

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor or other suitable independent professional adviser who specialises in advising on the acquisition of shares and other securities.**

The Directors of the Company, whose names appear on page 14 of this document, and the Company accept responsibility for all the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document (the “Prospectus”), which comprises a prospectus relating to Shaft Sinkers Holdings plc (the “Company”), was prepared in accordance with the Prospectus Rules made under Section 73A of the Financial Services and Markets Act 2000 (“FSMA”) and Commission Regulation 809/2004/EC (the “EU Prospectus Regulations”) and has been approved as such by the Financial Services Authority of the United Kingdom (the “Financial Services Authority”). A copy of this document has been filed with the Financial Services Authority in accordance with Part 7 of the EU Prospectus Regulations. This document has not been and is not required to be delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus. This document and the Placing (as defined below) have not been, and do not need to be, approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man. This document will be made available to the public in accordance with Part 8 of the EU Prospectus Regulations by the same being made available, free of charge, at the Company’s registered office and at the London offices of Jones Day, details of which are set out on page 14 of this document.

Application has been made to the Financial Services Authority and the London Stock Exchange for the Ordinary Shares, issued and to be issued in connection with the IMR Share Exchange and the Placing, to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities (“Admission”), which together will constitute official listing on a stock exchange under the Listing Rules. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence at 8.00 a.m. on 23 December 2010.

**The whole of this document should be read. In particular, for a discussion of certain risks and other factors that should be considered in connection with an investment in the Ordinary Shares, see the section of this document headed “Risk factors” beginning on page 7.** Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in the Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.



## **SHAFT SINKERS HOLDINGS PLC**

*(Incorporated in the Isle of Man with company number 006057V)*

### **Placing of 24,680,734 New Ordinary Shares of no par value at a Placing Price of 124p each and admission to the premium listing segment of the Official List of the Financial Services Authority and to trading on the London Stock Exchange**

*Sponsor and Broker*



**ARBUTHNOT SECURITIES**

Arbuthnot Securities Limited, which is authorised in the United Kingdom under the FSMA and regulated by the Financial Services Authority, is acting as Sponsor and Broker in connection with the Placing. Arbuthnot Securities Limited is acting exclusively for the Company and no one else in connection with the Placing and Admission and will not regard any other person as its client or be responsible to any other person for providing the protections afforded to its clients nor for providing advice in relation to the Placing, the contents of this document or any transaction or arrangement referred to herein.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or under the applicable securities laws of any state of the United States.

The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority nor have any of the foregoing authorities reviewed or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Placing being made pursuant to this Prospectus is being made in the United Kingdom by means of an institutional offer. This Prospectus does not constitute an offer, or the solicitation of an offer, to subscribe for or to buy any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, Japan, the United States or the Republic of South Africa. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in Australia, Canada, Japan or the Republic of South Africa, or to any national, resident or citizen of Australia, Canada, Japan, the United States or the Republic of South Africa.

The distribution of this Prospectus in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date hereof, or that the information in this Prospectus is correct as of any time subsequent to the date of this Prospectus, save for such statements as are required by law or regulation to refer to one or more future dates.

The content of this Prospectus is not to be construed as legal, business or tax advice and each prospective investor is advised to consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial and tax advice. Each prospective investor should seek advice based on his, her or its particular circumstances from an independent adviser.

**This Prospectus is not a prospectus for purposes of Section 12(a)(2) or any other provision of, or rule under, the Securities Act.**



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## SUMMARY INFORMATION

*This summary should be read as an introduction to the more detailed information appearing elsewhere in this document. The following summary information has been prepared in accordance with the Prospectus Rules and provides summary information on the Company and the Ordinary Shares and on the risks of investment therein. It does not purport to be complete and is taken from, and should be read in conjunction with, the more detailed information appearing elsewhere in this document. Certain of the terms used in this document are defined in the “Definitions” and “Glossary” sections in Parts XI and XII of this document. Investors should read the whole of this document and not just rely upon summarised information. Any decision to invest in the Company should be based on the consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the claimant investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating the document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translations of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the document.*

### **1. Introduction**

Shaft Sinkers is the newly incorporated Isle of Man holding company of a group of companies specialising in the sinking of vertical and decline shafts and development of underground infrastructure. Current and recent projects have focused on applications in mining and hydropower. Other potential applications include underground road and railway access, underground storage caverns and underground nuclear waste disposal.

On Admission, the Company will own the entire issued share capital of Capstone, the current holding company of the Group.

### **2. Principal activities**

The Group is one of the pre-eminent vertical shaft sinkers in the South African market with a focus on particularly deep and/or wide vertical shafts. It has the capability to sink shafts through all types of rock strata, including running sands and clay.

The Group currently has 10 vertical shafts under construction in three continents and another nine decline and mine development contracts in progress. Historically, the Group has completed projects in over 20 countries worldwide.

The Group places considerable emphasis on its strong safety record. It has its own Mine Quality Association accredited training facility and recently completed three million fatality free shifts in South Africa and one million fatality free shifts across the Group.

### **3. Principal markets and end-market applications**

The Group’s principal market is in South Africa, where the majority (by number and value) of its projects are undertaken. However, it has also identified countries within the CIS and India as key target markets due to the large mineral deposits present in those countries and the limited presence of relevant local competitors. The Group has invested in these countries, establishing local operations, learning local working practices, securing work permits for expatriate staff and certifying its machinery for use in those countries. The Group has found that it is able to compete with local contractors because of the age and availability of its equipment, its health and safety protocols and its ability to deliver shafts in difficult environments on a timely basis.

The fundamental skills required for shaft sinking and underground development do not vary significantly across the nature of the ore or the end-market application. As a result, the Group has the ability to deploy its skills across a range of different end-markets. Recent and current applications have focused on the mining sector and hydropower but other potential end-market applications include underground road and railway access, underground caverns (for example, pumphouse stations) and underground nuclear waste storage infrastructure.

