repair and replacement centre	Community job creation, skills development	Itsoseng, Springbokpan and Verdwaal communities	* Funding for the establishment of the bakery facility including training * Facilitate a joint venture partnership between local SME to partner with an existing pallet supplier to establish a pallet repair and replacement centre	R1 464 000	Project completion: 2013
Upgrade ABET centres and distribute learning materials	Adult literacy improvement, education	Itsoseng, Springbokpan, Verdwaal and Sheila communities with a focus on the empowerment of women	Facilitating the upgrade of ABET centres, providing learning and practical materials for use at centres and local schools	R1 124 995	Ongoing

Environmental performance

Sephaku Cement's commitment

The environmental sustainability of Sephaku Cement's business is a particular priority for Sephaku Cement as Sephaku Cement has the opportunity to bring new technology into South Africa that will reduce its environmental footprint, relative to its industry peers. It is one of several differentiators that Sephaku Cement has to set its business apart from that of the more established industry players.

Sephaku Cement recognises that the mining and processing of its product may result in negative impacts to the natural surroundings of its operations. Sephaku Cement takes responsibility for the mitigation of these impacts, wherever possible, and takes pride in the application of the best possible environmental protection measures to its manufacturing and processing practices.

Carbon emissions, water and energy inefficiency are three environmental threats that Sephaku Cement considers to be of great concern in Southern Africa, and Sephaku Cement's overall business strategy has been developed with consideration of minimising these risks. Where it has been necessary to consider environmental risks that are specific to one of its operations, mitigation of that risk has been outlined in the EMPs for that operation, and approved by the DMR.

Long-term objectives and commitments

- To be the most carbon-efficient cement producer in southern Africa: The cement plant is designed to limit CO_2 emissions to at least 15% lower than the industry standard.
- To mitigate any negative environmental impacts caused by Sephaku Cement's operations: Through sustained stakeholder engagement, Sephaku Cement will identify and develop projects and initiatives that have a reciprocal benefit for the environment and communities.
- To continuously embrace new technologies and develop innovations which will reduce Sephaku Cement's environmental footprint and set an example for other industry players: By incorporating modern advances, such as vertical roller mills for raw mix, coal and cement grinding; implementing variable frequency drives maximising the extension of some of its products and its electrical energy consumption for a tonne of cement will be up to 20% lower than the industry norm.

Spending

OVER R5 MILLION ON REHABILITATION

Project-specific concerns raised and mitigation measures

Through extensive stakeholder engagement, Sephaku Cement has established a database of the various environmental risks and concerns that its operations pose, as well as the measures to mitigate these risks.

Aganang

Dust, noise, visual impact and water consumption have been identified as the most material environmental concerns at Aganang.

Dust

Concern	Potential sources	Mitigation measures
Reduced air quality	Vehicle dust from unpaved roads	Environmentally-friendly dust suppression measures employed
	Fine dust particles from crushers and materials handling transfer points throughout process	Dust extraction points installed
	Drilling and blasting	Dust monitoring conducted by environmental control officer
	Stack emissions	Bag houses installed at all stacks

Noise

Concern	Potential sources	Mitigation measures
Increased overall noise levels around the mine and the plant during construction and operation	General construction and processing activities	Noise mufflers and silencers will be implemented wherever possible
		Engagement channel to be opened for residents to give specific feedback

Visual presence

Although Sephaku Cement acknowledges the adverse aesthetic impact of the plant, the light and activity generated by the plant's presence is likely to contribute positively to security in the area. Furthermore, the Aganang plant is one of three in the area.

Water consumption

Concern	Mitigation measures
Water requirements may reduce available supply for local farmers and residents	The dry process will be employed. Kiln exhaust gas will be cooled with ambient air, and the mine and plant will use 750m^3/day, considerably less than the industry norm for plants of similar size
	Mine and plant supply to be sourced from boreholes, drilled on the property for this purpose

Biodiversity

There is no material risk to any areas of high or sensitive biodiversity within the mine or processing plant area. It has historically been used for cattle grazing and has been severely overgrazed. A thorough study of the area has been conducted and reported on in our EMP. While threats to biodiversity are not considered material for this operation, Sephaku Cement remains committed to regular environmental audits by a suitably qualified person. Should any red listed species be identified, Sephaku Cement will endeavour to relocate such species appropriately.

Surface water quality

Due to the absence of any well-defined or perennial drainage lines or water courses within the project area, the limestone mine and cement factory will not have a direct impact on the quality of surface water runoff.

Concern	Potential sources	Mitigation measures
Excess run-off of dirty water from plant	Storm water flooding	Storm water berms and control structures constructed to prevent storm water run-off
	Flatness of area and single drainage catchment body: Springbok Pan	Dirty water storage facilities will be properly contained to prevent contact with clean water
		Regular monitoring by environmental control officer

Delmas

Groundwater quality and quantity	
Concern	**Mitigation measures**
Fuel spillage from storage and refuelling of construction vehicles	Construction vehicles and machines will be properly maintained to ensure that oil spillages are kept to a minimum
Water pollution from inadequate sanitation facilities	Chemical sanitary facilities will be provided for construction workers. These facilities will not be located near the drainage system and will be regularly maintained
Contamination due to leakage	The use of all materials, fuels and chemicals will be controlled and stored in a secure facility

Surface water quality and quantity	
Concern	**Mitigation measures**
Sedimentation of drainage systems	Excavated and stockpiled soil material will be stored and bermed on higher lying areas of the site and not in any storm water channel or steep gradients

Storm water management	
Concern	**Mitigation measures**
Sedimentation due to vegetation clearance	Excavated and stockpiled soil material must be stored and bermed on higher lying areas of the site
Contamination of storm water run-off	All spillages from any potential contaminants will be safely and immediately removed and disposed of at an appropriate site

Biodiversity	
Concern	**Mitigation measures**
Excavation and clearance of site, and building of plant	Development will be restricted to the proposed site
	Noise will be kept to a minimum to reduce the impact of the development on the fauna residing on the site
	Natural wetland vegetation will be left undisturbed where possible

Dust	
Concern	**Mitigation measures**
Dust pollution from vegetation clearance, earthworks and increased traffic	Where possible, all major haul routes within the operating area will be paved
	Wet suppression measures of unpaved areas will be implemented
Fugitive dust emissions from materials handling operations	Ambient dust deposition rates will be continuously monitored, with monitoring stations positioned at the nearest industrial and residential receptors as well as at source.
Emissions from the plant	Bag filters

Sephaku Ash

The Sephaku Ash plant is located on the property of the Eskom Kendal Power Station and its relative environmental impact is included within the power station's activities. This is therefore accounted for by Eskom.

Focus on cement extenders

Besides being one of the most energy-intensive industries, cement manufacture is also responsible for approximately 3% of the world's GHG emissions. This is primarily as a result of the CO_2 emissions that are discharged during decarbonisation that occurs when the quarried limestone and silicate ingredients such as sand or clay, are preheated before the mixture goes into the kiln. These stoichiometric emissions are, unfortunately, a necessary part of clinker production and cannot be reduced through energy efficiency measures or fuel substitution.

Emissions, however, can be reduced, through the use of cement extenders, which can be added to the clinker to 'extend' the mileage of every tonne of clinker produced. In this way, lower emissions and less electricity consumption can be achieved per unit of cement produced.

Estimated key group indicators

	Aganang
Water consumption	<800 m^3/day
Energy consumption	104 kWh/t cement-in-silo
Waste material generated	–
Waste material recycled	28 500tpa bottoms ash 149 600tpa synthetic gypsum
CO_2 emissions	627 kg CO_2/t cement
SO_2 emissions	Not yet available
Closure liability	R6,86 million

Independent auditors' report to the shareholders of Sephaku Holdings Limited

PKF

chartered accountants
& business advisers

We have audited the consolidated and separate financial statements of Sephaku Holdings Limited set out on pages 54 to 98, which comprise the statements of financial position as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sephaku Holdings Limited as at 30 June 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS, and the requirements of the Companies Act.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2012, we have read the directors' report, the audit and risk committee report and the statement from the secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PKF (Gauteng) Inc

PKF (Gauteng) Inc.
Registration Number 2000/026635/21
Registered Auditors
Chartered Accountants (S.A.)

Director: **R Huiskamp**
Johannesburg
25 September 2012

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Directors' responsibilities and approval

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 46.

The financial statements set out on pages 48 to 99, which have been prepared on the going concern basis, were approved by the board on 25 September 2012 and were signed on its behalf by:

NR Crafford-Lazarus

Dr L Mohuba

Centurion, South Africa
25 September 2012

Directors' report

for the year ended 30 June 2012

The directors submit their report for the year ended 30 June 2012.

1. Review of activities

Main business and operations

The group is engaged as a holding company for the exploration and development of mineral assets and operates principally in South Africa.

Significant transactions:

The Sephaku Holdings group has restructured during the year in order to represent a more defined and focused investment opportunity to the market. Sephaku Holdings has distributed all of the shares that it held in Sephaku Fluoride to its shareholders as a dividend *in specie* on 26 March 2012.

The Sephaku Fluoride distribution has resulted in the creation of two separate entities: Sephaku Fluoride, which focuses on fluorspar assets, and Sephaku Holdings, which focuses on the acquisition, exploration and development of various mineral interests, with a particular current focus on the development of limestone-related assets. Subsequent to the restructuring, Sephaku Holdings retained its 36% interest in Sephaku Cement which is recognised as an equity accounted investment in associate (note 31).

On 8 May 2012 Sephaku Holdings disposed its 26% interest in African Nickel Holdings for a cash consideration of R15,7 million (note 31).

The operating results and state of affairs of the Company are fully set out in the attached financial statements and do not, in our opinion, require any further comment other than those expressed in other parts of the Integrated Report.

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after the reporting period

Sephaku Holdings has entered into negotiations, which negotiations are at an advanced stage regarding the potential acquisition of a company that operates in the construction and building material supplies industry. The acquisition, if successful, is expected to have synergistic benefits for Sephaku Holdings and its associate, Sephaku Cement. The acquisition is in line with Sephaku Holdings stated strategy of focusing on cement and cement related products.

The directors are not aware of any other matters or circumstances arising since the end of the financial year that could materially affect the financial statements.

4. Accounting policies

No new accounting policies were applied during the current reporting period.

5. Authorised, issued stated capital and dividends

There were no changes in the authorised stated capital of the group and company during the year under review. All the authorised and issued shares have no par value.

Refer to note 15 for further details on authorised and issued stated capital.

2,5 million listed shares in Sephaku Holdings were issued on 12 October 2011 to Umbono Fluorspar Wallmansthal. These shares were issued as part of the purchase price for the acquisition of a Prospecting right for the Fluorspar deposit on the Wallmansthal Agricultural Holdings.

On 26 March 2012 a dividend *in specie* of R101 092 918 was declared out of the contributed tax capital of Sephaku Holdings for the distribution of issued shares in Sephaku Fluoride to Sephaku Holdings shareholders (note 31).

6. Borrowing limitations

In terms of the MOI of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate. The MOI authorise unlimited borrowing powers. At 30 June 2012 the Company had no long-term borrowings.

7. Share incentive scheme

The full amount of 5 740 000 share options granted to employees on 31 March 2008 in terms of an employee share incentive scheme have vested.

An additional 10 million share options were granted to employees on 15 October 2010 and 3,5 million share options on 29 June 2012.

Refer to note 16 for details about share-based payments during the current financial year.

8. Non-current assets

Details of major changes in the nature of the non-current assets of the group during the year were as follows:

Additions to intangible assets of the group amounted to R28 097 782 (2011: R12 134 838) and disposals due to the unbundling of Sephaku Fluoride amounted to R86 179 642 (2011: R39 666 538) (note 4).

Additions to property, plant and equipment of the group amounted to R38 150 882 (2011: R25 415 274) and disposals due to the unbundling of Sephaku Fluoride amounted to R52 043 608 (2011: R425 972 818) (note 3).

There were no changes in the nature of the non-current assets of the group or in the policy relating to the use of the non-current assets.

9. Mineral resource and mineral reserve statements

Refer to pages 13 and 15 of this integrated report for the Company's mineral resource and mineral reserve statements.

10. Directors

The directors of the Company during the year and to the date of this report are as follows:

Name	Position	Changes
B Williams	Chairman – Independent non-executive director	Appointed 3 May 2012
Dr L Mohuba	Chief executive officer (CEO)	Dr L Mohuba was appointed as CEO on 28 March 2012 (previously appointed as chairman).
NR Crafford-Lazarus	Financial director (FD)	NR Crafford-Lazarus was appointed as FD on 28 March 2012 (previously appointed as CEO).
RR Matjiu	Executive director	
CRDW de Bruin	Non-executive director	
PF Fourie	Non-executive director	
Dr GS Mahlati	Non-executive director	Resigned 2 July 2012
MM Ngoasheng	Non-executive director	
Dr D Twist	Non-executive director	
MG Mahlare	Independent non-executive director	
J Bennette	Alternate director to RR Matjiu	
JW Wessels	Alternate director to CRDW de Bruin	

All the directors listed above are South African citizens.

11. Secretary

The secretary of the Company is J Bennette of:

Business address	South Downs Office Park Block A, Ground Floor Cnr John Vorster and Karee streets Irene, X54 0062
Postal address	PO Box 68149 Highveld 0169

12. Interest in subsidiaries

Name of subsidiary	Date of unbundling/ disposal/loss of control	Net income (loss) after tax (to date of disposal where disposed)
2012		
Sephaku Fluoride Limited and subsidiaries	23 March 2012	(8 149 126)
Sephaku Cement Investment Holdings Limited	–	–
2011		
Sephaku Fluoride Limited and subsidiaries	–	(19 138 741)
Sephaku Cement Investment Holdings Limited	–	(4 150)
Sephaku Limestone and Exploration (Pty) Limited	14 December 2010	(2 795)
Sephaku Cement (Pty) Limited and subsidiaries	15 October 2010	(16 769 182)
Incubex Minerals Limited	31 October 2010	(704 394)
Sephaku PGM Holdings (Pty) Limited and subsidiaries	31 October 2010	–
Sephaku Vanadium (Pty) Limited	31 October 2010	(6 084)
Sephaku Coal Holdings Limited and subsidiaries	31 October 2010	(1 176 687)
Sephaku Tin (Pty) Limited	31 October 2010	(115 970)
Sephaku Uranium (Pty) Limited	31 October 2010	(38 200)
Aquarella Investments 555 (Pty) Limited	31 October 2010	–
Ergomark (Pty) Limited	31 October 2010	(27 892)
Uliphon (Pty) Limited	31 October 2010	(600)

Details of the Company's investment in subsidiaries are set out in note 5.

