

PETMIN LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 1972/001062/06)  
JSE code: PET AIM code: PTMN  
ISIN: ZAE000076014  
("Petmin" or "the Group")

**Condensed Consolidated Interim Financial Statements  
For the six months ended 31 December 2009**

- Cash on hand of R145 million (2008: R75 million) and unutilised banking facilities of R150 million
- Normalised HEPS from continuing operations increased 10% from 7.55 cents to 8.28 cents
- Operating margin increased to 30% (2008: 19%)

"Petmin remains profitable and cash-generative despite extremely tough trading conditions"

**Condensed Consolidated Interim Income Statement  
for the six months ended 31 December 2009**

		<b>Reviewed Six months ended 31 December 2009</b>	Reviewed Six months ended 31 December 2008	Audited Year ended 30 June 2009
	Note	R'000	R'000	R'000
<b>Revenue</b>		<b>214 555</b>	490 359	788 624
Cost of sales		<b>(127 070)</b>	(375 569)	(578 419)
Gross profit		<b>87 485</b>	114 790	210 205
Operating (expenses)/income		<b>(12 398)</b>	1 381	(9 300)
Administration expenses		<b>(11 062)</b>	(22 821)	(27 011)
<b>Results from operating activities</b>		<b>64 025</b>	93 350	173 894
Net finance income/(expense)		<b>1 895</b>	(3 773)	(969)
– Finance income		<b>4 582</b>	5 460	11 270
– Finance expenses		<b>(2 687)</b>	(9 233)	(12 239)
<b>Profit before tax and separately disclosed items</b>		<b>65 920</b>	89 577	172 925
<b>Separately disclosed items:</b>				
Loss on sale of subsidiary		–	(13 392)	(79 170)
Impairment loss on goodwill acquired		–	(1 327)	(1 327)
Share of profit of equity-accounted investee		–	32 635	78 185
<b>Profit before income tax</b>		<b>65 920</b>	107 493	170 613
Income tax expense		<b>(19 545)</b>	(26 346)	(52 627)
Profit for the period		<b>46 375</b>	81 147	117 986
<b>Attributable to:</b>				
– Equity holders of Petmin Limited		<b>46 375</b>	81 525	118 364
– Non-controlling interest		–	(378)	(378)
<b>Profit for the period</b>		<b>46 375</b>	81 147	117 986
Basic earnings per ordinary share (cents)	6	<b>8.28</b>	15.15	21.86
Diluted earnings per ordinary share (cents)	6	<b>8.17</b>	14.72	20.68

**Condensed Consolidated Interim Statement of  
Comprehensive Income**

for the six months ended 31 December 2009

	<b>Reviewed Six months ended 31 December 2009</b>	Reviewed Six months ended 31 December 2008	Audited Year ended 30 June 2009
	R'000	R'000	R'000
<b>Profit for the period</b>	<b>46 375</b>	81 147	117 986
<b>Other comprehensive income/(expense)</b>			
Effective portion of changes in fair value of cash flow hedges	<b>636</b>	(877)	241
<b>Other comprehensive income/(expense)</b>			

<b>for the period, net of income tax</b>	<b>636</b>	(877)	241
Total comprehensive income for the period	<b>47 011</b>	80 270	118 227
<b>Attributable to:</b>			
– Equity holders of Petmin Limited	<b>47 011</b>	80 648	118 605
– Non-controlling interest	–	(378)	(378)
<b>Total comprehensive income for the period</b>	<b>47 011</b>	80 270	118 227