In recent years the Group has experienced notable success in securing projects from major Platinum Group Metals (PGM) mining groups in South Africa. The Directors believe that this has been driven by rising demand for PGM and the need to access deeper deposits as shallower PGM deposits are depleted.

Although the Group has been seeking to diversify its end-markets, the Directors expect PGM mining to remain the principal source of medium-term demand for the Group's services.

In July 2008, the Group was awarded a contract by EuroChem at Volgakaly in Russia to sink a shaft to access certain potash deposits.

#### **4. Customers**

The majority of the Group's work is for established major mining groups. During the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the Group's largest three customers represented some 78 per cent, 69 per cent. and 80 per cent. respectively of revenue. Although the customer base is concentrated, the spread and discrete nature of individual contracts offers a degree of diversification; the largest individual contract in each of 2008 and 2009 represented some 25 per cent. and 18 per cent. of revenue respectively.

#### **5. Order book**

As at 30 June 2010, the Group had a committed order book with a future revenue value of some £474 million, based on exchange rates then in force, extending over the period to 31 December 2014.

#### **6. Market size and characteristics**

The Directors are not aware of any independent statistics, either within or outside South Africa, for the shaft sinking and underground development market and, in particular, for the deeper and wider vertical shafts on which the Group seeks to focus.

The industry tends to be relatively insulated from short-term movements in commodity prices. This is because its customers are principally established mining companies with long-term investment horizons working on long-term projects and because it is generally uneconomic to slow down or cease work on a shaft once sinking has commenced and has reached a reasonable depth.

The Directors believe that the key industry drivers are:

- The depletion of surface and shallow mineral ore bodies leading to rising demand for shafts capable of accessing deeper ore bodies;
- Growth in alternative end-market applications such as hydro-electric power and deep, purpose built underground caverns to store nuclear waste; and
- Environmental considerations leading to additional pressure for underground rather than open-pit mining despite the greater cost.

Within South Africa, Shaft Sinkers (Pty) is one of the leading shaft sinking companies by depth and diameter of vertical shafts sunk. Its principal competitor is Murray & Roberts Cementation.

There is greater competition in the South African decline shaft sinking and underground infrastructure markets from local competitors and large mining companies that have their own in-house divisions/teams than in the South African vertical shaft sinking market.

Outside South Africa, the Group's vertical shaft sinking competitors include Murray & Roberts, Redpath, Thyssen Schachtbau and other competitors in individual territories. In its pursuit of geographical diversification, the Group has sought to select countries and regions in which it sees an opportunity to enter the market and gain significant market share without a high level of competition from local operators. As in South Africa, there is greater competition in the decline shaft sinking and underground infrastructure market.

#### **7. Key strengths**

The Directors believe that the Group's key strengths are its:

- Safe operating record;
- Past experience of working at depth;
- Access to experienced sinkers;
- Ability to commence work within a short timeframe;

- In-house mining and engineering technical services capability; and
- Standing with ECIC.

## 8. Business strategy

The Group's key business strategies can be summarised as:

- Maintaining and building on its existing strategic and technical strengths;
- Further expansion into the CIS and India;
- Diversifying into additional end-market applications; and
- Potential for selective acquisition opportunities.

## 9. Board

The Company has an experienced Board comprising:

- Amre Youness, Non-executive Chairman;
- Alon Davidov, Chief Executive Officer;
- Rob Schroder, Chief Operating Officer;
- Chris Hall, Chief Financial Officer;
- Stephen Oke, Senior Non-executive Director;
- Ian Watson, Non-executive Director; and
- Roger Williams, Non-executive Director.

## 10. Selected financial information

The following selected financial information on the Group has been extracted from the historical financial information set out in Part IX of this document. Investors should read the whole of this document and should not rely solely on the summarised information set out below. In particular, investors should note that the results of the Group's underlying business were only consolidated from 1 April 2007 following its acquisition.

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	£'000	£'000	£'000	£'000	£'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue . . . . .	40,027	99,209	147,865	68,514	80,009
Direct expenses . . . . .	(39,693)	(87,119)	(121,317)	(58,592)	(69,334)
Gross profit . . . . .	334	12,090	26,549	9,922	10,675
Profit/(Loss) before income tax . . . . .	(1,000)	4,988	12,461	6,635	9,428
Profit/(Loss) from continuing operations . . . . .	(1,016)	3,279	9,953	4,680	6,677

## 11. Reasons for Admission and use of proceeds

The Placing will raise additional funds for the Company and strengthen the Group's balance sheet to support its future strategic development. In addition, the Directors believe that admission to the Official List will raise the Group's profile as it expands outside the South African market and stimulate its development. It will also provide enhanced access to capital and a currency for any future acquisitions as well as an opportunity to introduce share incentive schemes to attract, retain and motivate its employees.

The issue of New Ordinary Shares pursuant to the Placing will raise net proceeds after expenses of approximately £27.6 million. The Company intends to apply this as follows:

- approximately £24.1 million to be paid to the Minority Shareholders in respect of the Capstone Acquisition;
- approximately £2 million for reconditioning winders; and

- approximately £1.5 million to fund expected future project capital expenditure and working capital requirements.

In line with standard industry practice, the Group's policy since 2007 has been to seek advances from customers at the commencement of projects. These have been used to fund the Group's purchases of the plant and equipment required for such contracts and the working capital requirements under such contracts. However, the need to secure such advances has limited the Group's ability to tender for certain contracts. The additional capital resources arising from the Placing will give the Group greater flexibility and enhance its competitive position when tendering for contracts while continuing to seek advances from customers.

## **12. Principal terms of the Placing**

The Placing comprises the issue by the Company of 24,680,734 New Ordinary Shares representing approximately 52.0 per cent. of the Company's Enlarged Ordinary Share Capital. The Placing will raise gross proceeds of approximately £30.6 million and net proceeds after expenses of approximately £27.6 million. Of this latter amount, approximately £24.1 million will be paid to the Minority Shareholders in respect of the Capstone Acquisition. The Placing is not being underwritten, however, Arbuthnot has undertaken to remit sufficient of the Placing Proceeds to satisfy the consideration due to the Minority Shareholders pursuant to the Capstone Acquisition.