13. Special resolutions

Sephaku Holdings Limited and its subsidiaries have passed no special resolutions of material interest or of a substantive nature during the current reporting period.

14. Auditors

PKF (Gauteng) Inc. was appointed as the group's auditors during the financial year in accordance with section 90 of the Companies Act. At the AGM shareholders will be requested to re-appoint PKF (Gauteng) Inc as auditors of the group.

15. Shareholders information

Major shareholders

Shareholders holding more than 5% of the issued stated capital	Number of shares	% holding
Credit Suisse AG Zurich	22 699 874	13,21
Safika Resources (Pty) Limited	15 580 823	9,07
CRDW de Bruin	11 993 908	6,98
Lelau Mohuba Trust	10 463 767	6,09
Bank of New York	9 924 962	5,78

Public and non-public shareholders

	Shares held	%	Number of shareholders	%
Public	114 181 883	66,5	792	98,0
Non-public	57 608 849	33,5	16	2,0
– Directors' direct holdings	36 109 889	21,0	9	1,1
– Directors' indirect holdings	16 966 826	9,9	2	0,2
– Directors' associates	4 532 134	2,6	5	0,6
	171 790 732	**100**	**808**	**100**

Shareholder spread

	Shares held	%	Number of shareholders	%
1 – 1 000	34 316	0,02	62	7,67
1 001 – 10 000	1 436 501	0,84	239	29,58
10 001 – 50 000	7 200 415	4,19	312	38,61
50 001 – 100 000	5 417 871	3,15	78	9,65
100 001 – 500 000	18 832 955	10,96	72	8,91
500 001 – 1 000 000	9 549 888	5,56	14	1,73
1 000 001 shares and over	129 318 786	75,28	31	3,84
	171 790 732	**100**	**808**	**100**

Beneficial shareholdings of directors (and associates):

	2012			2011		
Director	**Direct**	**Indirect**	**Associates**	**Direct**	**Indirect**	**Associates**
Dr L Mohuba	1 637 202	10 463 767	390 000	1 917 202	10 463 767	390 000
NR Crafford-Lazarus	1 512 728	–	–	1 512 728	–	–
ME Smit	–	–	–	1 208 663	–	2 600 276
RR Matjiu	3 585 923	–	–	3 585 923	–	–
CRDW de Bruin	12 993 908	–	1 427 134	13 069 188	–	1 620 600
MM Ngoasheng	–	–	720 000	–	–	720 000
Dr GS Mahlati	1 298 653	–	100 000	1 298 653	–	1 266 880
PF Fourie	–	6 503 059	–	–	6 645 159	–
JW Wessels	1 265 048	–	–	1 265 048	–	–
Dr D Twist	–	13 154 333	1 895 000	13 154 333	–	1 895 000
J Bennette	650 000	–	–	700 000	–	–
MG Mahlare	12 094	–	–	–	–	–
	22 955 556	**30 121 159**	**4 532 134**	**37 723 832**	**17 108 926**	**8 492 756**

There have been no changes in the beneficial interests of the directors in the stated capital between the end of the financial year and the date of approval of these annual financial statements.

Directors' interest in share options:

	Number of share options at exercise price of R2,50	Number of share options at exercise price of R3,50	Number of share options at exercise price of R1,90
Director	**Granted 31 March 2008**	**Granted 15 October 2010**	**Granted 29 June 2012**
Dr L Mohuba	1 000 000	715 000	750 000
NR Crafford-Lazarus	750 000	715 000	750 000
RR Matjiu	300 000	200 000	300 000
CRDW de Bruin	–	500 000	–
PF Fourie	–	715 000	–
MM Ngoasheng	500 000	200 000	–
J Bennette	175 000	150 000	250 000
Dr D Twist	150 000	–	–
JW Wessels	250 000	715 000	750 000
	3 125 000	**3 910 000**	**2 800 000**

None of the share options has been exercised by any of the directors as yet. Refer to note 16 for more details on share options.

Statements of financial position

as at 30 June 2012

		Group		Company	
	Notes	2012 R	2011 R	2012 R	2011 R
Assets					
Non-current assets					
Property, plant and equipment	3	–	14 021 027	–	–
Intangible assets	4	–	59 200 956	–	–
Investments in subsidiaries	5	–	–	1	10 001
Investments in associates	6	625 989 987	613 468 985	634 956 656	634 956 656
Other financial assets	8	18 434 461	–	18 434 461	–
Deposits for rehabilitation	11	–	5 080 400	–	–
		644 424 448	**691 771 368**	**653 391 118**	**634 966 657**
Current assets					
Loans to group companies	7	928 050	945 022	932 199	108 585 749
Other financial assets	8	3 596 551	20 085 726	3 596 551	20 085 726
Trade and other receivables	12	26 890	11 907 477	26 890	16 518
Cash and cash equivalents	13	24 629 136	5 834 641	24 629 136	5 830 735
		29 180 627	**38 772 866**	**29 184 776**	**134 518 728**
Non-current assets held for sale	**14**	**–**	**21 164 340**	**–**	**21 164 340**
Total assets		**673 605 075**	**751 708 574**	**682 575 894**	**790 649 725**
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Stated capital	15	500 035 061	592 127 979	500 035 061	592 127 979
Reserves		10 295 477	(6 609 613)	10 295 477	6 073 233
Retained income		162 292 623	161 265 964	171 263 432	192 425 860
		672 623 161	**746 784 330**	**681 593 970**	**790 627 072**
Liabilities					
Current liabilities					
Other financial liabilities	17	–	1 062	–	–
Trade and other payables	18	981 914	4 923 182	981 924	22 653
		981 914	**4 924 244**	**981 924**	**22 653**
Total equity and liabilities		**673 605 075**	**751 708 574**	**682 575 894**	**790 649 725**
Net asset value per share (cents)	37	391,54	441,13		
Tangible net asset value per share (cents)	37	391,54	406,16		

Statements of comprehensive income

for the year ended 30 June 2012

		Group		Company	
	Notes	2012 R	2011 R	2012 R	2011 R
Other income		463 230	1 929 999	463 230	1 930 000
Operating expenses		(16 157 167)	(20 920 104)	(16 157 167)	(21 539 083)
(Loss)/profit on disposal of companies		(5 629 161)	2 288 774	(5 629 161)	1 436 446
Profit on dilution of interest in companies		–	407 708 939	–	200 347 044
Operating (loss)/profit	21	**(21 323 098)**	**391 007 608**	**(21 323 098)**	**182 174 407**
Investment income	22	127 299	1 089 580	127 299	1 089 580
Loss from equity accounted investments	6	(107 622)	(8 859 048)	–	–
Finance costs	23	(8)	(108)	(8)	(108)
(Loss)/profit before taxation		**(21 303 429)**	**383 238 032**	**(21 195 807)**	**183 263 879**
Taxation	24	–	(1 558 054)	–	(1 558 054)
(Loss)/profit from continuing operations		**(21 303 429)**	**381 679 978**	**(21 195 807)**	**181 705 825**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	14	22 296 709	(37 980 545)	–	–
Profit/(loss) for the year		**993 280**	**343 699 433**	**(21 195 807)**	**181 705 825**
Other comprehensive income/(loss):					
Effects of cash flow hedges net of tax		–	52 299 798	–	–
Loss on property revaluation		–	(102 777 181)	–	–
Share of other comprehensive income/(loss) from associates		12 682 846	(12 682 846)	–	–
Taxation related to components of other comprehensive income		–	16 238 898	–	–
Other comprehensive income/(loss) for the year net of taxation	26	**12 682 846**	**(46 921 331)**	**–**	**–**
Total comprehensive income/(loss) for the year		**13 676 126**	**296 778 102**	**(21 195 807)**	**181 705 825**
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		13 676 126	303 550 474	(21 195 807)	181 705 825
Non-controlling interest	26	–	(6 772 372)	–	–
		13 676 126	**296 778 102**	**(21 195 807)**	**181 705 825**
Basic (loss)/earnings per share from total operations (cents):	37	**0,58**	**213,07**		
Continuing operations		(12,45)	236,62		
Discontinued operations		13,03	(23,55)		
Diluted (loss)/earnings per share from total operations (cents):	37	**0,53**	**194,41**		
Continuing operations		(11,42)	215,89		
Discontinued operations		11,95	(21,48)		

Statements of changes in equity

for the year ended 30 June 2012

	Notes	Stated capital	Hedging reserve
		R	R
Group			
Balance at 1 July 2010		**225 214 992**	**(41 954 898)**
Changes in equity			
Total comprehensive income/(loss) for the year		–	29 272 052
Issue of shares		47 053 932	–
Employees share option scheme		–	–
Dilution of control in Sephaku Cement (Pty) Limited		319 859 055	–
Dividend *in specie*	31	–	–
Total changes		366 912 987	29 272 052
Balance at 1 July 2011		**592 127 979**	**(12 682 846)**
Changes in equity			
Total comprehensive income for the year		–	12 682 846
Issue of shares		9 000 000	–
Employees share option scheme		–	–
Dividend *in specie*	31	(101 092 918)	–
Total changes		(92 092 918)	12 682 846
Balance at 30 June 2012		**500 035 061**	**–**
Notes		15	26

Dividend *in specie* per share: R0,59 (2011: R0,09)
(2012: Unbundling of Sephaku Fluoride)
(2011: Unbundling of Incubex Minerals)

Revaluation reserve	Equity based share option reserve	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
R	R	R	R	R	R	R
69 421 011	**4 525 072**	**31 991 185**	**149 208 601**	**406 414 778**	**71 674 038**	**478 088 816**
(69 421 011)	–	(40 148 959)	343 699 433	303 550 474	(6 772 372)	296 778 102
–	–	–	–	47 053 932	–	47 053 932
–	1 548 161	1 548 161	1 781 680	3 329 841	–	3 329 841
–	–	–	(319 859 055)	–	(64 901 666)	(64 901 666)
–	–	–	(13 564 695)	(13 564 695)	–	(13 564 695)
(69 421 011)	1 548 161	(38 600 798)	12 057 363	340 369 552	(71 674 038)	268 695 514
–	**6 073 233**	**(6 609 613)**	**161 265 964**	**746 784 330**	**–**	**746 784 330**
–	–	12 682 846	993 280	13 676 126	–	13 676 126
–	–	–	–	9 000 000	–	9 000 000
–	4 222 244	4 222 244	33 379	4 255 623	–	4 255 623
–	–	–	–	(101 092 918)	–	(101 092 918)
–	4 222 244	16 905 090	1 026 659	(74 161 169)	–	(74 161 169)
–	**10 295 477**	**10 295 477**	**162 292 623**	**672 623 161**	**–**	**672 623 161**
26	16					

Statements of changes in equity continued

for the year ended 30 June 2012

	Notes	Stated capital
		R
Company		
Balance at 1 July 2010		**545 074 047**
Changes in equity		
Total comprehensive income for the year		–
Issue of shares		47 053 932
Employees share option scheme		–
Dividend *in specie*	31	–
Total changes		47 053 932
Balance at 1 July 2011		**592 127 979**
Changes in equity		
Total comprehensive loss for the year		–
Issue of shares		9 000 000
Employees share option scheme		–
Dividend *in specie*	31	(101 092 918)
Total changes		(92 092 918)
Balance at 30 June 2012		**500 035 061**
Notes		15

Hedging reserve	Revaluation reserve	Equity based share option reserve	Total reserves	Retained income	Total attributable to equity holders of the Company
R	R	R	R	R	R
–	**–**	**4 525 072**	**4 525 072**	**24 518 899**	**574 118 018**
–	–	–	–	181 705 825	181 705 825
–	–	–	–	–	47 053 932
–	–	1 548 161	1 548 161	1 781 680	3 329 841
–	–	–	–	(15 580 544)	(15 580 544)
–	–	1 548 161	1 548 161	167 906 961	216 509 054
–	**–**	**6 073 233**	**6 073 233**	**192 425 860**	**790 627 072**
–	–	–	–	(21 195 807)	(21 195 807)
–	–	–	–	–	9 000 000
–	–	4 222 244	4 222 244	33 379	4 255 623
–	–	–	–	–	(101 092 918)
–	–	4 222 244	4 222 244	(21 162 428)	(109 033 102)
–	**–**	**10 295 477**	**10 295 477**	**171 263 432**	**681 593 970**
26	26	16			

Statement of cash flows

for the year ended 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Notes	R	R	R	R
Cash flows from operating activities					
Cash used in operations	27	(19 773 068)	(51 220 686)	(7 548 051)	(16 032 245)
Interest income		205 532	1 089 580	127 299	1 089 580
Finance costs		(208 583)	(108)	(8)	(108)
Tax paid	28	–	(1 649 196)	–	(1 649 196)
Net cash from operating activities		**(19 776 119)**	**(51 780 410)**	**(7 420 760)**	**(16 591 969)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(17 650 881)	(25 415 274)	–	–
Purchase of other intangible assets	4	(19 048 263)	(12 134 838)	–	–
Acquisition of shares in wholly-owned subsidiary	31	–	–	(104 244 837)	–
Dilution of interest in subsidiary to associate	30	–	5 720 247	–	–
Disposal of interest in subsidiaries and associates	31	801 344	–	15 700 000	–
Decrease in other financial assets		1 186 015	32 923 236	2 186 709	32 923 236
Deposits for rehabilitation		–	(5 020 500)	–	–
Net cash from investing activities		**(34 711 785)**	**(3 927 129)**	**(86 358 128)**	**32 923 236**
Cash flows from financing activities					
Proceeds on share issue	15	–	47 053 932	–	47 053 932
Increase/(decrease) in other financial liabilities		66 983 023	(42 237)	–	–
Decrease/(increase) in loans with group companies		6 299 376	(368 083)	112 577 289	(60 379 534)
Net cash from financing activities		**73 282 399**	**46 643 612**	**112 577 289**	**(13 325 602)**
Total cash and cash equivalents movement for the year		**18 794 495**	**(9 063 927)**	**18 798 401**	**3 005 665**
Cash and cash equivalents at the beginning of the year		5 834 641	14 898 568	5 830 735	2 825 071
Total cash and cash equivalents at end of the year	**13**	**24 629 136**	**5 834 641**	**24 629 136**	**5 830 736**

1. Presentation of financial statements

The financial statements have been prepared in accordance with IFRS and the Companies Act, the JSE Listings Requirements and the AC 500 series of interpretations as issued by the Accounting Practices Board. The financial statements have been prepared on the historical cost basis, except for the measurement of property at revalued amounts, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities, including special purpose entities, which are controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made, when necessary, to the financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

Non-controlling interest arising from a business combination is measured either at its share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination and disclosed in the note for business combinations.