**Condensed Consolidated Interim Statement of Financial Position**

as at 31 December 2009

		<b>Reviewed</b>	Reviewed	Audited
		<b>31 December</b>	31 December	30 June
		<b>2009</b>	2008	2009
	Note	<b>R'000</b>	R'000	R'000
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>1 140 819</b>	1 038 661	1 131 688
Property, plant and equipment		<b>639 492</b>	585 102	629 102
Intangible assets		<b>5 666</b>	8 184	6 925
Investment in equity-accounted investee		<b>470 661</b>	423 875	470 661
Investments		<b>25 000</b>	–	25 000
Long-term receivables		–	21 500	–
<b>Current assets</b>		<b>347 002</b>	409 774	341 642
Inventories		<b>43 998</b>	32 829	30 373
Trade and other receivables		<b>151 964</b>	105 831	214 239
Current tax assets		<b>6 220</b>	3 128	5 934
Cash and cash equivalents		<b>144 820</b>	75 290	91 096
Assets classified as held for sale		–	192 696	–
<b>Total assets</b>		<b>1 487 821</b>	1 448 435	1 473 330
<b>EQUITY AND LIABILITIES</b>				
<b>Ordinary share capital and reserves</b>		<b>1 170 295</b>	1 085 049	1 119 101
Share capital		<b>138 479</b>	135 236	134 686
Share premium		<b>315 854</b>	307 223	304 745
Share option reserve		<b>13 022</b>	23 741	23 741
Hedging reserve		–	(877)	(636)
Retained earnings		<b>702 940</b>	619 726	656 565
<b>Non-current liabilities</b>		<b>193 975</b>	164 336	181 192
Interest-bearing loans and borrowings		<b>57 362</b>	66 394	57 664
Deferred taxation liabilities		<b>114 658</b>	78 999	100 901
Environmental rehabilitation provision		<b>21 955</b>	18 943	22 627
<b>Current liabilities</b>		<b>123 551</b>	199 050	173 037
Trade and other payables		<b>76 731</b>	104 375	119 101
Current portion of non-current liabilities		<b>46 820</b>	10 942	53 936
Current tax liabilities		–	474	–
Liabilities classified as held for sale		–	83 259	–
<b>Total equity and liabilities</b>		<b>1 487 821</b>	1 448 435	1 473 330
Net asset value (“NAV”) per share (cents)	7	<b>208.69</b>	199.26	205.51
Fully diluted NAV per share (cents)	7	<b>200.52</b>	184.36	190.14

**Condensed Consolidated Interim Statement of Cash Flows**

for the six months ended 31 December 2009

		<b>Reviewed</b>	Year ended	Audited
		<b>31 December</b>	30 June	Reviewed
		<b>2009</b>	2008	2009
		<b>R'000</b>	R'000	R'000
<b>Net cash flow from operating activities</b>		<b>112 508</b>	165 059	225 348
<b>Cash flows from investing activities</b>				
Increase in investment in rehabilitation funds		–	(622)	(5 115)
Investment in equity-accounted investee		–	(15 352)	(16 589)
Investment in preference share		–	–	(25 000)
Acquisition of property, plant and equipment		<b>(55 560)</b>	(170 113)	(290 991)
– to expand operations		<b>(23 649)</b>	(80 367)	(188 092)
– to expand operations – capitalised pre-strip		<b>(27 418)</b>	(79 906)	(86 408)
– to maintain operations		<b>(4 493)</b>	(9 840)	(16 491)
Proceeds from sale of subsidiary net of				



pre-strip	--	--	--	27 416	79 906	86 408	--	--	--	--	--	--	--	--	27 416	79 906	86 408	
Segment depreciation and amortisation																		
combined	6 038	4 105	10 335	40 266	53 212	120 702	--	--	--	123	84	177	--	--	46 427	57 401	131 214	
Segment depreciation and amortisation	6 038	4 105	10 335	7 916	16 992	29 425	--	--	--	123	84	177	--	--	14 077	21 181	39 937	
Segment depreciation and amortisation																		
pre-strip	--	--	--	32 350	36 220	91 277	--	--	--	--	--	--	--	--	32 350	36 220	91 277	
Segment assets	274 060	217 368	228 612	701 728	805 186	653 148	495 661	423 875	495 661	353 080	394 631	355 908	(336 708)	(392 625)	(259 999)	1 487 821	1 448 435	1 473 330
Segment liabilities	94 778	71 529	66 931	467 808	556 781	451 964	--	--	--	25 356	29 332	42 497	(270 416)	(294 256)	(207 163)	317 526	363 386	354 229

The open pit mining profile at Somkhele requires that waste overburden be removed from the pit before coal may be extracted. This overburden removal is capitalised to the development cost of the open pit (so called "pre-stripping") and is then expensed on a units-of-production basis as the coal is extracted from the open pits.