## **13. Current trading and prospects**

In June 2010, the Group was awarded a major new rates contract by a joint venture between Royal Bafokeng Resources and a subsidiary of Anglo Platinum for the Styldrift project. This project, which is for the sinking of main and ventilation shafts to a depth of approximately 740 metres together with associated development, has an expected value of ZAR 1,089 million (£94.4 million) spread over four years. Mobilisation commenced in August 2010.

The Group's results for the first half of 2010 benefited from the £3.8 million settlement of a lapsed contract which will not be repeated in the second half. Against this, however, the Group experienced several temporary set-backs on its Impala 16 and 17 projects. There was an unscheduled need to replace defective ropes at the Impala 16 shaft, which caused additional costs and delays. At two of the Impala 17 shafts, some delays were caused by problems with client-supplied winders, resulting in inefficient time, coupled with difficult rock conditions that proved to be a challenge to break through, during which time the full margins could not be realised. In total, these set-backs led to lost margins of approximately £1.3 million.

The Directors expect results for the second half of 2010 to benefit in constant currency terms from an improved performance on the Group's Impala 17 project and a modest initial contribution from the Styldrift project offset by a rise in overheads. Results for the second half of 2010 are also expected to include £3.0 million (net) of estimated costs incurred in connection with Admission and an exceptional income of £1.8 million on the sale of the Group's investment in Alpha Resources.

The Group remains active on the tender front. It awaits the outcome, expected shortly, of a tender for a major shaft complex for an existing South African customer. If successful, work is expected to commence on this project during 2011. Negotiations are also in progress over the extension of the Group's existing Moab development project for AngloGold Ashanti.

The Group is also pursuing several medium-term shaft sinking opportunities in South Africa, the CIS and India for commodities and applications including platinum, chrome, gold, zinc and hydropower as well as other prospects elsewhere.

With a firm base of committed long-term contracts in place, revenues from the new Styldrift contract expected to increase significantly in 2011 and the potential to win further new contract awards both in South Africa and elsewhere, the Directors are confident of the Group's prospects.

The Placing will strengthen the Group's balance sheet and will also provide additional funds to invest in reconditioning winders. With the benefit of these and an enhanced public profile, the Directors believe the Group will be well placed to execute its strategy.

#### **14. Major shareholders**

Following Admission, IMR will continue to own approximately 48.0 per cent. of the Company's issued Ordinary Shares. IMR has entered into a relationship agreement and a lock-in agreement regarding its shareholding in the Company.

#### **15. Summary of Risk Factors**

Prior to investing in Ordinary Shares, prospective investors should consider, together with the other information contained in this document, the factors and risks attaching to an investment in the Company and the Group, including the following risks:

##### *Risks relating to the Company and the Group's business*

- Reliance on the three largest customers;
- Potential loss of international customers to such customers' own in-house divisions or to competitors;
- Reliance upon the successful completion of its contract with EuroChem;
- Long term financial performance is partly dependent upon sustainable demand for mineral resources, in particular PGM;
- The initial start-up of projects requires substantial capital expenditure;
- Customers may pay late or dispute invoices arising under contracts;
- Operational risks and risks or events beyond the Group's control;
- Growth and future success depend significantly upon the continued ability to attract, retain and motivate key senior management;
- Reliance on skilled workforce;
- Labour disruptions;
- Amendments to South African labour legislation;
- Violation of environmental or health and safety requirements and the occurrence of accidents, serious injury or even death at a customer's mine;
- Exposure to currency risk;
- Typical contractual agreements with clients are terminable on 90 days' notice;
- Any claims made against the Group under any of its existing agreements;
- Not all contracts are priced on a cost-plus basis;
- The Group may not be able to achieve its future expansion successfully;

##### *Risks relating to the jurisdictions in which the Company and the Group operates*

- Potential inability to acquire or retain the blasting licences/permits and other regulatory approvals necessary to conduct operations;
- General risks associated with operating in an emerging market;
- If political, economic and other risks relating to South Africa materialise, it could have a negative effect on the Group;
- Potential adverse changes in legislation;
- Customers' compliance with the 2010 Mining Charter;

##### *Risks relating to the Company and the Group's structure*

- The holding company structure means that the Company's ability to pay dividends will be dependent on distributions received from its subsidiaries;
- Tax charges may affect the level of distributions made to the Company by the Group companies and accordingly by it to Shareholders;

*Risks relating to the Ordinary Shares*

- IMR may exercise significant influence over the Group after Admission;
- The rights of shareholders under the laws of the Isle of Man differ from the rights of shareholders incorporated in other jurisdictions and the enforcement of such rights may involve different considerations and be more difficult than would be the case if the Company had been incorporated in the jurisdiction of an investor's residence or elsewhere; and
- The price of the Ordinary Shares may fluctuate significantly.

## RISK FACTORS

An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If any of the following risks were to occur, the Company and/or the Group's business, financial condition, capital resources and/or future operations could be materially adversely affected. In such a case, the trading price of the Ordinary Shares and/or net asset value of the Company and/or the Group could decline significantly and Shareholders may lose all or part of their investment. Prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under the FSMA, who specialises in advising on the acquisition of shares and other securities, or other appropriately qualified professional advisers such as legal advisers and accountants.

The paragraphs below describe those risks which the Company and the Directors currently consider would have a material impact on the Company and/or the Group and those risks that relate to the Ordinary Shares of the Company. The risks referred to below are not set out in any order of priority.

Additional risks and uncertainties not currently known to the Directors, or that the Directors do not currently consider to be material, may also have an adverse effect on the Company and/or the Group. If this occurs, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this Prospectus and their own personal circumstances.