1. Presentation of financial statements continued

1.1 Consolidation continued

Business combinations continued

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously in other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested at least annually for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Investment in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the group's share of net assets of the associate, less any impairment losses.

The group recognises its share of losses of the associate to the extent of the group's net investment in the associate.

The group's share of unrealised intra company gains are eliminated upon consolidation and that the groups share of intra company losses are also eliminated, provided they do not provide evidence that the asset transferred is impaired.

The group's share of post acquisition profits or losses, other comprehensive income and movements in equity of the associate are included in the group's profit or loss, other comprehensive income and equity reserves respectively.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Loans and other receivables

The group assesses its loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Options granted

Management used the Black Scholes model to determine the value of the options at issue date. Additional details regarding the estimates are included in the note 16 Share-based payments.

Impairment testing of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill, intangible and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested at each reporting date for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows, used to determine the value in use of non-financial assets, are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

The revaluation surplus in equity related to a specific item of property is transferred directly to retained earnings when the asset is derecognised.

1. Presentation of financial statements continued

1.3 Property, plant and equipment continued

Plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	10 years
Ash processing plant	1 – 20 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	6 years
IT equipment	3 years
Lab equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Land is not depreciated.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Site restoration and dismantling cost

The group has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets is reviewed at every period-end.

Re-assessing the useful life of an intangible asset with a finite useful life after it was classified as having an indefinite useful live is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years
Exploration assets	Not amortised

1.6 Investments in subsidiaries

Company financial statements

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1. Presentation of financial statements continued

1.7 Investments in associates

Company financial statements

An investment in an associate is carried at cost less any accumulated impairment.

1.8 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Financial liabilities (loans payable, trade and other payables and bank overdrafts) are subsequently measured at amortised cost, using the effective interest method.

No discounting is applied for instruments at amortised cost where the effects of the time value of money are not considered to be material.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations, specified in the contract, expire or are discharged or cancelled.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables and are subsequently measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Transaction costs are included in the initial value recognised. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Transaction costs are included in the initial value recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Hedging activities

Derivatives designated as hedging instruments are classified as held for trading.

The group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or on foreign currency risk of a firm commitment (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1. Presentation of financial statements continued

1.8 Financial instruments continued

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other income'.

Amounts accumulated in equity are reclassified from other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity in other comprehensive income and included in the initial measurement of the cost of the asset .

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss as a reclassification adjustment through in other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss as a reclassification adjustment from other comprehensive income.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, in other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited in other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Non-current assets held for sale, disposal groups and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

The results of discontinued operations are shown as a single amount on the statement of comprehensive income comprising the post-tax loss of discontinued operations. A discontinued operation is a group of cash-generating units that has been disposed of and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

1.12 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

1. Presentation of financial statements continued

1.12 Impairment of assets continued

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss, recognised in prior periods for assets other than goodwill, may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation, other than goodwill, is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.13 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

For all share-based payment transactions management assess, at each reporting period, until vesting the number of options expected to vest. Changes in the estimated number of options expected to vest will be accounted for as part of the cost recognised in each period with the corresponding adjustment taken to equity or to a liability.

For equity settled share-based payment transactions the fair value of the options are determined on grant date and are not subsequently adjusted, whilst for cash settled options the fair value of the options is recalculated at each reporting date up to and including settlement date.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.16 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1. Presentation of financial statements continued

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are expensed.

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.19 Operating segments

An operating segment is a component of an entity:
- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance, and
- for which concrete financial information is available.

Business segments, for management purposes, are those minerals and commodities regarded as key to the Company's business model and which are actively managed by the Company. The Company does not regard geographical segments as reportable.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 24 Related Party Disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- the name of the government and nature of the relationship
- information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group adopted the amendment for the first time in the 2012 financial statements. The impact of the amendment is not material.

2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group adopted the amendment for the first time in the 2012 financial statements. The impact of the amendment is not material.

2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements

The amendment provides new requirements to group together items within Other Comprehensive Income that may be reclassified to the profit or loss section of the statement of comprehensive income to facilitate the assessment of their impact on the overall performance of the entity.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group adopted the amendment for the first time in the 2012 financial statements. The impact of the amendment is not material.

IFRS 7 Amendments to IFRS 7 (AC 144) Disclosures – Transfers of financial assets

Amended the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

The effective date of the amendment is for years beginning on or after 1 July 2011. The group adopted the amendment for the first time in the 2012 financial statements. The impact of the amendment is not material.

2. New standards and interpretations continued

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2012 or later periods:

IFRS 10 Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the Company's financial statements.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended Standard now only deals with separate financial statements. The effective date of the amendment is for years beginning on or after 1 January 2013.

The group expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Venturers. The standard defines a Joint arrangement as existing only when decisions about relevant activities requires the unanimous consent of the parties sharing joint control in terms of a contractual arrangement. The standard identifies two types of joint arrangements as:

- Joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their financial statements.
- Joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their financial statements.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the Company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in Subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the Company's financial statements.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the Company's financial statements.

IAS 1 Presentation of Financial Statements

The amendment now requires items of other comprehensive income to be presented as:

- Those which will be reclassified to profit or loss
- Those which will not be reclassified to profit or loss.

The related tax disclosures are also required to follow the presentation allocation.

In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

The effective date of the amendment is for years beginning on or after 1 July 2012.

The group expects to adopt the amendment for the first time in the 2012 financial statements.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities.
The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through profit or loss. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations. It is unlikely that the standard will have a material impact on the Company's financial statements.

3. Property, plant and equipment

	2012			2011		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
Group						
Land	–	–	–	3 872 375	–	3 872 375
Buildings	–	–	–	2 892 530	(8 137)	2 884 393
Chemical Plant	–	–	–	7 264 259	–	7 264 259
Total	**–**	**–**	**–**	**14 029 164**	**(8 137)**	**14 021 027**

Reconciliation of property, plant and equipment – Group – 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3 872 375	32 660 473	(36 532 848)	–	–
Buildings	2 884 393	–	(2 775 428)	(108 965)	–
Chemical plant	7 264 259	5 209 980	(12 474 239)	–	–
Motor vehicles	–	225 488	(207 078)	(18 410)	–
Computer equipment	–	54 941	(54 015)	(926)	–
	14 021 027	**38 150 882**	**(52 043 608)**	**(128 301)**	**–**

Disposals during 2012 relate to the removal of Sephaku Fluoride group's assets due to the unbundling of Sephaku Holdings Limited's interest in Sephaku Fluoride Limited (note 31).

Reconciliation of property, plant and equipment – Group – 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land	126 481 000	6 872 375	(129 481 000)	–	3 872 375
Buildings	860 866	3 007 794	(949 575)	(34 692)	2 884 393
Chemical plant	5 404 784	1 859 475	–	–	7 264 259
Cement manufacturing plant	204 870 686	8 857 105	(213 727 791)	–	–
Furniture and fixtures	821 900	123 643	(895 768)	(49 775)	–
Motor vehicles	–	372 173	(365 012)	(7 161)	–
Office equipment	441 895	–	(412 034)	(29 861)	–
IT equipment	1 348 588	275 618	(1 388 621)	(235 585)	–
Plant equipment	–	52 168	(52 122)	(46)	–
Ash processing plant	72 285 862	72 797	(70 385 702)	(1 972 957)	–
Milling plant	4 220 374	3 922 126	(8 142 500)	–	–
Lab equipment	184 769	–	(172 693)	(12 076)	–
	416 920 724	**25 415 274**	**(425 972 818)**	**(2 342 153)**	**14 021 027**

Disposals during 2011 relate to the removal of Sephaku Cement group's assets due to the dilution of Sephaku Holdings Limited's interest in Sephaku Cement (note 30).

4. Intangible assets

	2012			2011		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Group						
Exploration assets	–	–	–	59 200 956	–	59 200 956

Reconciliation of intangible assets – Group – 2012						
	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Exploration assets	59 200 956	28 097 782	(86 179 642)	–	(1 119 096)	–

Disposals during 2012 relate to the removal of Sephaku Fluoride group's assets due to the unbundling of Sephaku Holdings Limited's interest in Sephaku Fluoride (note 31).

Reconciliation of intangible assets – Group – 2011						
	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software	2 287 340	–	(1 515 846)	(771 494)	–	–
Exploration assets	86 703 147	12 134 838	(38 150 692)	–	(1 486 337)	59 200 956
	88 990 487	**12 134 838**	**(39 666 538)**	**(771 494)**	**(1 486 337)**	**59 200 956**

Disposals during 2011 relate to assets transferred to Incubex as part of the unbundling (note 31) and also the removal of Sephaku Cement group's assets due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 30).

There were indications that certain exploration assets were no longer economically viable and were therefore cancelled and fully impaired.

5. Investments in subsidiaries

Name of company	% holding	% holding	Carrying amount 2012	Carrying amount 2011
Sephaku Fluoride Limited	– %	100%	–	10 000
Sephaku Cement Investment Holdings Limited	100%	100%	1	1
			1	**10 001**

Subsidiaries are shown at carrying amounts.

All the subsidiaries are registered and operate within South Africa.

Sephaku Holdings subscribed for an additional 177 064 202 shares in Sephaku Fluoride at R0,58875 per share, of which 5 373 470 Sephaku Fluoride shares were sold to Cross Company Management at R0,58875 a share, to be held for the benefit of the holders of certain vested options over Sephaku Holdings shares. All the shares held by Sephaku Holdings were then distributed to Sephaku Holdings shareholders by way of a dividend *in specie* of R101 092 918 out of the contributed tax capital of Sephaku Holdings (note 31).

6. Investments in associates

			Group		Company	
			2012 R	2011 R	2012 R	2011 R
	% holding	% holding				
Name of company	**2012**	**2011**				
Sephaku Cement (Pty) Limited	35,994	35,994	625 989 987	613 414 763	634 956 656	634 956 656
Defacto Investments 275 (Pty) Limited	–	26,00	–	54 170	–	–
Kruidfontein Minerals (Pty) Limited	–	26,00	–	52	–	–
African Nickel Holdings (Pty) Ltd	–	26,00	–	–	–	–
			625 989 987	**613 468 985**	**634 956 656**	**634 956 656**

All the associates are unlisted.

Disposal of Defacto Investments 275 and Kruidfontein Minerals (previously known as Finishing Touch Trading) during 2012 relates to the removal of Sephaku Fluoride group's assets due to the unbundling of Sephaku Holdings Limited's interest in Sephaku Fluoride (note 31).

Sephaku Holdings disposed its 26% interest in African Nickel Holdings for a cash consideration of R15,7 million on 8 May 2012 (note 31). On 15 October 2010 the investment in Sephaku Cement was recognised at a fair value of R634 956 656 and on consolidation adjusted for the change in Sephaku Holdings Limited's share of the loss of the investee as from 15 October 2010 to reporting date amounting to R107 622 (2011: R8 859 047) and share of the other comprehensive income of the investee from 15 October 2010 to reporting date of R12 682 846 (2011: R12 682 846 loss) (note 26).

Summary of groups interest in Sephaku Cement and its subsidiaries

	2012 R	2011 R
Total assets	1 239 624 827	1 162 149 110
Total liabilities	(139 085 886)	(96 547 170)
Revenue	23 549 459	13 718 063
Loss for the period	(298 999)	(24 612 567)

	Group		Company	
	2012 R	2011 R	2012 R	2011 R

7. Loans to group companies

Subsidiaries				
Sephaku Fluoride Limited	–	–	–	44 222 098
Sephaku Cement Investment Holdings Limited	–	–	4 149	4 149
Nokeng Fluorspar Mine (Pty) Limited	–	–	–	63 414 480
	–	**–**	**4 149**	**107 640 727**

The loans were unsecured, bore no interest and were repayable by mutual agreement.

On 23 March 2012 Sephaku Holdings subscribed for 177 064 202 Sephaku Fluoride shares in cash. On the same day Sephaku Fluoride applied the proceeds of this subscription to settle the claim of R104 244 837 held by Sephaku Holdings against Sephaku Fluoride and its subsidiary Nokeng Fluorspar Mine.

Associates				
Sephaku Cement (Pty) Limited	928 050	945 022	928 050	945 022
The loan is unsecured, bears no interest and is repayable on demand.				
Total	**928 050**	**945 022**	**932 199**	**108 585 749**

8. Other financial assets

Loans and receivables				
African Nickel Holdings (Pty) Limited	3 596 551	7 825 378	3 596 551	7 825 378
Cross Company Management (Pty) Limited	18 434 461	8 367 943	18 434 461	8 367 943
Incubex Minerals Limited	–	3 892 405	–	3 892 405
	22 031 012	**20 085 726**	**22 031 012**	**20 085 726**
Non-current assets				
Loans and receivables	18 434 461	–	18 434 461	–
Current assets				
Loans and receivables	3 596 551	20 085 726	3 596 551	20 085 726
	22 031 012	**20 085 726**	**22 031 012**	**20 085 726**

The loans are unsecured, bear no interest and are repayable on demand.

A loan receivable by Sephaku Fluoride from Cross Company Management (Pty) Ltd of R1 000 694 was disposed on 23 March 2012 as part of the removal of Sephaku Fluoride group's assets due to the unbundling of Sephaku Holdings' interest in Sephaku Fluoride (note 31).

9. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group – 2012	Loans and receivables	Non-financial instruments	Total
Loans to group companies	928 050	–	928 050
Other financial assets	22 031 012	–	22 031 012
Trade and other receivables	–	26 890	26 890
Cash and cash equivalents	24 629 136	–	24 629 136
	47 588 198	**26 890**	**47 615 088**

Group – 2011	Loans and receivables	Non-financial instruments	Total
Deposits for rehabilitation	5 080 400	–	5 080 400
Loans to group companies	945 022	–	945 022
Other financial assets	20 085 726	–	20 085 726
Trade and other receivables	13	11 907 464	11 907 477
Cash and cash equivalents	5 834 641	–	5 834 641
	31 945 802	**11 907 464**	**43 853 266**

Company – 2012	Loans and receivables	Non-financial instruments	Total
Loans to group companies	932 199	–	932 199
Other financial assets	22 031 012	–	22 031 012
Trade and other receivables	–	26 890	26 890
Cash and cash equivalents	24 629 136	–	24 629 136
	47 592 347	**26 890**	**47 619 237**

Company – 2011	Loans and receivables	Non-financial instruments	Total
Loans to group companies	108 585 749	–	108 585 749
Other financial assets	20 085 726	–	20 085 726
Trade and other receivables	–	16 518	16 518
Cash and cash equivalents	5 830 735	–	5 830 735
	134 502 210	**16 518**	**134 518 728**

10. Deferred tax

	Group		Company	
	2012	2011	2012	2011
	R	R	R	R
Unrecognised deferred tax asset				
Deductible temporary differences not recognised as deferred tax assets	43 805 120	54 735 872	43 805 120	32 494 098

11. Deposits for rehabilitation

In terms of section 41 of the Minerals and Petroleum Resources Development Act an applicant for a prospecting right, mining right or mining permit must make the prescribed financial provision for the rehabilitation or management of negative environmental impacts. The group made deposits with the Department of Mineral Resources in compliance herewith.

Deposits for rehabilitation of R5 080 400 disposed during 2012 relates to the removal of Sephaku Fluoride group's assets due to the unbundling of Sephaku Holdings' interest in Sephaku Fluoride (note 31).

12. Trade and other receivables

Trade receivables	–	13	–	–
Prepayments	–	8 687 500	–	–
Value Added Tax	26 890	3 219 964	26 890	16 518
	26 890	**11 907 477**	**26 890**	**16 518**

2011:
R5 500 000 was prepaid during 2011 for the purchase of Portion 1 of the Farm Naauwpoort 208 JR and a prepayment of R3 187 500 related to the purchase of machinery to be used in the chemical plant.

2012:
The prepayment of R5 500 000 in 2011 was reclassified to the cost of the property on the date of purchase. Prepayments of R3 215 000 and Vat receivables of R5 140 119 were disposed as part of the unbundling of Sephaku Holdings' interest in Sephaku Fluoride (note 31).

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	**24 629 136**	**5 834 641**	**24 629 136**	**5 830 735**

Bank balances of R14 898 656 were disposed of as part of the unbundling of Sephaku Holdings' interest in Sephaku Fluoride (note 31).

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating				
AA+	24 629 136	5 834 641	24 629 136	5 830 735

14. Disposal groups or non-current assets held for sale

	Note	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R

Profit from discontinued operations for 2012:
Sephaku Holdings has distributed all of the shares held in its subsidiary Sephaku Fluoride to its shareholders as a dividend *in specie* on 26 March 2012 (note 31). The total profit for the Sephaku Fluoride group, up to the unbundling date, is included in the statement of comprehensive income for 2012 as a profit from discontinued operations of R22 296 709.

Loss from discontinued operations for 2011:

Sephaku Holdings's interest in Sephaku Cement diluted from 80,22% to 35,994% on 15 October 2010 (note 30).

The loss incurred by Sephaku Cement and its subsidiaries, for the period 1 July 2010 to 15 October 2010 of R16 769 182 is included in the statement of comprehensive income for 2011 as loss from discontinued operations.

Sephaku Holdings has disposed of all of the issued shares in its subsidiaries to Incubex during the 2011 financial year, save for its Cement and Fluorspar interests (note 31). The total loss for the Incubex subsidiaries for the period up to the unbundling on 31 October 2010 is included in the statement of comprehensive income for 2011 as a R2 069 827 loss from discontinued operations.

On 14 December 2010 Sephaku Holdings disposed of its 51% interest in Sephaku Limestone and Exploration (Pty) Limited (note 31). Sephaku Limestone and Exploration incurred a loss for the period till 14 December 2010 of R2 795 and is disclosed as a loss from discontinued operations.

The statement of comprehensive income for 2011 has been re-presented in order to reclassify Sephaku Fluoride group's loss for 2011 of R19 138 740 as a loss from discontinued operations due to the Sephaku Fluoride unbundling on 23 March 2012.

	Note	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
Profit/(loss) of disposal groups:					
Revenue		–	5 759 678	–	–
Cost of sales		–	(2 429 633)	–	–
Gross profit		–	3 330 045	–	–
Other income		–	915 509	–	–
Operating expenses		(8 018 782)	(41 373 065)	–	–
Investment revenue		78 233	122 103	–	–
Finance costs		(208 575)	(975 137)	–	–
Taxation		–	–	–	–
Profit on unbundling of Sephaku Fluoride	20	30 445 833	–	–	–
Profit/(loss) for the year from discontinued operations		**22 296 709**	**(37 980 545)**	**–**	**–**

Non-current assets held for sale

2012:
Sephaku Holdings disposed its 26% interest in African Nickel Holdings for a cash consideration of R15,7 million on 8 May 2012 (note 31).

2011:
On 27 January 2010 the interest in African Nickel Holdings was sold to the Wu Group, an external third party, for R20 million on which a profit of R18 239 110 was recognised during the 2010 financial year. In October 2010, *in lieu* of payment by the Wu Group for the 26% interest in African Nickel Holdings, the Wu Group settled the outstanding debt by issuing back the 26% interest to Sephaku Holdings. African Nickel Holdings was carried at fair value less cost to sell of R21 million during 2011 and was disclosed as an asset held for sale.

	Note	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
The assets and liabilities of the disposal group consist of:					
Investment in associate		–	21 164 340	–	21 164 340

15. Stated capital

	Group		Company	
	2012 R	2011 R	2012 R	2011 R
Authorised				
1 000 000 000 Ordinary shares with no par value				
Reconciliation of number of shares issued:				
Number of shares at beginning of period	169 290 732	155 805 362	169 290 732	155 805 362
Number of ordinary shares issued during the year	2 500 000	13 485 370	2 500 000	13 485 370
Number of ordinary shares at end of period	**171 790 732**	**169 290 732**	**171 790 732**	**169 290 732**
The unissued ordinary shares are under the control of the directors				
Issued				
Ordinary shares with no par value	601 127 979	592 127 979	601 127 979	592 127 979
Dividend *in specie* declared out of contributed tax capital	(101 092 918)	–	(101 092 918)	–
	500 035 061	**592 127 979**	**500 035 061**	**592 127 979**

16. Share-based payments

Share option group	Number	Weighted exercise price	Total value
Share options granted during 2008 year (30/06/2008 to 30/06/2011)	200 000	1,50	300 000
Share options granted 31 March 2008	5 740 000	2,50	14 350 000
Share options granted on 15 October 2010	10 000 000	3,50	35 000 000
Share options granted on 29 June 2012	3 500 000	1,90	6 650 000
Exercised during the year	(60 000)	–	–
Exercised and expired during prior periods	(456 530)	–	–
Outstanding at the end of the year	18 923 470	–	–
Exercisable at the end of the year	5 423 470	–	–

Information on options granted on 31 March 2008

5 740 000 American style share options with an exercise price of R2,50 were granted on 31 March 2008, of which 5 423 470 options are still outstanding at year-end. These options vest over a three-year period, on the anniversary of the grant, and expire on 31 March 2015.

Fair value was determined by using the Black Scholes method. The following inputs were used:

- Exercise price, R2,50
- Expected volatility, 30%
- Option life: 1, 2 and 3 years
- Expected dividends, Nil
- The risk-free interest rate, 6,65%

As the options have vested in full, no staff cost related to equity-settled share-based payments transactions was recognised in 2012 (2011: R319 818).

During the year, 5 373 470 Sephaku Fluoride shares were sold to Cross Company Management (Pty) Limited for R0,58875, to be held for the benefit of the holders of certain vested options over Sephaku Holdings shares. On exercise date Sephaku Holdings will acquire the shares at R0,58875 from Cross Company Management (Pty) Ltd.

16. Share-based payments continued

Information on options granted on 15 October 2010
10 million American style share options were granted 15 October 2010 with an exercise price of R3,50, all of which are still outstanding at year-end. These options vest over a five-year period, on the anniversary of the grant of the third, fourth and fifth year, and expire on 15 October 2017. No option premium was paid on the date of the grant.

Fair value was determined by using the Black Scholes method. The following inputs were used:
- Exercise price, R3,50
- Expected volatility, 55%
- Option life: 3, 4 and 5 years
- Expected dividends, Nil
- The risk-free interest rate, 7,14%

Total staff cost of R 4 249 444 related to equity-settled share-based payments transactions was recognised in 2012.

Expected volatility is based on share price history. Annualised volatility up to grant date was 93%. This dropped significantly to approximately 80% in February 2011, 56% in March 2011 and 52% in June 2011. Therefore 55% was considered to be reasonable for future volatility.

On 9 February 2012 PSG Capital (Pty) Ltd prepared a report as an independent expert for the value attributable to Sephaku Holdings and Sephaku Fluoride, on the grant date of 15 October 2010, as to ensure that participants are placed in no worse position with the Sephaku Fluoride unbundling. Based on their report, it was concluded that Sephaku Holdings' strike price changed to R2,68 and an option holder will also receive a Sephaku Fluoride share at a strike price of R0,82 at the date of exercise.

Information on options granted on 29 June 2012
3,5 million American style share options with an exercise price of R1,90 were granted on 29 June 2012, all of which are still outstanding at year-end. These options vest over a five-year period, on the anniversary of the grant of the third, fourth and fifth year, and expire on 29 June 2019. No option premium was paid on the date of the grant.

Fair value was determined by using the binomial valuation method. The following inputs were used:
- Exercise price, R1,90
- Expected volatility, 55%
- Option life: 3, 4 and 5 years
- Expected dividends, Nil
- The risk-free interest rate, 6,82%

Total staff cost of R6 179 related to equity-settled share-based payments transactions was recognised in 2012. Expected volatility is based on share price history and 55% was considered to be reasonable for future volatility.

17. Other financial liabilities

	Group		Company	
	2012 R	2011 R	2012 R	2011 R
Held at amortised cost				
Sephaku Tin (Pty) Limited	–	1 062	–	–
The loan is unsecured, bears no interest and is repayable on demand.				
Current liabilities				
At amortised cost	–	1 062	–	–

	Group		Company	
	2012 R	2011 R	2012 R	2011 R

Other financial liabilities of R91 462 519 were disposed as part of the unbundling of Sephaku Holdings' interest in Sephaku Fluoride (note 31). The majority of this balance consisted of a shareholders loan of R70 750 000 from Nokeng Holdings Limited, a company incorporated in Mauritius, which loan was subsequent to the Sephaku Fluoride unbundling, converted into a 10% equity participation in Sephaku Fluoride. Also included was a R15 million outstanding balance for the purchase of Portion 1 of the farm Naauwpoort number 208 from Erichsen Wildsplaas (Pty) Limited.

18. Trade and other payables

Trade payables	399 524	305 309	399 534	22 477
Accrued expenses	333 000	4 617 873	333 000	176
Accrued audit fees	249 390	–	249 390	–
	981 914	**4 923 182**	**981 924**	**22 653**

Trade and other payables of R2 339 109 was disposed as part of the unbundling of Sephaku Holdings' interest in Sephaku Fluoride (note 31).

19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group – 2012

	Financial liabilities at amortised cost	Total
Trade and other payables	981 914	981 914

Group – 2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	1 062	1 062
Trade and other payables	4 923 182	4 923 182
	4 924 244	4 924 244

Company – 2012

	Financial liabilities at amortised cost	Total
Trade and other payables	981 924	981 924

Company – 2011

	Financial liabilities at amortised cost	Total
Trade and other payables	22 653	22 653

20. Profit on unbundling of Sephaku Fluoride

The profit on unbundling of Sephaku Fluoride of R30 445 833 originated at Sephaku Holdings group level as the difference between the fair value of the dividend *in specie* declared of R101 092 918 (note 31) and the net asset value of the Sephaku Fluoride group at the date of unbundling of R70 647 085.

21. Operating (loss)/profit

	Group		Company	
	2012 R	2011 R	2012 R	2011 R
Operating (loss)/profit for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Contractual amounts	–	527 577	–	–
Equipment				
• Contractual amounts	–	105 626	–	–
	–	**633 203**	**–**	**–**
Loss/(profit) on sale of non-current assets	5 629 161	(409 997 712)	5 629 161	(201 783 490)
Profit on unbundling of Sephaku Fluoride	(30 445 833)	–	–	–
Impairment of loans to group companies	–	131 112	–	764 141
Impairment of goodwill	–	9 900	–	–
Employee costs	5 471 013	5 789 954	5 471 013	5 789 954
Auditors remuneration	920 065	219 400	920 065	219 400

22. Investment revenue

Interest revenue				
Bank	170	64	170	64
Other interest	127 129	1 089 516	127 129	1 089 516
	127 299	**1 089 580**	**127 299**	**1 089 580**

23. Finance costs

	Group		Company	
	2012	2011	2012	2011
	R	R	R	R
Bank	8	108	8	108

24. Taxation

Major components of the tax (income)/expense				
Current				
STC	–	1 558 054	–	1 558 054
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
(Loss)/profit before taxation	(21 303 429)	383 238 032	(21 195 807)	183 263 879
Tax at the applicable tax rate of 28%	(5 964 960)	107 306 649	(5 934 826)	51 313 886
Tax effect of adjustments on taxable income				
STC	–	1 558 054	–	1 558 054
(Non-taxable)/non-deductible items	2 797 873	(111 386 470)	2 767 739	(55 567 022)
Deferred taxation not raised on tax loss	3 167 087	4 079 821	3 167 087	4 253 136
	–	**1 558 054**	**–**	**1 558 054**

The estimated tax loss available for set off against future taxable income for the group is R185 335 961 (2011: R174 024 939) and for the Company is R43 805 120 (2011: R32 494 098).