The comparative results for the anthracite division for the periods ended 31 December 2008 and 30 June 2009 include the results of Springlake. Springlake was sold on 29 June 2009. The table below depicts the anthracite division's operating performance for the comparative periods with Springlake shown separately.

Segment report – continued							
Anthracite – analysis of comparative periods							
	Anthracite	Excl Springlake	Springlake	Combined	Excl Springlake	Springlake	Combined
	Reviewed six months ended 31 December 2009	Reviewed six months ended 31 December 2008	Reviewed six months ended 31 December 2008	Reviewed six months ended 31 December 2008	Audited Year ended 30 June 2009	Audited Year ended 30 June 2009	Audited Year ended 30 June 2009
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Saleable tonnes produced	202 800	282 930	354 395	637 325	454 187	562 753	1 016 940
Tonnes sold	171 867	321 825	361 054	682 879	481 638	479 126	960 764
Segment revenue	141 353	194 008	195 212	389 220	343 506	264 323	607 829
Segment revenue per tonne sold (R/t)	R 822.46	R602.84	R540.67	R569.97	R713.20	R551.68	R632.65
Segment profit before tax							
Segment profit per tonne sold (R/t)	R273.03	R109.58	R86.74	R97.50	R198.34	R69.53	R134.10
– segment result	46 924	35 266	31 318	66 584	95 526	33 314	128 840
– impairment loss on assets classified as held for sale	--	--	(13 392)	(13 392)	--	--	--
– loss on sale of subsidiary	--	--	--	--	--	--	--
– impairment loss on goodwill acquired	--	(1 327)	--	(1 327)	(1 327)	--	(1 327)
– share of profit of equity accounted investee	--	--	--	--	--	--	--
Segment profit before tax	46 924	33 939	17 926	51 865	94 199	33 314	127 513
Segment capital expenditure – combined	46 895	155 376	5 216	160 592	263 409	13 918	277 327
Segment capital expenditure	19 479	75 470	5 216	80 686	177 001	13 918	190 919
Segment capital expenditure – pre-strip	27 416	79 906	--	79 906	86 408	--	86 408
Segment depreciation and amortisation – combined	40 266	45 377	7 835	53 212	104 660	16 042	120 702
Segment depreciation and amortisation	7 916	9 157	7 835	16 992	13 383	16 042	29 425
Segment depreciation and amortisation – pre-strip	32 350	36 220	--	36 220	91 277	--	91 277

The anthracite segment revenue comprises a combination of local sales denominated in Rands and export sales predominantly denominated in US Dollars. At 31 December 2009, Petmin had \$1 million hedged at an average rate of R9.91/USD1.00. These hedges were closed out on 22 January 2010. Subsequent to 31 December 2009, Petmin has entered into zero cost collar and cap hedges for \$9.9 million which represents approximately 50% of anticipated export revenue to June 2010. These hedges protect a downside of R7.60/ \$1.00 and with caps ranging from R7.7854/ \$1.00 to R8.2862/ \$1.00. Management continues to monitor the foreign exchange rates and may enter into new hedges to secure Rand profit levels as the opportunity arises.

#### Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 31 December 2009

Attributable to equity holders of the Company									
	Share capital	Share premium	Share option reserve	Contingent consideration reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2008	133 704	304 545	27 494	1 480	--	538 201	1 005 424	2 434	1 007 858
Shares issued during the period									
– To acquire 30% of Petmin Logistics (Pty) Limited	188	3 188	--	--	--	--	3 376	(2 056)	1 320
– Share options exercised	1 945	7 161	(4 199)	--	--	--	4 907	--	4 907

– Issued to Springlake Vendors	117	163	–	(280)	–	–	–	–	–
Treasury shares acquired during the period	(1 768)	(11 012)	–	–	–	–	(12 780)	–	(12 780)
Treasury shares transferred to Springlake Vendors	500	700	–	(1 200)	–	–	–	–	–
Share options granted	–	–	446	–	–	–	446	–	446
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(636)	–	(636)	–	(636)
Profit for the period	–	–	–	–	–	118 364	118 364	(378)	117 986
<b>Balance at 30 June 2009</b>	<b>134 686</b>	<b>304 745</b>	<b>23 741</b>	<b>–</b>	<b>(636)</b>	<b>656 565</b>	<b>1 119 101</b>	<b>–</b>	<b>1 119 101</b>
Shares issued during the period									
– Share options exercised	4 063	16 298	(10 719)	–	–	–	9 642	–	9 642
Treasury shares acquired during the period	(1 663)	(10 946)	–	–	–	–	(12 609)	–	(12,609)
Treasury shares transferred on share-based payment	181	1 273	–	–	–	–	1 454	–	1 454
Treasury shares transferred on exercise of options	1 212	4 484	–	–	–	–	5 696	–	5 696
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	636	–	636	–	636
Profit for the period	–	–	–	–	–	46 375	46 375	–	46 375
<b>Balance at 31 December 2009</b>	<b>138 479</b>	<b>315 854</b>	<b>13 022</b>	<b>–</b>	<b>–</b>	<b>702 940</b>	<b>1 170 295</b>	<b>–</b>	<b>1 170 295</b>

## Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2009

### 1. Reporting entity

Petmin is a company domiciled in South Africa. The condensed consolidated interim financial statements of the Company as at and for the six months ended

31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The condensed consolidated interim financial statements were authorised for issue by the directors on 1 March 2010.

### 2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRSs) and the presentation and disclosure requirements of IAS 34 – *Interim Financial Reporting* and the South African Companies Act. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2009, which are available upon request from the Company’s registered office at Parc Nouveau, First Floor, Block C, 225 Veale Street, Brooklyn, Pretoria or at [www.petmin.co.za](http://www.petmin.co.za).

### 3. Significant accounting policies

The condensed consolidated interim financial statements are prepared on the historical cost basis, except for financial instruments which are stated at fair value, where applicable, in terms of IAS 32 – *Financial Instruments: Disclosure and Presentation* and IAS 39 – *Financial instruments: Recognition and Measurement*.

The accounting policies have been applied consistently by Group entities and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

*Functional and presentation currency:*

The consolidated financial statements are presented in Rands, which is the Company’s functional currency. All financial information presented in Rands has been rounded to the nearest thousand.

### 4. Estimates and judgements

The preparation of interim financial statements in conformity with IAS 34 – *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2009.

## 5. Review of results

The results of the Group as set out above have been reviewed by the Group's auditors, KPMG Inc. The review report is available for inspection at the Group's registered offices.

## 6. Earnings per ordinary share

Earnings per ordinary share ("EPS") are based on the Group's profit for the period, divided by the weighted average number of shares in issue during the year.