### **Risks relating to the Company and/or the Group's business**

#### ***The Group is reliant on its three largest customers and the loss of any of these customers would significantly affect the Group's business***

The Group is reliant on its three largest customers and the loss of any of these customers would significantly affect the Group's business. In 2009, the Group's three largest customers accounted for 69 per cent. of the Group's total revenue. In addition, the Group has historically generated a significant amount of its business from repeat work and scope extensions from these customers.

#### ***The Group could lose international customers to such customers' own in-house divisions or to competitors***

The Group could lose international customers to such customers' own in-house divisions or to competitors. While the Group has established itself in the South African market, it has yet to build a similar reputation outside of South Africa and the contracts that have been won in Russia and India have yet to be delivered successfully.

#### ***The Group is reliant upon the successful completion of its contract with EuroChem in order to enhance its reputation and pursue its strategy for international growth***

The Group is reliant upon the successful completion of its contract with EuroChem in order to enhance its reputation and pursue its strategy for international growth. The EuroChem contract is important as a major contract in its own right but also as the Group's first major contract in the CIS. Although the pre-sink work has been completed, the Group has not yet commenced the sinking work in respect of the main shaft. If this contract is not successfully performed, this could prejudice the Group's opportunities for developing its relationship with EuroChem and developing its international strategy in the CIS and elsewhere. The EuroChem contract is currently running some eight months behind the original planned schedule due to external circumstances, and negotiations are in progress with EuroChem to finalise a revised programme of work.

#### ***The Group's long term financial performance is partly dependent upon sustainable demand for mineral resources, in particular PGM***

The Group's long term financial performance is partly dependent upon sustainable demand for mineral resources, in particular, PGM. The Group's future revenue and earnings depend upon the demand for mineral resources and consequent requirement for the Group's services. In particular, over half of the Group's revenue is derived from customers within the PGM industry. A significant and prolonged slowdown in the global economy could lead to reduced demand globally and, in response to weakening demand, some mining companies could potentially scale back production. This could adversely affect the demand for the Group's services and, subsequently, the financial results of the Group.

***The initial start-up of the projects which the Group undertakes for its customers require substantial capital expenditure, which can only be undertaken when either the customers are willing to fund such expenditure or the Group has available funding***

The initial start-up of the projects which the Group undertakes for its customers require substantial capital expenditure, which can only be undertaken when either the customers are willing to fund such expenditure or the Group has available funding. International credit markets have experienced, and may continue to experience, high volatility and severe liquidity disruptions stemming from the follow-on effects of the economic slowdown. These and other related events have had a significant impact on the global capital markets, and the reduced liquidity in the global capital markets could limit the ability of the Group's customers to obtain adequate funding. Customers may be unable to satisfactorily fund their projects leading to less demand for the Group's services.

The Group expects to continue to secure advances on contracts. However, the size of such advances may reduce as clients seek to tailor the profile of advances more closely to the Group's underlying cash flows on individual contracts and in turn, could affect the interest cost to the Group.

***Customers may pay late or dispute invoices arising under contracts***

Customers may pay late or dispute invoices arising under contracts. Salaries and associated labour costs must continue to be paid by the Group and therefore any delay in collecting customer receipts can increase the Group's funding requirements.

***Operational risks and risks or events beyond the Group's control***

Operational risks could result in human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in excavation, monetary losses and possible legal liability, any of which could, if not covered by insurance, materially and adversely affect the Group's business, financial results, operations and prospects. Furthermore, temporary closure of any or all of the Group's South African operations under Section 54 of the MHS Act due to an incident, injury or fatality suffered may cause the Group to suffer financial loss.

The Group is exposed to risks or events beyond its control, including industrial accidents (for example, rock bursts, mine collapses, fires and uncontrolled explosions), equipment failure, unforeseen or unexpected geological conditions, environmental hazards, labour disputes and extreme weather conditions and other natural phenomena. Any of the above risks may result in destruction of, or damage to, the Group's equipment. Any disruption of the Group's ability to sink shafts or conduct excavations could have a material adverse effect on the Group's profitability and cash flows, and, if equipment is damaged, may require the Group to make large capital expenditures. In addition, due to the high premiums involved, the Group does not carry business interruption insurance. Long-term disruptions could result in a loss of customers and a material adverse effect on the Group's business, financial results, operations and prospects.

***The Group's growth and future success depend significantly upon its continued ability to attract, retain and motivate key senior management***

The Group's growth and future success depend significantly upon its continued ability to attract, retain and motivate key senior management. The loss of the services of one or more of the Group's key personnel could have a material adverse effect on its business, financial results, results of operations and prospects. The Group's growth and future success also depend on its ability to implement adequate succession planning for the senior management team.

***The Group relies significantly on its skilled workforce***

The Group relies significantly on its skilled workforce. The Group faces competition from other companies in and outside of South Africa for its skilled labour force. Ongoing competition for personnel could result in additional increases in labour costs or an inability to recruit or retain necessary personnel, each of which could materially and adversely affect the Group's business, financial results, operations and prospects. In the event that the Group expands in accordance with its stated strategy, it may not be able to source sufficient skilled labour.

***The Group's business may be affected by labour disruptions***

The majority of the South African semi-skilled workforce of the Group is unionised. From time to time the Group's operations in South Africa have experienced limited work stoppages and other forms of industrial action. There can be no assurance that the Group's operations will not be affected by such problems in the future. In addition, the Group has been subject to union demands for pay rises and increased benefits.

Strike action at other industry participants' operations or affiliated union operations may encourage work stoppages in connection with any labour-related demands of employees or unions at the Group's operations. The Group could be adversely affected by labour disruptions involving third parties who provide the Group with goods or services at its operations. Strikes and other labour disruptions at any of the Group's operations, or lengthy work interruptions at its existing and future development projects, could materially adversely affect the timing, completion and cost of any such project, as well as the Group's operations or financial results. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in countries where the Group operates) will not adversely affect operations or financial results of the Group.