Tax provided during 2011 relates to STC paid by Sephaku Holdings Limited on the dividend *in specie* for the unbundling of Incubex.

25. Auditors' remuneration

Fees for audit services	452 065	110 000	452 065	110 000
Consulting	468 000	109 400	468 000	109 400
	920 065	**219 400**	**920 065**	**219 400**

26. Other comprehensive income

Components of other comprehensive income

Group – 2012	Gross	Tax	Share of other comprehensive income of associates	Net before non-controlling interest	Non-controlling interest	Net
Effects of cash flow hedges						
Gains /(losses) on cash flow hedges arising during the year	–	–	12 682 846	12 682 846	–	12 682 846

Group – 2011	Gross	Tax	Share of other comprehensive income of associates	Net before non-controlling interest	Non-controlling interest	Net
Effects of cash flow hedges						
Gains/(losses) on cash flow hedges arising during the year	52 299 798	–	(12 682 846)	39 616 952	(10 344 900)	29 272 052
Movements on revaluation						
Gains/(losses) on property revaluation	(102 777 181)	16 238 898	–	(86 538 283)	17 117 272	(69 421 011)
Total	**(50 477 383)**	**16 238 898**	**(12 682 846)**	**(46 921 331)**	**6 772 372**	**(40 148 959)**

The movement in other comprehensive income in the 2011 period relates to the removal of Sephaku Cement group's other comprehensive income items due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 30) and also Sephaku Holdings' interest in the other comprehensive income of Sephaku Cement as an associate as from 15 October 2010 of R12 682 846 (note 6).

27. Cash used in operations

	Group		Company	
	2012	2011	2012	2011
	R	R	R	R
Profit/(loss) for the year	993 280	343 699 433	(21 195 807)	181 705 825
Adjustments for:				
Depreciation and amortisation	128 301	3 113 647	–	–
Loss/(profit) on sale of non-current assets	5 629 161	(409 997 712)	5 629 161	(201 783 490)
Profit on unbundling of Sephaku Fluoride	(30 445 833)	–	–	–
Loss from equity accounted investments	107 622	8 859 048	–	–
Interest received	(205 532)	(1 089 580)	(127 299)	(1 089 580)
Finance costs	208 583	108	8	108
Other impairments	–	–	–	764 141
Other non-cash items	–	78 129	–	–
Taxation	–	1 558 054	–	1 558 054
Impairments	1 119 096	2 366 349	–	–
Share options recorded against salary expense	4 255 623	3 329 841	4 255 623	3 329 841
Changes in working capital:				
Inventories	–	(233 912)	–	–
Trade and other receivables	(1 974 532)	(14 770 928)	(10 372)	231 603
Trade and other payables	411 163	12 437 455	3 900 635	(748 747)
Deferred income	–	(570 618)	–	–
	(19 773 068)	**(51 220 686)**	**(7 548 051)**	**(16 032 245)**

28. Tax paid

Balance at beginning of the year	–	(33 652)	–	(91 142)
Current tax for the year recognised in profit or loss	–	(1 558 054)	–	(1 558 054)
Adjustment in respect of dilution of interest in Cement	–	(57 490)	–	–
Balance at end of the year	–	–	–	–
	–	**(1 649 196)**	**–**	**(1 649 196)**

29. Cash flows of disposal groups

2012:				
Cash flows from operating activities	(12 355 359)	(43 776 851)	–	–
Cash flows from investing activities	(28 699 838)	(46 543 342)	–	–
Cash flows from financing activities	55 949 947	70 458 336	–	–
	14 894 750	**(19 861 857)**	**–**	**–**
2011:				
Cash flows from operating activities	–	(8 545 610)	–	–
Cash flows from investing activities	–	(19 125 156)	–	–
Cash flows from financing activities	–	7 805 003	–	–
	–	**(19 865 763)**	**–**	**–**

30. Dilution of interest in subsidiary to associate

	Group		Company	
	2012	2011	2012	2011
	R	R	R	R
Fair value of assets disposed				
Property, plant and equipment	–	425 972 818	–	–
Intangible assets	–	30 402 367	–	–
Investment in associates	–	(200 347 044)	–	(200 347 044)
Deposits for rehabilitation	–	100 000	–	–
Inventories	–	233 913	–	–
Loans with group companies	–	(14 750 031)	–	–
Loans from shareholders	–	(74 694 369)	–	–
Other financial assets (other loans receivable)	–	2 645 611	–	–
Current tax receivable	–	57 490	–	–
Trade and other receivables	–	16 783 730	–	–
Cash and cash equivalents	–	(5 720 247)	–	–
Finance lease obligation	–	(285 394)	–	–
Deferred income	–	(9 149 070)	–	–
Deferred tax	–	(16 238 898)	–	–
Provisions	–	(6 714 508)	–	–
Trade and other payables	–	(22 254 357)	–	–
Share capital and share premium	–	(420 981 873)	–	–
Hedging reserve	–	52 299 798	–	–
Revaluation reserve	–	(86 538 293)	–	–
Equity items relating to minority interest and retained income on deemed dilutions	–	(78 530 582)	–	–
Total net assets disposed	–	(407 708 939)	–	(200 347 044)
Net assets disposed	–	(407 708 939)	–	(200 347 044)
Surplus recognised as profits	–	407 708 939	–	200 347 044
	–	**–**	**–**	**–**
Net cash movement on dilution of interest				
Cash movement	–	5 720 247	–	–

2011:

Dilution of interest in Cement

Sephaku Cement issued shares for cash to Dangote Industries Limited in order to settle a loan of R75,6 million. Dangote Industries also subscribed for shares in an amount of R703,4 million resulting in Dangote Industries Limited increasing its interest in Sephaku Cement from 19,76% to 64% with Sephaku Holdings retaining a 35,994% interest.

Sephaku Cement's assets and liabilities are no longer consolidated in Sephaku Holdings but are shown as an equity accounted investment in associate at a fair value of R635 million on date of dilution (note 6). Profit on dilution of interest in Sephaku Cement of R408 million is included in the statement of comprehensive income as well as a loss of R16,7 million, for the annual period to 15 October 2010 (note 14), which is classified as loss from discontinued operations, as a result of the change in Sephaku Holdings' interest in Sephaku Cement from a subsidiary to an associate.

Movement in the Sephaku Tin investment

On 8 March 2010, DL Kyle acquired a 5% interest in Sephaku Tin (Pty) Limited with the result that Sephaku Tin (Pty) Limited became a 95% subsidiary of Sephaku Holdings Limited in the 2010 period. Sephaku Holdings Limited's interest in Sephaku Tin (Pty) Limited was disposed of when it distributed its interest in Incubex Minerals Limited to its shareholders on 31 October 2010.

31. Disposal of interest in subsidiaries and associates

	Note	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
Carrying value of assets sold					
Property, plant and equipment		52 043 607	–	–	–
Intangible assets		86 179 642	9 264 171	–	–
Investment in subsidiaries		–	–	104 256 548	691
Investment in associates		54 222	412 938	–	–
Deposits for rehabilitation		5 080 400	407 160	–	–
Loans to/(from) group companies		–	(1 738 350)	–	7 887 477
Loans from shareholders		–	(9 120)	–	–
Loans to directors, managers and employees		–	1 100	–	–
Cash and cash equivalents		14 898 656	–	–	–
Other financial assets		1 000 694	6 176 948	–	7 692 376
Trade and other receivables		8 355 119	37 803	–	–
Non-current assets held for sale		21 329 161	–	21 329 161	–
Other financial liabilities (other loans payable)		(91 462 519)	(13 916)	–	–
Trade and other payables		(2 339 106)	(1 086 241)	–	–
Share capital and share premium		–	100 000	–	–
Other equity items		–	(839 872)	–	–
Total net assets sold		95 139 876	12 712 621	125 585 709	15 580 544
Non-controlling interest		–	(248)	–	–
Incubex – Goodwill		–	(5)	–	–
Sephaku Fluoride shares sold to trust		(3 163 630)	–	(3 163 630)	–
Carrying amount of interest disposed		91 976 246	12 712 368	122 422 079	15 580 544
(Loss)/profit on disposal of non-current assets held for sale		(5 629 161)	852 327	(5 629 161)	–
Profit on unbundling of Sephaku Fluoride	20	30 445 833	–	–	–
		116 792 918	**13 564 695**	**116 792 918**	**15 580 544**
Consideration received					
Cash		15 700 000	–	15 700 000	–
Equity – Dividend *in specie* out of contributed tax capital		101 092 918	13 564 695	101 092 918	15 580 544
		116 792 918	**13 564 695**	**116 792 918**	**15 580 544**
Net cash flow on disposal					
Cash consideration received		15 700 000	–	15 700 000	–
Cash disposed with unbundling		(14 898 656)	–	–	–
		801 344	**–**	**15 700 000**	**–**

31. Disposal of interest in subsidiaries and associates continued

2012:

Sephaku Fluoride unbundling

Sephaku Holdings subscribed for an additional 177 064 202 shares in Sephaku Fluoride at R0,58875 per share, of which 5 373 470 Sephaku Fluoride shares were sold to Cross Company Management at R0,58875 a share, to be held for the benefit of the holders of certain vested options over Sephaku Holdings shares, which options were issued in terms of a share scheme prior to listing.

Shareholder approval was obtained on 7 March 2012 for the distribution of all the remaining Sephaku Fluoride shares held by Sephaku Holdings to Sephaku Holdings shareholders by way of a dividend *in specie* (out of contributed tax capital) of R101 092 918, as a pro rata payment to shareholders on 26 March 2012 in the ratio of 1 Sephaku Fluoride share, valued at R0,58875 per share, for every one Sephaku Holdings share held on the Sephaku Fluoride distribution record date.

Sephaku Fluoride and its subsidiaries' assets and liabilities have been deconsolidated from Sephaku Holdings and the total profit for the Sephaku Fluoride group for the period up to the unbundling end of March 2012, is included in the statement of comprehensive income as a R22 296 709 profit from discontinued operations (note 14).

Disposal of African Nickel Holdings

Sephaku Holdings disposed its 26% interest in African Nickel Holdings for a cash consideration of R15,7 million on 8 May 2012.

The total historical cost of the investment was R3 090 050. The total profit on the disposal of the investment amounted to R12 609 950 of which a profit of R18 239 110 was recognised on the initial sale to the Wu group (note 14) and a loss of R5 629 161 was recognised during the current financial year as the difference between the fair value less cost to sell of the asset held for disposal of R21 329 161 and the selling price of R15,7 million. It was also agreed that the loan to African Nickel Holdings of R8,3 million will be repaid and R4,7 million was received as a first payment during the year.

2011:

Incubex unbundling

The group was restructured during the 2011 reporting period in order to represent a more defined and focused investment opportunity to the market. Sephaku Holdings disposed of all the shares that it held in its subsidiaries to Incubex, save for its cement and fluorspar interests.

Subsequently, Sephaku Holdings distributed all of the issued shares in Incubex to its shareholders in the form of a dividend *in specie* of R13,6 million in the ratio of one Incubex share for every ten Sephaku Holdings shares held.

The impact of the restructuring on the financial statements is the removal of the Incubex subsidiaries' assets and liabilities from the Sephaku Holdings consolidation. The total loss for the Incubex subsidiaries for the period up to the unbundling on 31 October 2010, is included in the statement of comprehensive income as a R2 million loss from discontinued operations (note 14).

Disposal of Sephaku Limestone

On 14 December 2010 Sephaku Cement purchased Sephaku Holdings' 51% interest in Sephaku Limestone and Exploration (Pty) Limited and also acquired a further 29% interest in Sephaku Limestone and Exploration (Pty) Limited from Golden Pond Trading 483 (Pty) Limited. Both transactions were settled through the issue of Sephaku Holdings shares.