	Reviewed			Reviewed			Reviewed
	six months ended			six months ended			six months
	31 December 2009			31 December 2008			ended
	Profit for	Number of	Per	Profit for	Number of	Per	31 December
	the period	shares in	share	the period	shares in	share	2008 excluding
	R'000	thousands	in cents	R'000	thousands	in cents	Springlake
							Per
							share
							in cents
<b>Basic earnings per share</b>	<b>46 375</b>	<b>560 285</b>	<b>8.28</b>	81 525	538 244	15.15	<b>13.37</b>
Share options and contingent consideration	–	7 424	(0.11)	–	15 629	(0.43)	<b>(0.38)</b>
Diluted EPS	46 375	567 709	8.17	81 525	553 873	14.72	<b>12.99</b>
<b>Headline earnings per share</b>							
Headline earnings per share is based on the Group's headline earnings divided by the weighted average number of shares in issue during the period.							
Reconciliation between earnings and headline earnings per share:							
<b>Basic EPS</b>	<b>46 375</b>	<b>560 285</b>	<b>8.28</b>	81 525	538 244	15.15	<b>13.37</b>
Adjustments:							
– Impairment of goodwill	–	–	–	1 327	–	0.25	<b>0.25</b>
– Fair value impairment on assets held	–	–	–	13 392	–	2.48	–
– Share of profit of equity accounted investee	–	–	–	(32 635)	–	(6.06)	<b>(6.06)</b>
Headline EPS	<b>46 375</b>	<b>560 285</b>	<b>8.28</b>	63 609	538 244	11.82	<b>7.55</b>
Share options and contingent consideration	–	7 424	(0.11)	–	15 629	(0.34)	<b>(0.21)</b>
Diluted headline EPS	<b>46 375</b>	<b>567 709</b>	<b>8.17</b>	63 609	553 873	11.48	<b>7.34</b>

## 7. Net asset value ("NAV") per share

	Reviewed	Reviewed	Audited
	six months	six months	Year
	ended	ended	ended
	31 December	31 December	30 June
	2009	2008	2009
Ordinary share capital and reserves (R'000)	1 170 295	1 085 049	1 119 101
Total number of shares in issue ('000)	560 788	544 538	544 538
NAV per share (cents)	208.69	199.26	205.51
Ordinary share capital and reserves (R'000)	1 170 295	1 085 049	1 119 101
Total number of shares in issue ('000)	560 788	544 538	544 538
Share options and contingent consideration ('000)	22 845	44 019	44 019
Fully diluted number of shares ('000)	583 633	588 557	588 557
Fully diluted NAV per share (cents)	200.52	184.36	190.14

NAV per share increased 3.18 cents or 1.6% compared to 30 June 2008. Fully diluted NAV per share increased 10.38 cents or 5.5% compared to 30 June 2009.

The NAV above includes the value of assets on an historical cost and fair value at acquisition basis. The directors' valuation of the Group's life of mine cash flows (taking into account the corporate office costs) amounts to R2.096 billion or 359 cents per share on a fully diluted basis. This valuation is based on current operations and takes no account for possible future expansion programmes at Somkhele.

## 8. Related parties

Dark Capital (Pty) Limited ("Dark Capital"), Petmin's anchor Black Economic Empowerment shareholder, is a material shareholder in Petmin and is therefore a related party as defined by Section 10 of the Listings Requirements.

### 8.1 Loan to related party

As disclosed in the annual financial statements for the year ended 30 June 2009, the Company advanced a loan of R11 million to Dark Capital (Pty) Limited. The loan is secured by the cession of the shareholders claim held by the Dark Trust in Dark Capital (Pty) Limited.

The loan is repayable on or before 18 July 2010. This loan is to be repaid on the conclusion of the financing arrangements which were approved by shareholders at the AGM held on 26 January 2010 detailed in note 10.1 below.

### 8.1 Exercise of options and share based payment

As disclosed in the post balance sheet events note in the annual financial statements for the year ended 30 June 2009, on 30 June 2009, the Company was informed that Lebo Mogotsi and Bradley Doig (both executive directors) directly exercised 4 000 000 options each at an exercise price of 65 cents per share. Dawie Warmenhoven, who resigned as a director of the company on 28 February 2009, exercised 3 000 000 options at an exercise price of 65 cents per share. An employee who is a director of a subsidiary company directly exercised 1 050 000 options each at an exercise price of 65 cents per share and 500 000 options each at an exercise price of 45 cents per share. The shares were issued in July 2009 after receiving the requisite regulatory approvals.