***Amendments to South African labour legislation could have a material adverse effect on the Group***

South African labour legislation, including the Labour Relations Act, 66 of 1995, is in the process of being amended, and any such amendments may impact on the terms and conditions under which the Group's employees are employed by the Group. In particular, the proposed amendments are currently expected to relate to, inter alia, the use of fixed term contracts of employment; since the majority of employees engaged by the Group are employed on fixed term contracts of employment, any such amendments may be significant for the Group's workforce.

***A violation of environmental or health and safety requirements and the occurrence of accidents, serious injury or even death at a customer's mine could disrupt the Group's operations, increase operating costs and affect the financial results of the Group***

A violation of environmental or health and safety requirements and the occurrence of accidents, serious injury or even death at a customer's mine could disrupt the Group's operations, increase operating costs and affect the financial results of the Group. If environmental or health and safety authorities require (i) the shutdown of all or a portion of a customer's mine or excavation facility or (ii) the customer to implement costly compliance measures or (iii) the imposition of fines, penalties and liability for clean-up costs or damages, the customer may seek to pass on such costs to the Group. Similarly, if the customer were engaged in litigation as a result of the serious injury or death of a worker on its site, it may in turn commence litigation against the Group. Any litigation against the Group could be financially detrimental to the Group and have a damaging effect on its reputation.

***The Group is exposed to currency risk***

The Group will report its future results in Sterling. However, almost all of its revenues and costs are denominated in other currencies, in particular the South African Rand and, to a lesser extent, the US Dollar and other currencies. In the year ended 31 December 2009, approximately 77 per cent. of the Group's revenue was denominated in South African Rand and a further 23 per cent. in US Dollars. In the same year, 91 per cent. of its costs were South African Rand based and 8 per cent US Dollar based with smaller amounts in Russian Roubles, Euros, Indian Rupees and Dirham.

While the Group seeks where possible to put in place natural currency hedges by matching contract revenues in a currency with contract costs in the same currency and financing assets in a currency with borrowings in the same currency within appropriate limits, the Group does not currently, and would not normally expect to, hedge the Sterling translation value of foreign currency profits although, to the extent that such profits are repatriated, it may hedge the value to the receiving company of such payments using forward contracts or similar hedging instruments. As a result the Group's reported results may remain exposed to changes in the value of Sterling against foreign currencies, in particular the South African Rand and US Dollar.

***The Group's typical contractual agreements with customers are terminable on 90 days' notice***

The Group's typical contractual agreements with customers are terminable on 90 days' notice. As such, there is a risk that a customer may cancel or delay a contract at short notice. Such cancellations or delay

could result from factors that are beyond the Group's control and are unrelated to the quality of the Group's services but could be related to the business or financial condition of the customer. If a contract is cancelled or delayed, the Group will lose the anticipated future revenue associated with such contract. In the event of cancellation or delay, the customer may dispute costs incurred by the Group up to that point.

***Any claims made against the Group under any of its existing agreements could have a material effect on the Group's cash flow and its financial position***

While the Group's typical contractual agreements with customers are subject to maximum liability caps and, to date, none of the Group's existing customers has issued any material claims against the Group, any claim made by a customer could affect the Group's reputation and have a material effect on the Group's cash flow and its financial position.

***The Group does not price all contracts on a cost-plus basis***

The Group does not price all contracts on a cost-plus basis. Cost-plus contracts (for example, the Group's contract with EuroChem) are the least risky for the Group as profitability does not depend on performance and there is minimal exposure to unexpected or unforeseen increases in costs since these are all recharged to the customer. However, the Group has entered into bill of quantities and agreed target cost contracts which have differing consequences for profitability. Rates and target costs contracts are more risky because margins on these contracts depend very much on performance on site and success at negotiating good rates from the outset. Monthly rates contracts (for example, the Group's contract with Teesta) leave the Group exposed to any additional costs that may arise because these may not be rechargeable to the customer.

***The Group may not be able to achieve its future expansion successfully***

The Group may not be able to achieve its future expansion successfully. The Company's stated strategy is to expand further into countries within the CIS and India and diversify its existing service offering into additional end-market applications. The Company may face competition from various organisations (i) either already with a presence in such countries or seeking to enter these markets and/or (ii) with the ability to offer end-market applications similar to the Group. Some of these competitors may have greater resources than the Company. As such, there can be no assurance that such competition will not limit the Company's ability to implement its stated strategy.

In addition, the Company has stated that opportunities may arise in the future to make selective acquisition opportunities with the potential to add value to its operations. The Company may be unable to identify suitable investment opportunities. In addition, the Company may face competition from various organisations wishing to invest in similar businesses and companies.

**Risks relating to the jurisdictions in which the Company and/or the Group operates**

***The Group and/or its customers may be unable to acquire or retain the various blasting licences/permits and other regulatory approvals necessary to conduct some of the Group's operations***

The Group and/or its customers may be unable to acquire or retain the various blasting licences/permits and other regulatory approvals necessary to conduct some of the Group's operations. Outside of South Africa, the Group and/or its customers is/are typically required to have permits and licences in place on a project-by-project basis. While these permits and/or licences are typically required prior to the commencement of a contract, there can be no assurance that they will be granted and/or renewed, if necessary, or, if so, on what terms. Failure to maintain licences and other regulatory consents necessary for some of the Group's operations or the revocation of any of its licences may have a material adverse effect on the Group's business, operations or financial results. In addition, failure by a customer to obtain or renew any licences or regulatory consents may result in the suspension or termination of the Group's contract with such customer.

***The Group is exposed to the general risks associated with operating in an emerging market***

Emerging markets, such as countries in the CIS and Sub-Saharan Africa, are generally subject to greater risks, including legal, regulatory, economic and political risks, than more developed markets. As such the Group's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism;

hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalisation; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Financial problems or an increase in the perceived risks associated with investing in emerging economies could reduce foreign investment in the countries in which the Group is located which may have an adverse affect on such country's economy. At such times, emerging markets may face severe liquidity constraints because foreign funding resources are withdrawn.