32. Related parties

	Group		Company	
	2012 R	2011 R	2012 R	2011 R
Relationships				
Subsidiaries	Refer to note 5			
Associates	Refer to note 6			
Shareholder with significant influence	Dangote Industries Limited			
Company with common shareholders	Incubex Minerals Limited			
	Sephaku Fluoride Limited (subsidiary until 26 March 2012)			
Subsidiary of company with common shareholders (Sephaku Fluoride)	Nokeng Fluorspar Mine (Pty) Ltd			
Members of key management	Dr L Mohuba			
	NR Crafford-Lazarus			
	RR Matjiu			
	CRDW de Bruin			
	PF Fourie			
	Dr GS Mahlati			
	MM Ngoasheng			
	Dr D Twist			
	MG Mahlare			
	J Bennette			
	JW Wessels			
Companies with common directors	Cross Company Management (Pty) Limited			
Related party balances				
Loan accounts – Owing by related parties				
Sephaku Cement (Pty) Limited	928 050	945 022	928 050	945 022
Sephaku Fluoride Limited	–	–	–	44 222 098
Cross Company Management (Pty) Limited	18 434 461	8 367 943	18 434 461	8 367 943
Incubex Minerals Limited	–	3 892 405	–	3 892 405
Sephaku Cement Investment Holdings Limited	–	–	4 149	4 149
Nokeng Fluorspar Mine (Pty) Limited	–	–	–	63 414 480
African Nickel Holdings (Pty) Ltd	3 596 551	7 825 378	3 596 551	7 825 378
Amounts included in trade payables regarding related parties				
Cross Company Management (Pty) Ltd	(247 337)	–	(247 337)	–
Related party transactions				
Fees paid to related parties for management services				
Cross Company Management (Pty) Limited	5 628 752	13 267 598	5 628 752	6 791 795

33. Directors' emoluments

Executive

2012	Remuneration	Fees for services as director	Performance bonuses	Allowances and other	Committees fees	Remuneration for services as directors' of subsidiaries	Total
Dr L Mohuba	917 168	–	77 830	–	–	–	994 998
NR Crafford-Lazarus	871 638	–	171 055	120 000	–	754 130	1 916 823
RR Matjiu	582 377	–	71 273	100 000	–	45 670	799 320
JW Wessels	157 066	–	42 324	–	–	273 285	472 675
L van den Heever	–	–	121 200	–	–	1 104 154	1 225 354
A Smith	–	–	–	–	–	915 718	915 718
	2 528 249	**–**	**483 682**	**220 000**	**–**	**3 092 957**	**6 324 888**

Executive

2011	Remuneration	Fees for services as director	Performance bonuses	Allowances and other	Committees fees	Remuneration for services as directors' of subsidiaries	Total
Dr L Mohuba	748 577	–	320 054	–	–	120 092	1 188 723
NR Crafford-Lazarus	1 765 163	–	603 965	144 000	–	–	2 513 128
ME Smit	770 926	–	–	–	–	105 750	876 676
RR Matjiu	567 181	–	64 152	120 000	–	108 304	859 637
JW Wessels	253 300	–	311 905	–	–	326 825	892 030
J Bennette	20 270	–	–	–	–	20 270	40 540
	4 125 417	**–**	**1 300 076**	**264 000**	**–**	**681 241**	**6 370 734**

Non-executive

2012	Remuneration	Fees for services as director	Performance bonuses	Allowances and other	Committees fees	Consulting fees	Total
B Williams	–	30 000	–	–	22 000	–	52 000
CRDW de Bruin	–	–	–	–	–	819 239	819 239
Dr D Twist	–	–	–	–	–	536 922	536 922
MM Ngoasheng	–	24 000	–	–	15 000	–	39 000
MG Mahlare	–	60 000	–	–	66 000	–	126 000
Dr GS Mahlati	–	6 000	–	–	–	–	6 000
SD Steyn	–	80 000	–	–	30 000	–	110 000
	–	**200 000**	**–**	**–**	**133 000**	**1 356 161**	**1 689 161**

Non-executive							
2011	Remunera-tion	Fees for services as director	Performance bonuses	Allowances and other	Committees fees	Consulting fees	Total
CRDW de Bruin	–	–	–	–	–	749 128	749 128
PF Fourie	599 875	–	1 000 000	155 841	–	–	1 755 716
MG Mahlare	–	96 000	–	–	72 000	–	168 000
Dr GS Mahlati	–	45 000	–	–	–	–	45 000
MM Ngoaheng	–	20 000	–	–	6 000	–	26 000
Dr D Twist	–	–	–	–	–	573 091	573 091
	599 875	**161 000**	**1 000 000**	**155 841**	**78 000**	**1 322 219**	**3 316 935**

Sephaku Holdings has nine employees. A management fee is paid to Cross Company Management who employ directors and staff. The fees are calculated on the basis of time spent on company activities. The amount included as directors' emoluments is the amount paid to Cross Company Management for the services of directors to the Company and its subsidiaries (for the period the entities were subsidiaries).

Directors' emoluments paid by the Sephaku Fluoride group are only included until the end of March 2012 due to the unbundling of the Sephaku Fluoride group (note 31).

As Sephaku Cement is treated as an equity accounted associate, the remuneration of J Bennette and PF Fourie does not form part of Sephaku Holdings' Statement of Comprehensive income and the emoluments for 2012 disclosed above.

Service contracts

None of the directors of the Company have written service contracts with the Company. Directors are employed by the board and rotate in terms of the MOI.

34. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The further exploration and development of the exploration assets will require additional capital. The continuing development of the group's mineral resources and reserves will depend on the ability of directors to raise additional funds.

The capital structure of the group consists of cash and cash equivalents disclosed in note 13 and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

34. Risk management continued

Group				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2012				
Trade and other payables	981 914	–	–	–
At 30 June 2011				
Other financial liabilities	1 062	–	–	–
Trade and other payables	4 923 182	–	–	–

Company				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2012				
Trade and other payables	981 924	–	–	–
At 30 June 2011				
Trade and other payables	22 653	–	–	–

Interest rate risk

As the group has no significant interest-bearing assets or liabilities, the group's income, expenses and operating cash flows are substantially independent of changes in market interest rates. Cash funds are deposited with reputable financial institutions until such time as the funds are required. No other assets or liabilities are exposed to any interest rate risks.

Credit risk

Credit risk is managed on a group basis.

Credit risk consists of cash deposits, cash equivalents and loans receivable. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The carrying amount of financial assets represents the maximum exposure to credit risk. Financial assets exposed to credit risk are as follows:

	Group		Company	
	2012	2011	2012	2011
Financial instrument				
Loans to group companies	928 050	945 022	932 199	108 585 749
Other financial assets	22 031 012	20 085 726	22 031 012	20 085 726
Trade and other receivables	–	13	–	–
Cash and cash equivalents	24 629 136	5 834 641	24 629 136	5 830 735
Deposits for rehabilitation	–	5 080 400	–	–

35. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

36. Events after the reporting period

Sephaku Holdings is pleased to announce that it has entered into negotiations, which negotiations are at an advanced stage, regarding the potential acquisition of a company that operates in the construction and building material supplies industry. The acquisition, if successful, is expected to have synergistic benefits for Sephaku Holdings and its associate, Sephaku Cement. The acquisition is in line with Sephaku Holdings stated strategy of focusing on cement and cement related products.

The directors are not aware of any other matters or circumstances arising since the end of the financial period that could materially affect the financial statements.

37. Net asset value per share and earnings per share

	Group	
	2012 R	2011 R
Net asset value and tangible net asset value per share		
Total assets	673 605 075	751 708 574
Total liabilities	(981 914)	(4 924 244)
Net asset value attributable to equity holders of parent	672 623 161	746 784 330
Intangible assets	–	(59 200 956)
Tangible net asset value	672 623 161	687 583 374
Shares in issue	171 790 732	169 290 732
Net asset value per share (cents)	391,54	441,13
Tangible net asset value per share (cents)	391,54	406,16
Earnings, diluted earnings and headline earnings per share		
Reconciliation of basic earnings to diluted earnings and headline earnings:		
Basic (loss)/earnings and diluted (loss)/earnings from continuing operations	(21 303 429)	381 679 978
Basic earnings/(loss) and diluted earnings/(loss) from discontinued operations	22 296 709	(37 980 545)
Basic earnings and diluted earnings from total operations attributable to equity holders of parent	993 280	343 699 433
Loss/(profit) on sale of non-current assets	5 629 161	(409 997 713)
Profit on unbundling of Sephaku Fluoride	(30 445 833)	–
Impairments	1 119 096	2 366 349
Headline loss attributable to equity holders of parent	(22 704 296)	(63 931 931)
Basic weighted average number of shares	171 080 349	161 305 112
Dilutive effect of share options	15 423 470	15 483 470
Diluted weighted average number of shares	186 503 819	176 788 582
Basic (loss)/earnings per share from total operations (cents):	**0,58**	**213,07**
Continuing operations	(12,45)	236,62
Discontinued operations	13,03	(23,55)
Diluted (loss)/earnings per share from total operations (cents):	**0,53**	**194,41**
Continuing operations	(11,42)	215,89
Discontinued operations	11,95	(21,48)
Headline loss per share (cents)	**(13,27)**	**(39,63)**
Diluted headline loss per share (cents)	**(12,17)**	**(36,16)**

37. Net asset value per share and earnings per share continued

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share from continuing operations of (12,45) (2011: 236,62) cents is based on (loss)/earnings from continuing operations attributable to equity holders of the parent of (R21 303 429) (2011: R381 679 978) and the weighted average of 171 080 349 (2011: 161 305 112) shares in issue during the year.

The calculation of basic earnings per share from total operations of 0,58 (2011: 213,07) cents is based on earnings from total operations attributable to equity holders of the parent of R993 280 (2011: R343 699 433) and the weighted average of 171 080 349 (2011: 161 305 112) shares in issue during the year.

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share from continuing operations of (11,42) (2011: 215,89) cents is based on (loss)/earnings from continuing operations attributable to equity holders of the parent of (R21 303 429) (2011: R381 679 978) and the diluted weighted average of 186 503 819 (2011: 176 788 582) shares in issue during the year.

The calculation of diluted earnings per share from total operations of 0,53 (2011: 194,41) cents is based on earnings from total operations attributable to equity holders of the parent of R993 280 (2011: R343 699 433) and the diluted weighted average of 186 503 819 (2011: 176 788 582) shares in issue during the year.

Headline loss per share

The calculation of headline loss per share of (13,27) (2011: (39,63)) cents is based on the headline loss attributable to equity holders of the parent of (R22 704 296) (2011: (R63 931 931)) and the weighted average of 171 080 349 (2011: 161 305 112) shares in issue during the year.

Diluted headline loss per share

The calculation of diluted headline loss per share of (12,17) (2011: (36,16)) cents is based on headline loss attributable to equity holders of the parent of (R22 704 296) (2011: (R63 931 931)) and the diluted weighted average of 186 503 819 (2011: 176 788 582) shares.

38. Segment information

Due to the dilution of Sephaku Holdings Limited's interest in Sephaku Cement (note 30) and the unbundling of Sephaku Fluoride's and the Incubex subsidiaries' assets and liabilities (note 31), the only reportable segment in 2011 was Fluorspar. No segment reporting has therefore been presented in the current or prior reporting period.

Statement from company secretary

for the year ended 30 June 2012

I conducted the duties of company secretary for Sephaku Holdings and its subsidiaries. The secretarial matters are the responsibility of the Sephaku Holdings directors. My responsibility is providing the directors collectively and individually with guidance as to their duties, responsibilities and powers.

Opinion

In my opinion, Sephaku Holdings has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and all such returns are true, correct and up to date.

Jennifer Bennette
Company secretary

Centurion, South Africa
5 November 2012

Shareholder information

Summarised report as at 29 June 2012

Breakdown of issued capital

Type of shares	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Certificated shares	211	26,11	44 668 168	26,00
Dematerialised shares	597	73,89	127 122 564	74,00
Issued capital	808	100,00	171 790 732	100,00

Top 10 shareholders

Shareholder	Type of holding	Number of shares	% of issued capital
Credit Suisse AG Zurich	Demat	22 699 874	13,21
Safika Resources (Pty) Ltd	Cert	15 580 823	9,07
CRDW de Bruin	Demat	11 993 908	6,98
Lelau Mohuba Trust	Demat	10 463 767	6,09
Bank of New York (B)	Demat	9 924 962	5,78
Camden Bay Investments 33 (Pty) Ltd	Demat	6 817 937	3,97
The Pieter Fourie Business Trust	Demat	6 503 059	3,79
Mr JG Barkhuizen	Demat	4 498 630	2,62
Adv JG Erasmus	Demat	4 300 000	2,50
RR Matjiu	Cert	3 585 923	2,09

Range of units

Share range	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 1 000	62	7,67	34 316	0,02
1 001 – 10 000	239	29,58	1 436 501	0,84
10 001 – 50 000	312	38,61	7 200 415	4,19
50 001 – 100 000	78	9,65	5 417 871	3,15
100 001 – 500 000	72	8,91	18 832 955	10,96
500 001 – 1 000 000	14	1,73	9 549 888	5,56
1 000 001 – shares and over	31	3,84	129 318 786	75,28
	808	100	171 790 732	100

Breakdown by domicile

Domicile	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Resident shareholders	789	97,65	137 697 803	80,15
Non-resident shareholders	19	2,35	34 092 929	19,85
	808	100	171 790 732	100

Shareholders' diary

Financial year-end	30 June
Announcement of audited condensed consolidated provisional results	27 September 2012
Annual general meeting	11 January 2013
Announcement of results for the six months ended 31 December	By 31 March 2013

Notice of annual general meeting

Sephaku Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 2005/003306/06
JSE share code: SEP
ISIN code: ZAE000138459

Notice of meeting

Notice is hereby given that the AGM of the shareholders of Sephaku Holdings will be held at the Old Trafford room, Centurion Lake Hotel, 1001 Lenchen Avenue North, Centurion on 11 January 2013 at 10:00 to consider, and if deemed fit, approve the resolutions referred to below, with or without modification.

Purpose of the meeting

The purpose of this meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the memorandum and MOI of Sephaku Holdings are now referred to as the MOI, in accordance with the terminology used in the Companies Act, which became effective on 1 May 2011.

Record date

The board of directors of Sephaku Holdings has determined that the last day to trade to be eligible to participate in and vote at the AGM is Friday, 28 December 2012 and the record date for purposes of determining which shareholders of Sephaku Holdings are entitled to participate in and vote at the AGM is Friday, 4 January 2013. (Note: the record date must be a Friday and at least five business days before the AGM, and the last day to trade will be the Friday before the record date i.e. one week before the record date to allow for settlement.) Accordingly, only shareholders who are registered in the register of Sephaku Holdings on Friday, 4 January 2013 will be entitled to participate in and vote at the AGM.

Electronic participation in the AGM

To the extent applicable in terms of section 61(10) of the Companies Act and the requirements (if applicable) of Sephaku Holdings' MOI, every shareholders' meeting of a public Company must be reasonably accessible within South Africa for electronic participation by shareholders. Accordingly, shareholders or their proxies may participate in a meeting by way of a teleconference call provided that, if they wish to do so they must deliver written notice to Sephaku Holdings at Southdowns Office Park, Block A, corner Karee and John Vorster streets, Irene x54, Pretoria (marked for the attention of Jennifer Bennette) by no later than 10:00 on 9 January 2013 that they wish to participate via electronic communication at the AGM (electronic notice) in order to obtain a pin number and dial-in details for that conference call.

In order for the electronic notice to be valid it must contain the following:

(a) if the shareholder is an individual, a certified copy of his identity document and/or passport;
(b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the AGM by way of teleconference call; and
(c) a valid e-mail address and/or facsimile number.

It must be noted that the shareholders will be billed separately by their own telephone service providers for the telephone call to participate in the AGM.

Sephaku Holdings shall use its reasonable endeavours to notify a shareholder, at their contact address/number, who has delivered a valid electronic notice of the relevant details through which the shareholder can participate by way of a teleconference call by no later than 24 hours before the commencement of the AGM.

The Companies Act requires that any person who wishes to attend or participate in a shareholders meeting, must present reasonably satisfactory identification at the meeting. Any shareholder or proxy who intends to attend or participate at the AGM must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's license or a valid passport will be accepted as sufficient identification.