On 30 June 2009, the Company was informed that Numis Securities Limited exercised 4 798 900 options at an exercise price of 9 British pence per share. These options were granted pursuant to the placement agreement on Petmin's admission to AIM in December 2006. The shares were issued in July 2009.

On 31 August 2009, the Company was informed that a former employee of the Group would exercise 250 000 options and an investment vehicle in which Jan du Preez has an indirect non-beneficial interest would exercise 3 500 000 options. These options had an exercise price of 45 cents per share.

On 16 September 2009, the Company transferred 727 222 Petmin shares from the treasury to Bradley Doig, in accordance with his contract of employment with the Company, signed in 2006.

As outlined in the 2008 annual report, the Petmin Executive Remuneration Scheme was renewed for a three-year period ending 30 June 2011. The Petmin remuneration committee continues to monitor the remuneration scheme to ensure effective alignment of the interests of management to those of Petmin's shareholders. As further evidence of this alignment, in the six months to 31 December 2009, Jan du Preez acquired 2 545 000 Petmin shares on the open market for a total consideration of R4.8 million and Bradley Doig acquired 1 500 000 Petmin shares on the open market for a total consideration of R3 million.

Please refer to separate SENS announcements for more information on these transactions.

## 9. Appointment of director

On 7 July 2009, Petmin announced the appointment of Bruce Tanner as Financial Director of Petmin with effect from 1 July 2009. Bruce joined Petmin in 2005 as

Group Financial Manager and Chief Financial Officer and has served on the Executive Committee since joining the Group.

## **10. Subsequent events**

### **10.1 Financial assistance to Dark Capital**

On 27 January 2010, at the Company's Annual General Meeting, it was resolved that the Company is authorised to provide Dark Capital with financial assistance in terms of Section 38 of the Companies Act whereby the Company will provide a suretyship in favour of a financial institution for the obligations of Dark Capital relating to certain debt previously incurred by Dark Capital in order to purchase and/or subscribe for shares in the Company.

At the time of this report, Dark Capital, Petmin and the financial institution had not yet finalised the terms of their financing arrangement and Petmin has consequently not yet provided the suretyship to the financial institution.

There have been no other events that have occurred subsequent to 31 December 2009 which require adjustment of, or disclosure in the financial statements or notes thereto in accordance with IAS 10 – *Events After the Balance Sheet Date*.

### **10.2 Appointment of Executive Chairman Designate**

Petmin is pleased to announce that Ian Cockerill has been appointed as an executive director with effect from 1 March 2010 and will assume the role of Executive Chairman with effect from 1 July 2010. Ian will guide the Petmin team in pursuit of its aggressive growth strategy. Ian has served Petmin as a non-executive director since 1 October, 2007.

Please refer to the separate press release for more information on his appointment.

## **Management commentary**

### **(i) Operations**

The 2009 calendar year has been the most difficult year experienced in Petmin's history. Despite the turmoil in the worldwide financial markets and its consequential impact on the world commodity markets, Petmin generated a profit before tax of R66 million and cash from operating activities of R113 million. Normalised headline earnings per share from continuing operations increased by 10% from 7.55 cents to 8.28 cents.

The management teams at SamQuarz and Somkhele have settled in well and, in line with Petmin's six pillar strategy, act as "owners" of their business units.

Revenue for the six months ended 31 December 2009 was R215 million (2008: R490 million) and gross profit was R87 million (2008: R115 million). The decreased revenue and gross profit is largely due to the exclusion of the results of Springlake Colliery in the current period and reduced sales volumes due to the slowdown experienced in the world economy in the latter half of calendar year 2009. In the six months to 31 December 2008, the Group's revenue excluding Springlake was R295 million.