***If political, economic and other risks relating to South Africa materialise, it could have a negative effect on the Group***

Most of the Group's operations are undertaken in South Africa. As such, important political, economic and other risks relating to South Africa (including high levels of crime which have been experienced in South Africa) could affect the Group.

While the South African government has committed itself to creating a stable free market economy, it is difficult to predict the future political, social and economic direction of South Africa or how the government will try to address South Africa's challenges. It is also difficult to predict the effect of these problems on the operating results or financial results of the Group.

***The Group may face adverse changes in legislation***

Legislation which currently applies to the Group in the respective jurisdictions in which it operates may change. There can be no assurance that the laws to which the Group is subject may not change in a manner which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***Customers' compliance with the 2010 Mining Charter***

Shaft Sinkers (Pty) may be regarded as a provider of services and capital goods for the purposes of its South African customers' compliance with the amended Charter for the South African Mining Industry published in September 2010 (the "2010 Mining Charter"). The 2010 Mining Charter requires the Group's South African customers to procure 40 per cent. of their capital goods, 70 per cent. of their services and 50 per cent. of their consumer goods from "BEE entities" by 2014.

Following Admission, Shaft Sinkers (Pty) will no longer have any of its share capital directly owned by HDSAs and, as such, Shaft Sinkers (Pty) will seek to rely on the continuing consequences of all of its previous BEE transactions in order to enable it to retain its status as a "BEE entity" for the purposes of the 2010 Mining Charter. However, in the event that Shaft Sinkers (Pty) is no longer considered a "BEE entity" for the purposes of the 2010 Mining Charter, this may result in its services becoming less attractive to its customers in respect of their own compliance with the provisions of the 2010 Mining Charter and a potential loss of future contract awards to any competitors that are considered to be "BEE entities" for the purposes of such charter.

While the Group supports the aims of the charters and will continue to seek to comply, in so far as it is able, with any relevant charters in order to promote BEE and will, if appropriate and/or required by its customers, seek to partner with BEE entities on a project-by-project basis or as appropriate, there is no guarantee that the Group would be successful in obtaining such partners or that the Group would then be considered to be a BEE entity for the purposes of the charter.

***Risks relating to the Company and/or the Group's structure***

***The holding company structure means that the Company's ability to pay dividends will be dependent on distributions received from its subsidiaries***

Since the Company is a holding company, its operating results and financial results will be dependent on the performance of members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from the Company's subsidiaries. The ability of the Company's subsidiaries to make distributions to the Company may, from time to time, be restricted as a result of

several factors, including restrictive covenants in loan agreements, foreign exchange limitations, the requirements of applicable law and regulatory, fiscal or other restrictions. The Company's rights to participate in a distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency is generally subject to prior claims of the subsidiaries' creditors, including any trade creditors and, if any, preferred shareholders.

***Tax charges may affect the level of distributions made to the Company by the Group companies and accordingly by it to Shareholders***

Tax charges may affect the level of distributions made to the Company by the Group companies and accordingly by it to Shareholders. The Group will, in structuring its investments, seek to maximise after tax distributable cash in a manner consistent with its business operations. However, any change in the Company's tax status, domicile, taxation rates or in taxation legislation in the Isle of Man or South Africa or in tax treaties between such countries or in any jurisdiction in which the Group operates could affect the profits of the Group and, in turn, the return to Shareholders.

**Risks relating to the Ordinary Shares**

***IMR may exercise significant influence over the Group after Admission***

Since April 2007, IMR has exercised significant control and influence over the Group's operations. Immediately following Admission, IMR will own 48.0 per cent. of the Company and, as a result, will be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. Although the Company has entered into a relationship agreement with IMR, there can be no assurance that IMR will not continue to exert significant influence over the Group's operations.

***The rights of shareholders under the laws of the Isle of Man differ from the rights of shareholders incorporated in other jurisdictions and the enforcement of such rights may involve different considerations and may be more difficult than would be the case if the Company had been incorporated in the jurisdiction of an investor's residence or elsewhere***

The rights of shareholders under the laws of the Isle of Man differ from the rights of shareholders incorporated in other jurisdictions and the enforcement of such rights may involve different considerations and may be more difficult than would be the case if the Company had been incorporated in the jurisdiction of an investor's residence or elsewhere. The rights of Shareholders will be governed by the laws of the Isle of Man and the Articles. For example, the Isle of Man Companies Act 2006 does not, among other things, provide for: pre-emption rights in relation to new issues of shares; detailed prescriptive rules in relation to shareholder meetings; maintenance of capital rules; or highly detailed provisions relating to accounts and audits. Accordingly, these matters are covered by the terms of the Company's Articles rather than by statute.

***The price of the Ordinary Shares may fluctuate significantly***

The market price of the Ordinary Shares could be subject to significant price and volume fluctuations that may be unrelated to the operating performance of the Group. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including but not limited to: variations in operating results in the Group's reporting periods, changes in financial estimates by securities analysts, fluctuations in commodity prices, changes in market valuation of similar companies, announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments, loss of a major customer, additions or departures of key personnel, any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts, future issues or sales of Ordinary Shares, and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Ordinary Shares.

## PRESENTATION OF INFORMATION AND GENERAL DISCLOSURES

### Financial Data

Unless otherwise indicated, the financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the EU.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

### No Incorporation of Website Information

The contents of the Company’s website or any member of the Group’s websites do not form part of this Prospectus.

### Forward Looking Statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “projects”, “assumes”, “expects”, “intends”, “may”, “will”, “would” or “should”, or in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and speak only as at the date of this document. They appear in a number of places throughout this document and include statements regarding the Directors’, the Company’s and the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s result of operations, financial results, liquidity, prospects, growth strategies and the industries in which the Company and/or the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, market position of the Company and/or the Group, earnings, financial position, cash flows, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this document.

Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. However, these forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved. For the avoidance of doubt, the above does not seek to qualify the working capital statement made in paragraph 15 of Part X of this document.