Agenda

Ordinary business

To consider and, if deemed fit, to pass with or without modification, all the ordinary resolutions relating to ordinary business set out below.

Note: For any of the ordinary resolutions contained below more than 50% of the voting rights exercised on each individual resolution must be exercised in favour thereof.

1. Adoption of the annual financial statements

Ordinary resolution number 1
To receive and consider the audited annual financial statements for the year ended 30 June 2012, together with the directors' report, the report of the independent auditors and the audit committee report of Sephaku Holdings.

2. Election and re-election of directors

Ordinary resolution number 2
Dr L Mohuba, RR Matjiu and CRDW de Bruin retire in accordance with Sephaku Holdings' MOI and, being eligible, offer themselves for re-election and B Williams and Dr D Twist offer themselves for appointment as directors. (Refer to pages 16 to 18 for brief biographies in respect of each director offering himself/herself for re-election.)

Accordingly, to consider and, if deemed fit, to elect those directors being eligible for re-election or appointment by way of passing the ordinary resolutions set out below:

2.1 Ordinary resolution number 2.1
"Resolved as an ordinary resolution that PM Makwana be appointed as an independent non-executive director of Sephaku Holdings."

2.2. Ordinary resolution number 2.2
"Resolved as an ordinary resolution that Dr L Mohuba be and is hereby re-elected as a director of Sephaku Holdings."

2.3. Ordinary resolution number 2.3
"Resolved as an ordinary resolution that RR Matjiu be and is hereby re-elected as a director of Sephaku Holdings."

2.4. Ordinary resolution number 2.4
"Resolved as an ordinary resolution that CRDW De Bruin be and is hereby re-elected as a director of Sephaku Holdings."

The reason for the re-election of the abovementioned directors is that the MOI of Sephaku Holdings and, to the extent applicable, the Companies Act, require that one third of Sephaku Holdings directors rotate at the AGM.

2.5 Ordinary resolution number 2.5
"Resolved as an ordinary resolution that the appointment of B Williams as an Independent non-executive director of Sephaku Holdings on 3 May 2012 and as approved by the board, is hereby approved."

2.6 Ordinary resolution number 2.6
"Resolved as an ordinary resolution that the appointment of Dr D Twist as a non-executive director of Sephaku Holdings on 29 March 2011 and as approved by the board, is hereby approved."

The reason for the appointment of the abovementioned directors is that the MOI of Sephaku Holdings and, to the extent applicable, the Companies Act, require shareholder approval for the appointment.

3. Re-appointment of external auditor

Ordinary resolution number 3
"Resolved that PKF (Gauteng) Inc. is re-appointed, upon the recommendation of the current audit and risk committee, as independent registered auditors of Sephaku Holdings, and to note that the individual registered auditor who will undertake the audit during the financial year ending 30 June 2013 is R. Huiskamp."

At Sephaku Holdings' audit and risk committee meeting held on 19 September 2012 the committee considered the independence of PKF (Gauteng) Inc. and has satisfied itself of their independence.

The reason for the reappointment of the auditors of Sephaku Holdings, being a public company, must have its financial results audited and such auditor must be appointed or reappointed each year at the AGM of Sephaku Holdings as required by the Companies Act.

Agenda continued

Ordinary business continued

4. Election of independent non-executive directors to the audit and risk committee

Ordinary resolution number 4

Shareholders elect, subject to ordinary resolution number 2 being approved, by way of a separate vote, each of the following independent non-executive directors, as members of Sephaku Holdings' audit and risk committee, with effect from the end of this AGM:

4.1 Ordinary resolution number 4.1

"Resolved as an ordinary resolution that B Williams be and is hereby elected as a member of Sephaku Holdings' audit and risk committee."

4.2 Ordinary resolution number 4.2

"Resolved as an ordinary resolution that PM Makwana be and is hereby elected as a member of Sephaku Holdings' audit and risk committee."

4.3 Ordinary resolution number 4.3

"Resolved as an ordinary resolution that MG Mahlare be and is hereby elected as a member of Sephaku Holdings audit and risk committee."

The reason for this ordinary resolution is that Sephaku Holdings, being a public company, must appoint an audit committee as the Companies Act, requires that the members of such audit committee be appointed, or reappointed as the case may be, at each AGM of Sephaku Holdings.

5. Auditors remuneration

Ordinary resolution number 5

"Resolved as an ordinary resolution that the authority of Sephaku Holdings' audit and risk committee to determine the remuneration of the auditors be and is hereby confirmed."

For the avoidance of any doubt and in terms of the MOI of Sephaku Holdings, the audit and risk committee has the necessary authority to determine the remuneration of the auditors.

The reason for this ordinary resolution follows from the fact that although the Companies Act, specifies that the audit committee is required to determine the remuneration of the auditors, the MOI of Sephaku Holdings requires that the remuneration of the auditors be dealt with at the AGM of Sephaku Holdings.

Special business

To consider and, if deemed fit, to pass with or without modification, all the ordinary resolutions relating to special business set out below.

Note: For any of the ordinary resolutions contained below, save for ordinary resolution number 7, more than 50% of the voting rights exercised on each individual resolution must be exercised in favour thereof. For ordinary resolution number 7 to be adopted more than 75% of the voting rights exercised must be exercised in favour thereof.

6. General authority to directors to allot and issue authorised but unissued ordinary shares

Ordinary resolution number 6

"Resolved as an ordinary resolution that, as required by and subject to the MOI of Sephaku Holdings, the requirements of the Companies Act and the JSE Listing Requirements, the directors be authorised, as they in their discretion think fit, to allot and issue the unissued ordinary shares of Sephaku Holdings, subject to the following:

- the authority shall be valid until the date of the next AGM of Sephaku Holdings, provided it shall not extend beyond 15 months from the date of this AGM; and
- issues in terms of this authority will not, in any financial year, in aggregate, exceed 15% of the number of ordinary shares in Sephaku Holdings' issued share capital as at 30 June 2012."

The reason for this ordinary resolution is that the board requires authority from shareholders in terms of its MOI to issue shares in Sephaku Holdings. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, inter alia, in terms of capital-raising exercises, and to maintain a healthy capital adequacy ratio.

7. General authority to issue shares for cash

Ordinary resolution number 7

"Resolved as an ordinary resolution that, subject to the passing of ordinary resolution number 6 above and the Listing Requirements of the JSE Ltd, that as required by and subject to the MOI of Sephaku Holdings and the requirements of the Companies Act, the board be and is hereby given a general authority, to allot and issue the unissued ordinary shares in the capital of Sephaku Holdings (or options to subscribe for, or securities that are convertible into such ordinary shares) as an issue for cash as and when suitable situations arise and on such terms and conditions as they deem fit, subject to the following:

- the authority shall be valid until the date of the next AGM of Sephaku Holdings, provided it shall not extend beyond 15 months from the date of this AGM; and
- issues in terms of this authority will not, in any financial year, in aggregate, exceed 15% of the number of ordinary shares in Sephaku Holdings' issued share capital as at 30 June 2012."

For the avoidance of doubt, it is recorded that this resolution and the restrictions contained herein do not apply to any pro rata rights offer to shareholders.

At least 75% of the shareholders present in person or by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution.

The reason for this ordinary resolution is that the board requires authority to issue ordinary shares for cash as may be required as part of Sephaku Holdings' normal fund-raising exercises and the JSE listing requirements.

8. Sephaku Holdings' remuneration policy

Ordinary resolution number 8

"Resolved that Sephaku Holdings' remuneration policy (as reflected from page 26 to 27) and payment of the remuneration for the services as directors of Sephaku Holdings be endorsed, by way of a non-binding advisory vote, for the period 1 July 2011 to 30 June 2012, on the same basis as set out in the audited annual financial statements, escalated as determined as being reasonable by the remuneration and nomination committee of Sephaku Holdings and Sephaku Holdings remuneration policy."

Ordinary resolution number 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However the board will take the outcome of the vote into consideration when considering Sephaku Holdings' remuneration policy.

The reason for this ordinary resolution is that Chapter 2 of King III dealing with boards and directors requires companies to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM.

9. Ratification of appointment of social and ethics committee

Ordinary resolution number 9

"Resolved to approve that the appointment of the social and ethics committee by the board of Sephaku Holdings in accordance with Regulation 43(3)(a)(i) of the Act, with effect from 28 March 2012, be and is hereby ratified."

10. Change of year end

Ordinary resolution number 10

"Resolved to approve that the financial year end of Sephaku Holdings and its subsidiaries be changed from 30 June to 31 March, effective from 31 March 2013.

The reason for the change of year-end of Sephaku Holdings is to enable Sephaku Holdings to include the audited financial results of Sephaku Cement, year end December, in its annual financial statements.

11. Signing authority

Ordinary resolution number 11

"Resolved that to authorise any one director or the secretary of Sephaku Holdings to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution is to be considered and approved."

To consider and, if deemed fit, to pass with or without modification, all the special resolutions relating to special business.

Note: For any of the special resolutions contained below, more than 75% of the voting rights exercised on each individual resolution must be exercised in favour thereof.

Agenda continued

Ordinary business continued

12. General authority to acquire (repurchase) issued shares

Special resolution number 1

"Resolved as a special resolution that an acquisition by Sephaku Holdings, and/or any subsidiary of Sephaku Holdings is hereby authorised, by way of a general authority, from time to time, to repurchase any of the shares issued by Sephaku Holdings, or to repurchase any of the shares issued by any subsidiary of Sephaku Holdings, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MOI of Sephaku Holdings and/or subsidiary company and which may be amended from time to time, and provided that acquisitions by Sephaku Holdings and its subsidiaries of the shares in the capital of Sephaku Holdings may not, in the aggregate, exceed in any one financial year 20% of Sephaku Holdings issued share capital of the class of shares acquired from the date of the grant of this general approval. The repurchase will also be in compliance with the JSE Listing Requirements."

Solvency and liquidity statement

In accordance with the Listings Requirements of the JSE, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of Sephaku Holdings, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors undertake that, after considering the maximum number of securities which may be repurchased and the price at which the repurchases may take place pursuant to the buyback general authority, for a period of 12 months after the date of notice of this Annual General Meeting:

- Sephaku Holdings will be able to pay their debts in the ordinary course of business;
- the consolidated assets of Sephaku Holdings fairly valued in accordance with IFRS, will exceed the consolidated liabilities of Sephaku Holdings; and
- the working capital, share capital and reserves of Sephaku Holdings will be adequate for the purposes of the business of Sephaku Holdings and its subsidiaries.

The following additional information is provided in terms of paragraph 11.26 of the Listings Requirements of the JSE for purposes of this general authority:

- Directorate — pages 16 to 18.
- Major shareholders — page 52.
- Directors' interests in ordinary shares — page 53.
- Stated capital of Sephaku Holdings — pages 100 to 101.

Litigation statement

Save as stated above and/or the annual financial statements for the year ended 30 June 2012, the directors, whose names appear on pages 16 to 18 of this integrated report, are not aware of any other legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on Sephaku Holdings' financial position.

Directors' responsibility statement

Directors, whose names appear on pages 16 to 18 of this integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of Sephaku Holdings and its subsidiaries since the date of signature of the audit report for the financial year ended 30 June 2012 and up to the date of this notice.

The reason and effect of this special resolution number 1 is to grant the directors of Sephaku Holdings and/or any subsidiary of Sephaku Holdings a general authority in terms of its MOI for the acquisition by Sephaku Holdings and/or its subsidiary companies of shares issued by it on the basis reflected in the special resolution.

13. Remuneration of directors

Special resolution number 2

"Resolved, as a special resolution, to the extent applicable in terms of section 66(9) of the Companies Act, that Sephaku Holdings pay remuneration to its directors for their services rendered as directors of Sephaku Holdings during the financial year ending 30 June 2013, as disclosed in the audited annual financial statements for the year ended 30 June 2012."

The Companies Act, requires the directors' fees to be authorised by shareholders by way of special resolution.

The reason for this special resolution number 2 is for Sephaku Holdings to obtain the approval of shareholders for the payment of remuneration to its directors for their service as directors in accordance with the requirements of the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of the directors of Sephaku Holdings for the year ending 30 June 2013 in accordance with section 66(9) of the Companies Act.

14. Remuneration payable to Independent non-executive directors and non-executive directors participating in board committees

Special resolution number 3

"Resolved, as a special resolution, to the extent applicable in terms of section 66(9) of the Companies Act, that Sephaku Holdings pay remuneration to its directors for their services as directors of Sephaku Holdings during the financial year ending 30 June 2013." The scale of remuneration is set out below:

Proposed fee structure 2013

	Non-executive	Independent
Director fee	6 600	20 000
Chairman of the board	9 900	33 000
Audit and risk committee member	5 500	16 000
Audit and risk committee chairman	8 250	24 000
Remuneration and nomination committee member	5 500	16 000
Remuneration and nomination chairman	8 250	24 000
Social and ethics committee member	5 500	16 000
Social and ethics committee chairman	8 250	24 000

The Companies Act, requires the directors' fees to be authorised by shareholders by way of special resolution.

The reason for this special resolution number 3 is for Sephaku Holdings to obtain the approval of shareholders for the payment of remuneration to its directors for their service as directors in accordance with the requirements of the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of Sephaku Holdings for the year ending 30 June 2012 in accordance with section 66(9) of the Companies Act.

Agenda continued

Ordinary business continued

15. Financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related or inter-related companies and corporations

Special resolution number 4

"Resolved as a special resolution to the extent required by and subject to sections 44 and 45 of the Companies Act, and the requirements (if applicable) of Sephaku Holdings' MOI and the JSE Listing Requirements, the shareholders hereby approve of Sephaku Holdings providing any direct or indirect financial assistance, as contemplated in such sections of the Companies Act, to directors or prescribed officers of Sephaku Holdings or of a related or inter-related company; or to a related or inter-related company or corporation; or to a member of a related or inter-related corporation; or to any beneficiary participating in any Sephaku Holdings group share incentive scheme; or to a person related to any such company, corporation, director, prescribed officer, beneficiary or member; provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution provided that:

(a) the recipient(s) of such financial assistance; the form, nature and extent of such financial assistance; and the terms and conditions under which such financial assistance is provided are determined by the board of directors of Sephaku Holdings from time to time.