Management is pleased to report that the operating margin achieved in the six months to

31 December 2009 was 30% (2008: 19%). This is as a result of effective cost management, improved prices achieved at Somkhele and due to the disposal of the less profitable Springlake Colliery.

In the six months to December 2009, the Company consolidated its financial position in anticipation of difficult financial and operational conditions in this period and reduced its production and capital expenditure programmes accordingly, resulting in a healthy balance sheet position at 31 December 2009. At 31 December 2009, Petmin had R145 million cash on hand (30 June 2009: R91 million), its interest bearing debt to equity ratio was 8.90% (30 June 2009: 9.97%) and it had unutilised banking facilities of approximately R150 million bearing interest at or below prime and currency hedging facilities of \$50 million.

The operations remained cash generative and cash of R113 million (2008 excluding Springlake: R125 million; 2008 including Springlake: R165 million) was generated by the operations in the six months to 31 December 2009.

Capital expenditure of R56 million (2008: R170 million) was incurred in the six months to 31 December 2009. The reduced capital spend reflects the reduced development expenditure requirement at Somkhele as the Phase 1 development of

Somkhele is complete. The main areas of capital expenditure were capital pre-stripping of the open pits at Somkhele of R27 million (2008: R80 million), road and infrastructural development at Somkhele and pit development expenditure at SamQuarz.

In the six months ended 31 December 2009, Petmin acquired 6 653 180 (2008: 4 869 390) of its own shares at an average price of 188 cents per share (2008: 200 cents per share).

### **Anthracite division**

#### *Somkhele anthracite mine and Petmin Logistics*

In the first three months of the period under review, the anthracite market was severely curtailed with the local ferrochrome industry reducing production by 90% due to a significant reduction in demand in the export market. However, with signs of the economic recovery emerging, we are pleased to report that the local market demand is now almost at levels last seen before the worldwide financial crisis and the export market demand has improved significantly.

Profit before tax and impairment charges was R47 million, a reduction of R20 million compared to 2008. If Springlake is excluded from the comparative period, Somkhele's profit before tax and impairment charges increased by R12 million over the comparative period. This improved profitability is as a result of improved cost control and due to improved volumes and prices achieved in the latter part of the period under review.

### **Silica division**

#### *SamQuarz silica mine*

SamQuarz produced 607 140 (2008: 815 235) and sold 547 359 (2008: 902 513) tonnes of silica and chert in the six months ended 31 December 2009.

Revenue reduced by R28 million or 28% to R73 million (2008: R101 million) due to a 39% reduction in sales volumes in the period under review. Reduced sales volumes of silica rock to the metallurgical industry (down 24% from 2008) and of lower value chert to the metallurgical and construction industry (down 64% from 2008) were the main drivers behind the reduced revenues generated.

The silica division's margins improved from 26% in 2008 to 30% in the period under review due to the changed sales mix and, as a result, the division's profit before tax was R22 million, down only 14% from the R26 million despite the 39% reduction in sales volumes for the six months to 31 December 2008.

Capital expenditure of R5 million (2008: R10 million) was focused on the development of the open-pit to ensure safe mining conditions and to ensure continued supply of correct quality material to customers.

### **Iron ore project division**

During the six months under review, Veremo finalised a core drilling and core sampling programme together with a trenching campaign as part of a final geological scoping study. The infill drill programme covered high priority areas identified from previous drilling campaigns with the aim of delineating a SAMREC-compliant measured resource for the weathered zone.

This drilling programme has delineated an updated measured resource of 44.3 million tonnes (previously 11.6 million tonnes) in the weathered zone of the ore body. This weathered material is easier and cheaper to mine and process than the fresh ore and as a result, additional weathered material is beneficial to the project economics.