The information in this document will be updated as required by the Prospectus Rules, the Listing Rules and/or the Disclosure and Transparency Rules.

### Exchange rate

Unless otherwise indicated, conversions between Sterling and Rand have been calculated as at 30 June 2010 (GBP:ZAR 11.533).

## DIRECTORS, SECRETARY AND ADVISERS

<b>Executive Directors</b>	Alon Davidov Robert Neville Schroder Christopher Michael Hall
<b>Non-Executive Directors</b>	Amre Abdelhamid Youness Stephen Douglas Oke Ian Clyde Watson Roger Alyn Williams
<b>Company Secretary</b>	Martin Peters
<b>Registered office</b>	18 Athol Street Douglas Isle of Man IM1 1JA
<b>Sponsor and Broker</b>	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR United Kingdom
<b>Legal advisers to the Company as to English law</b>	Jones Day 21 Tudor Street London EC4Y 0DJ United Kingdom
<b>Legal advisers to the Company as to South African law</b>	Werksmans Inc. 155 5 <sup>th</sup> Street Sandton 2196 Johannesburg South Africa
<b>Legal advisers to the Company as to Isle of Man law</b>	Appleby 33 Athol Street Douglas Isle of Man IM1 1LB
<b>Legal advisers to Arbuthnot Securities</b>	Norton Rose LLP 3 More London Riverside London SE1 2AQ United Kingdom
<b>Auditors</b>	KPMG Audit LLC Heritage Court, 41 Athol Street Douglas Isle of Man IM99 1HN
<b>Reporting Accountants</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom

**Registrars**

Computershare Investor Services (IOM) Limited  
c/o Queensway House  
Hilgrove Street  
St Helier  
Jersey  
JE1 1ES

**Registered Agent**

Greystone Trust Company Limited  
18 Athol Street  
Douglas  
Isle of Man  
IM1 1JA

## PLACING STATISTICS

Placing Price .....	124p
Number of New Ordinary Shares being issued pursuant to the Placing .....	24,680,734
Percentage of Enlarged Ordinary Share Capital being placed pursuant to the Placing .....	52.0 per cent.
Number of Ordinary Shares in issue immediately following Admission .....	47,500,000
Market capitalisation at the Placing Price immediately following Admission .....	£58.9 million
Gross proceeds of the Placing .....	£30.6 million
Estimated expenses of the Placing (including the IPO Bonus) .....	£6.4 million
Estimated expenses of the Placing payable by the Minority Shareholders .....	£3.4 million
Estimated expenses of the Placing payable by the Company .....	£3.0 million
Estimated net proceeds of the Placing being retained by the Company <sup>(1)</sup> .....	£3.5 million
ISIN Code .....	IM00B690ZP24
Ticker Code .....	SHFT

(1) Arbuthnot has undertaken to remit approximately £24.1 million to the Company or as directed by the Company to the Minority Shareholders.

## EXPECTED TIMETABLE OF EVENTS

	2010
Admission and dealings expected to commence in the Ordinary Shares ..	8.00 am on 23 December
CREST stock accounts credited (as applicable) .....	8.00 am on 23 December
Payment from Placees in uncertificated form through CREST .....	23 December
Share certificates in respect of Ordinary Shares expected to be despatched (as applicable) .....	by 4 January 2011

**Any changes to the above timetable will be notified by the Company to an RIS and/or Shareholders as appropriate.**

## PART I: INFORMATION ON THE COMPANY

### 1. Introduction

Shaft Sinkers is the newly incorporated Isle of Man holding company of a group of companies specialising in the sinking of vertical and decline shafts and development of underground infrastructure. Current and recent projects have focused on applications in mining and hydropower. Other potential applications include underground road and railway access, underground storage caverns and underground nuclear waste disposal.

Originally founded in 1961 and part of the Anglo American group of companies until its sale in 2001, the Group has in the past successfully completed major shaft sinking projects in Africa, Europe, South America, the Middle East, Asia and Australia. Over the last few years the Group's focus has been on its principal market in South Africa but it is now again diversifying both outside South Africa and into new end markets and has recently been awarded major contracts in Russia and India.

On Admission, the Company will own the entire issued share capital of Capstone, the current holding company of the Group.

### 2. History and development of the Group

#### 2.1 Background

The Group's original operating company, Rossal (then known as Shaft Sinkers (Pty) Limited), was incorporated in 1961 as a subsidiary of Anglo American Limited. In 2001, a controlling interest was sold to AMCO Investments Limited. In 2004, Capstone (a subsidiary of Mmakau Mining) acquired a 25 per cent. interest in Rossal. In 2007, through a series of transactions, Capstone acquired the entire issued share capital of Rossal with IMR acquiring a controlling 54 per cent. interest in Capstone, Holgoun acquiring a 10 per cent. interest in Capstone and Mmakau Mining holding the remaining 36 per cent. interest.

Key milestones in the Group's development are summarised below:

1961	The Group's original operating company is incorporated as a subsidiary of Anglo American Limited
2001	Sale by Anglo American Limited. AMCO Investments Limited acquires a controlling interest in Rossal
2004	Capstone (then a subsidiary of Mmakau Mining) acquires a 25 per cent. interest in Rossal
2007	On 31 March 2007 Capstone becomes the holding company of the Group, subsequently raising its ownership to 100 per cent. of Rossal  IMR agrees to acquire a controlling 54 per cent. interest in Capstone's equity with the balance held as to 36 per cent. by Mmakau Mining and 10 per cent. by Holgoun. The three parties enter into the Capstone Shareholders Agreement  Chris Hall joins the Group as Chief Financial Officer in September 2007
February 2008	Rob Schroder is promoted to Managing Director of Shaft Sinkers (Pty), the Group's principal operating subsidiary
July 2008	EuroChem awards the Group a major contract at Volgakaly in Russia
September 2008	Teesta awards the Group a significant contract in India
July 2010	The Group completes three million fatality free shifts in South Africa
September 2010	The Group completes one million fatality free shifts across all operations internationally
December 2010	On Admission, Shaft Sinkers becomes the new holding company of the Group through the acquisition of IMR's 54 per cent. interest in Capstone in return for the issue of 22,819,166 Ordinary Shares to IMR and the acquisition of Mmakau Mining's 36 per cent. interest and Holgoun's 10 per cent. interest in Capstone for cash, such consideration to be satisfied from the Placing Proceeds

## 2.2 Simplified structure of the Group following Admission

Set out below is a diagram illustrating a simplified structure of the Group as it is expected to be on Admission. The various subsidiaries beneath Rossal are set out in detail in paragraph 4 of Part X of this document.