(b) The board of directors of Sephaku Holdings may not authorise Sephaku Holdings to provide any financial assistance pursuant to this special resolution unless the board meets all those requirements of sections 45 and 46 of the Companies Act which it is required to meet in order to authorise Sephaku Holdings to provide such financial assistance; and

(c) such financial assistance to a recipient thereof is, in the opinion of the board of directors of Sephaku Holdings, required for the purpose of meeting all or any of such recipient's operating expenses (including capital expenditure), and/or funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipient, and/or funding such recipient for any other purpose which in the opinion of the board of directors of Sephaku Holdings is directly or indirectly in the interests of Sephaku Holdings.

The main purpose for this authority is to grant the board the authority to provide inter-group loans and other financial assistance for purposes of funding the activities of the group."

Section 45 of the new Companies Act provides that the board may authorise Sephaku Holdings to provide direct or indirect financial assistance to a related or inter-related company or corporation provided that the particular provision of financial assistance is pursuant to a special resolution of the shareholders. Such authority was not required under the previous Companies Act. The reason for and the effect of the special resolution is to grant the directors of Sephaku Holdings the authority to provide financial assistance to any company or corporation that is related or inter-related to Sephaku Holdings. This means that Sephaku Holdings is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

16. Approval for the replacement of the existing Memorandum of Association and MOI

Special resolution number 5

"Resolved that the existing Memorandum of Association and MOI of Sephaku Holdings be and are hereby substituted in their entirety by the new MOI"*.

* A full copy of the new MOI can be viewed on the Sephaku Holdings' website – www.sephakuholdings.co.za – and will be available for inspection at Sephaku Holdings' offices until the day of the meeting.

17. Other business

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to Sephaku Holdings.

Voting

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of Sephaku Holdings for purposes of being entitled to attend and vote at this AGM is 4 January 2013, with the last day to trade being 28 December 2012.

AGM participants may be required to provide identification to the reasonable satisfaction of the chairman of the AGM.

Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of Sephaku Holdings. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of Sephaku Holdings at the address given below by no later than 48 hours before the time of the AGM.

On a poll, ordinary shareholders will have one vote in respect of each share held.

Shareholders who have any doubt as to the action they should take should consult their accountant, attorney, banker or other professional advisor immediately.

By order of the board

Sephaku Holdings Ltd

J Bennette
Company secretary

30 June 2012

Notes

Form of proxy

Sephaku Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 2005/003306/06

Form of proxy for the AGM

I/We (please print)

of (address)

being the registered holder(s) of ordinary shares in the capital of Sephaku Holdings do hereby appoint:

1. or failing him/her;

2. or failing him/her;

the chairman of the AGM as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held at the Old Trafford room, Centurion Lake Hotel, 1001 Lenchen Avenue North, Centurion on 11 January 2013 at 10:00 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

		Number of ordinary shares		
		For	**Against**	**Abstain**
Ordinary resolutions				
1.	Adoption of the annual financial statements			
2.	Election and re-election of directors			
2.1	PM Makwana			
2.2	Dr L Mohuba			
2.3	RR Matjiu			
2.4	CRDW De Bruin			
2.5	B Williams			
2.6	Dr D Twist			
3.	Re-appointment of external auditor			
4.	Election of independent non-executive directors to the audit and risk committee			
4.1	B Williams			
4.2	PM Makwana			
4.3	MG Mahlare			
5.	Auditors remuneration			
6.	General authority to directors to allot and issue authorised but unissued shares			
7.	General authority to issue shares for cash			
8.	Sephaku Holdings remuneration policy			
9.	Ratification of appointment of the social and ethics committee			
10.	Change of year end			
11.	Signing authority			
Special resolutions				
1.	General authority to acquire (repurchase) issued shares			
2.	Remuneration of directors			
3.	Remuneration payable to Independent non-executive directors and non-executive directors participating in board committees			
4.	Financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related or inter-related companies and corporations			
5.	Replacement of the existing Memorandum of Association and MOI with the MOI.			

Signed at ____________________ on ____________________ 2012

Signature ____ Assisted by me (where applicable) ____

Notes to the form of proxy

Each Sephaku Holdings shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of Sephaku Holdings) to attend, speak and vote in his stead at the AGM.

1. A Sephaku Holdings shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to the exclusion of those whose names follow.
2. A Sephaku Holdings shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. The chairman of the meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
4. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
5. Forms of proxy must be completed and returned to the company secretary at Southdowns Office Park, Block A, corner Karee and John Vorster streets, Irene x54, Pretoria by no later than 48 hours before the time of the AGM; or be lodged with the chairperson of the AGM prior to the AGM so as to reach him by no later than immediately prior to the commencement of voting on the resolutions at the AGM.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
7. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by Sephaku Holdings or waived by the chairman of the AGM.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

Summary of shareholders' rights in respect of proxy appointments as contained in Section 58 of the Companies Act

- The shareholder may appoint an individual as a proxy, including an individual who is not a shareholder of Sephaku Holdings, to participate in, speak and vote at the shareholders meeting on behalf of the shareholder.
- The shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- The proxy form must be dated and signed by the shareholder appointing the proxy.
- An appointed proxy may delegate his/her authority to act on the shareholder's behalf to another person, subject to any restrictions set out in the proxy form.
- The proxy form must be delivered to the transfer secretaries of Sephaku Holdings before the proxy exercises any of the shareholder's rights at the shareholders meeting.
- Irrespective of the form of instrument used to appoint a proxy:
  - the appointment of the proxy is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
  - the appointment is revocable unless the proxy appointment expressly states otherwise; and
  - if the appointment of the proxy is revocable, a shareholder may revoke the proxy appointment by (1) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (2) delivering a copy of the revocation instrument to the proxy and to Sephaku Holdings.
- The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of:
  - the date stated in the revocation instrument, if any; or
  - the date on which the revocation instrument was delivered to Sephaku Holdings and the proxy as aforesaid.
- If the instrument appointing a proxy or proxies has been delivered to Sephaku Holdings, as long as that appointment remains in effect, any notice that is required by the Companies Act or Sephaku Holdings' MOI to be delivered by Sephaku Holdings to the shareholder must be delivered by Sephaku Holdings to:
  - the shareholder; or
  - the proxy or proxies (if the shareholder has in writing directed Sephaku Holdings to do so and has paid any reasonable fees charged by Sephaku Holdings for doing so.
- A proxy is entitled to exercise, or abstain from exercising, any voting rights of the shareholder without direction, except to the extent that the instrument appointing the proxy, provides otherwise.
- The appointment of the proxy utilising the proxy form attached to the AGM notice remains valid only until the end of the AGM or any adjournment or postponement thereof.

GRI content index

Sephaku Holdings has provided an index below of compliance with the Global Reporting Initiative's (GRI) G3.0 reporting guidelines and the core performance indicators, self-declaring a C level of reporting.

Profile		
1.	**Strategy and analysis**	
1.1	Statement from senior decision maker	8 to 10
1.2	Description of key impacts, risks, and opportunities	6 to 7 and 23
2.	**Organisational profile**	
2.1	Organisation's name	3
2.2	Major products	3
2.3	Operational structure and major divisions	3 to 4
2.4	Location of headquarters	IBC
2.5	Countries of operation	3
2.6	Nature of ownership	4
2.7	Markets served including geographic breakdown/sectors served/customers	3
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	1, 38, 54 and 55
2.9	Significant changes during reporting period	2
2.10	Awards received	None
3.	**Report parameters**	
3.1	Reporting period	2
3.2	Date of previous report	2
3.3	Reporting cycle	2
3.4	Contact point	2
	Report scope and boundary	
3.5	Process for defining report content	2
3.6	Boundary of the report	2
3.7	Limitations on the scope or boundary of the report	2
3.8	Basis for reporting on joint ventures, etc.	2
3.10	Restatements of information	2
3.11	Significant changes from previous reporting periods	2
	GRI content index	
3.12	Table identifying the location of the disclosures in the report	113
4.	**Governance, commitments and engagement**	
4.1	Governance structure including committees	20 to 24
4.2	Indicate whether chair of highest governance body is also an executive officer	17
4.3	Number of independent directors	20
4.4	Mechanisms for shareholders and employees to provide recommendations/direction to highest governance body	6 to 7
	Commitments to external initiatives	
4.12	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives	2
	Stakeholder engagement	
4.14	List of stakeholder groups	6
4.15	Basis for identification and selection of stakeholders with whom to engage	6
4.17	Key issues raised through stakeholder engagement and how organisation has responded	7

GRI content index continued

Economic performance indicators		
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	54 to 60
	Indirect economic impacts	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	40 to 41
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	40 to 41
Environmental performance indicators		
	Biodiversity	
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	43
EN13	Habitats protected or restored	43
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	43
EN15	Number of Red List species with habitats in areas affected by operations	43
Social performance: labour practices and decent work performance indicators		
	Employment	
LA1	Total workforce by employment type, employment contract and region	38
	Labour/management relations	
LA4	Percentage of employees covered by collective bargaining agreements	34 to 35 and 39
	Occupational health and safety	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	40
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	40
Human rights performance indicators		
	Non-discrimination	
HR4	Total number of incidents of discrimination and corrective actions taken	34
	Freedom of association and collective bargaining	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	34 to 35
	Child labour	
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	34
	Forced and compulsory labour	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	34
Society performance indicators		
	Corruption	
SO2	Percentage and total number of business units analysed for risks related to corruption	35
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	35
SO7	Actions taken in response to incidents of corruption	35

Glossary of terms and acronyms

ABET	Adult basic education and training
AIM	Alternative Investment Market of the London Stock Exchange
AGM	Annual general meeting
ANC	African National Congress
African Nickel	African Nickel Holdings (Pty) Ltd
BBBEE	Broad-based black economic empowerment
$CaCO_3$	Calcium carbonate
CaO	Calcium oxide
CEO	Chief executive officer
CEP	Community engagement plan
Companies Act	The Companies Act, 71 of 2008 of South Africa, as amended
CPR	Competent Person's Report
Dangote Cement	Dangote Cement PLC
DMR	Department of Mineral Resources in South Africa
DTI	Department of Trade and Industry in South Africa
EIA	Environmental impact assessment
EMP	Environmental management plan
FD	Financial director
FFR	Fatality frequency rate
FSR	Feasibility study report
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African
I&APs	Interested and affected parties
IDP	Integrated development plans
IFRS	International Financial Reporting Standards
JCI	JCI Limited
JSE	Johannesburg Stock Exchange
LED	Local economic development
LSF	Limestone saturation factor
LTI	Lost time injury
LTIFR	Lost time injury frequency rate

Glossary of terms and acronyms continued

MgO	Magnesium oxide
MOI	Memorandum of Incorporation previously referred to as Articles of Association
MPRDA	Mineral and Petroleum Resources Development Act
Mtpa	Million tonnes per annum
NEMA	National Environmental Management Act
NGO	Non-governmental organisation
NOMR	New order mining right
NQF	National Qualifications Framework
PPC	Pretoria Portland Cement (Pty)Ltd
QSE	Qualifying small enterprise
RC	Reverse circulation
RHC	Riaan Herman Consulting cc
SAMREC	South African Mineral Resource Committee
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SENS	Securities Exchange News Service
Sephaku Cement	Sephaku Cement (Pty) Ltd
Sephaku Development	Sephaku Development (Pty) Ltd
Sephaku Fluoride	Sephaku Fluoride Ltd
Sephaku Holdings	Sephaku Holdings Ltd
SIA	Social impact assessment
SLP	Social and labour plan
SMME	Small, medium and micro enterprise
STC	Secondary Tax on Companies
TIFR	Total injury frequency rate
TR	Transparency rate
TSX	Toronto Stock Exchange

Corporate information

Country of incorporation and domicile
South Africa

Nature of business and principal activities
A holding company for investment in mineral assets

Directors

B Williams	Independent non-executive chairman
Dr L Mohuba	Chief executive officer - Executive director
NR Crafford-Lazarus	Financial director – Executive director
RR Matjiu	ISD executive director
MG Mahlare	Independent non-executive director
PF Fourie	Non-executive director
CRDW de Bruin	Non-executive director
MM Ngoasheng	Non-executive director
Dr D Twist	Non-executive director
JW Wessels	Alternate director to CRDW de Bruin
J Bennette	Alternate director to RR Matjiu

Registered office
1ST Floor
Hennops House
Riverside Office Park
1303 Heuwel Avenue
Centurion
0157

Postal address
PO Box 68149
Highveld
Centurion
0169

Bankers
ABSA Bank

Auditors
PKF (Gauteng) Inc.
Chartered Accountants (S.A.)
Registered Auditors

Secretary
Jennifer Bennette

Company registration number
2005/003306/06

Website
www.sephakuholdings.co.za

JSE sponsor
QuestCo

Share registrar
Computershare Investor Services

Forward-looking statement for the cement project

The ultimate strategy for Sephaku Holdings is to develop into a diversified building materials group. Sephaku Holdings has already identified various vertical integration opportunities in aggregates and, ready-mix concrete which we will seek to pursue in due course. In addition, Sephaku Cement also holds limestone exploration assets in the northern part of the Western Cape, Mpumalanga and the Limpopo provinces.

Sephaku Holdings is ideally placed in terms of its track record of milestones achieved to date, including the development of the fluorspar project which was unbundled from Sephaku Holdings on 23 March 2012, the progress made on Sephaku Cement's cement projects, Sephaku Holdings and Sephaku Cement's exceptional management team, Sephaku Holdings and Sephaku Cement's access to other cement related opportunities and the timing of Sephaku Cement's entry into the South African cement market to become an exciting new entrant in the market and a significant player in the sector.

Information security

Management of information security mainly relates to the companies associated with Sephaku Cement. In the current development stage of the business, information security has been identified as a low risk area.

New systems are currently being developed by Sephaku Cement, in collaboration with Dangote Cement, in order to insure the necessary security and control levels once Sephaku Cement commences with cement production.

RUSSELL AND ASSOCIATES 6344/12

SEPHAKU
HOLDINGS LTD

www.sephakuholdings.co.za