The following SAMREC compliant Resources were calculated by MSA Geoservices (Pty) Limited for the weathered portion of the Resource:

	Tonnes	Bulk Density	Combined weathered resources for Blocks 1 to 5								
			Al2 O3	CaO	Fe	Fe2 O3	MgO	P2O5	SiO2	TiO2	V2 O5
			%	%	%	%	%	%	%	%	%
Measured	44 252	3.51	5.01	0.71	43.39	61.99	1.83	0.07	12.86	14.69	0.15
Indicated	29 099	3.54	5.19	0.96	42.99	61.41	1.80	0.07	12.54	15.08	0.15

<b>Measured and indicated</b>	<b>73 352</b>	<b>3.52</b>	<b>5.08</b>	<b>0.81</b>	<b>43.23</b>	<b>61.76</b>	<b>1.82</b>	<b>0.07</b>	<b>12.73</b>	<b>14.84</b>	<b>0.15</b>
<b>Inferred</b>	<b>12 825</b>	<b>3.63</b>	<b>4.48</b>	<b>0.78</b>	<b>45.70</b>	<b>65.29</b>	<b>1.79</b>	<b>0.08</b>	<b>10.22</b>	<b>15.96</b>	<b>0.15</b>

**(ii) Prospects**  
**Anthracite division**

The outlook for the anthracite market has significantly improved for the remainder of the calendar year to 30 June 2010. The demand for our product in the inland market is at our production capacity and the outlook for the export market has also improved, with the division currently negotiating an export contract for an additional 100 000 tonnes for the calendar year 2010 and a domestic contract for approximately 120 000 tonnes per annum for three years at market related prices. With the current sales profile, the production for the 2010 calendar year is almost fully committed.

Management is investigating various projects with a view to expand the anthracite division and create new markets. This may lead to a decision to build a second coal processing plant in order to double the existing production capacity at Somkhele to 1.2 million sales tonnes per annum.

**Silica division**

Management expects SamQuarz to maintain profitability levels to 30 June 2010.

Capital expenditure is forecast to increase in the six months to 30 June 2010 to R17 million as the development expenditure in the open-pit is incurred to secure sufficient production to meet future customer demand. Included in the R17 million is capital expenditure of R7.5 million to be spent to make a slip in the highwall of the pit safe for future mining operations.

**Iron ore project division**

Veremo is considering the consolidation of the Veremo management team whose key tasks will be to procure a bankable feasibility study and to submit a mining right application for the project.

The presented Weathered Resource at Veremo, determined over the entire strike length and currently subdivided into 5 structural domains, is to be reviewed and re-calculated according to the layout of individual mining blocks. This exercise will require mine planning/engineering input and an assessment of the potential processing and mining costs to constrain unit costs, cut-off grades, stripping ratios, etc.

**(iii) Building a world class mining company**

We have created an excellent platform for growth. Our disciplined entrepreneurial approach combined with the operating excellence achieved at our current operations is an ideal base from which to launch and execute our growth strategy. The objective of this strategy is to significantly increase the size of Petmin and to provide superior returns to our shareholders.

By order of the Board	
<b>P J Nel</b>	<b>J C du Preez</b>
<i>Chairman</i>	<i>Chief Executive Officer</i>

Johannesburg  
1 March 2010

**Directors:** P J Nel\* (Chairman), L Mogotsi (Deputy Chairman), J C du Preez (Chief Executive Officer), B B Doig (Chief Operating Officer), I Cockerill<sup>#</sup>, E de V Greyling\*, A Martin\*, J A Strijdom\*, J Taylor\*, B Tanner (Financial Director) \*Non-executive <sup>#</sup>British

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**Nominated adviser – AIM:** Numis Securities Limited, Tel: +44 (0) 207 260 1000

**Transfer secretaries: JSE:** Computershare Investor Services (Proprietary) Limited, **AIM:** Computershare Investor Services PLC

**Auditors:** KPMG Inc.

A PDF version of these results is available on our website: [www.petmin.co.za](http://www.petmin.co.za)