## 3. Business

### 3.1 Overview

The Group specialises in the sinking of vertical and decline shafts and development of underground infrastructure. Current and recent projects have focused on applications in mining and hydropower. Other potential applications include underground road and railway access, underground storage caverns and underground nuclear waste disposal.

The Group is one of the pre-eminent vertical shaft sinkers in the South African market with a focus on particularly deep and/or wide vertical shafts. It has the capability to sink shafts through all types of rock strata, including running sands and clay. The Group is responsible for sinking the deepest ever man and material South African shaft (a secondary shaft at the Western Deep Levels to a depth of 3,131 metres below bank) and is currently engaged in seven of the nine vertical shafts of depths in excess of 350 metres being sunk in South Africa. Since its incorporation 49 years ago, the Group has sunk in aggregate over 165 kilometres of vertical shafts worldwide and excavated over 400 kilometres of tunnelling.

The Group currently has 10 vertical shafts under construction in three continents and another nine decline and mine development contracts in progress. The majority of its current projects are based in South Africa but it is also working on major projects in both Russia and India. Historically, the Group has completed projects in over 20 countries worldwide across Africa, Europe, South America, the Middle East, Asia and Australia.

The Group works principally for established mining and infrastructure companies. Major current projects and customers include the Shaft 16 and 17 complexes for Impala Platinum (commenced in 2005 and 2007 respectively), the Volgakaly project for EuroChem (commenced in 2008) and the Styldrift project for Anglo Platinum and Royal Bafokeng Resources (commenced in late 2010).

## **3.2 Key strengths**

The Directors believe that the Group's key strengths are as follows:

### ***3.2.1 Safe operating record***

Safety requirements and standards have risen dramatically over the last decade. Accidents and lapses in safety standards can lead to loss of life, injury, reputation, labour difficulties, fines and regulatory investigations causing work to be suspended. As a result, safety is a key consideration for the Group and its clients.

The Group places considerable emphasis on its strong safety record. It has its own Mine Quality Association accredited training facility and recently completed three million fatality free shifts in South Africa and one million fatality free shifts across the Group. Regrettably, on 18 November 2010, an employee of Shaft Sinkers (Pty) was fatally injured and another suffered serious injuries in an incident during cleaning operations involving a mechanical loader at the Styldrift Main Shaft.

### ***3.2.2 Past experience of working at depth***

The Directors believe that the Group's demonstrable track record in sinking particularly deep and wide shafts is a key factor for potential clients in determining whether to award the Group a contract. Although several companies may have been invited to tender, only a few companies have experience of sinking shafts to depths greater than 1,000 metres. Such experience is a valuable marketing tool and adds credibility to the Group's tender. The Directors are aware of instances where the Group has not submitted the cheapest tender but has been awarded the contract because of the client's confidence in the Group's ability to undertake the contract. The CIS and Indian markets, which the Group has identified as key target markets, are examples of this; mining companies in these regions have historically used local contractors or in-house teams to sink shallow shafts or extract ore from surface mines. However, the depletion of easily accessible ore bodies has led to an increase in enquiries for the Group's expertise in sinking deeper shafts.

### ***3.2.3 Access to experienced sinkers***

Sinking shafts and developing infrastructure in difficult working conditions deep underground requires a combination of particular skills and experience. There is a limited number of experienced sinkers and the ability to retain and attract them is important.

Over time the Group has built a pool of experienced sinkers through a combination of training, provision of on-the-job experience, temporary employment between projects and remuneration. The Group estimates that it currently employs some 35 Master Sinkers.

### ***3.2.4 Ability to commence work within a short timeframe***

The availability of winders is a key consideration in planning a project. The lead time for delivery of a new winder can be up to 18 months; as the winder is integral to the shaft sinking process, this can lead to a significant lapse of time prior to work commencement. On completion of most projects, the Group retains ownership of the sinking winder used, and has now accumulated a significant stock of such winders. Of the Group's 31 winders, 13 are currently in use and 18 are capable of refurbishment. If the Group has a suitable winder available in its inventory, it can be refurbished at the Group's yard or by external suppliers and be ready for use on-site within six months, cutting the lead time to commence shaft sinking projects. An example of this arose on a contract in South Africa where the refurbishment process took place over a period of approximately three months and enabled the Group to substantially reduce the timescales involved in commencement of the contract. Given the long duration of many projects (up to four years), the ability to reduce the lead time for work to commence is potentially attractive to customers.

### ***3.2.5 METS service offering***

The Directors believe that METS, the Group's in-house Mining and Engineering Technical Services division, provides the Group with a strategic advantage when tendering for new contracts as it allows the Group to put forward a broader offering than its competitors, offering a one-stop shop for the feasibility study and design work as well as the core shaft sinking services.

In addition to generating incremental revenue, the Directors also regard METS as a valuable source of business development for, and introductions to, potential future shaft sinking opportunities.

### 3.2.6 Standing with ECIC

EuroChem's obligations under its contract with the Group are guaranteed by ECIC, the South African Export Credit Agency, and the Group worked closely with ECIC in arranging finance for the project. The Directors believe that the Group's standing with ECIC will help it to access support from other export credit agencies where necessary. This could be useful in markets such as the CIS and for customers seeking to raise project finance.

### 3.3 Safety

The Group places significant emphasis on safety and has a strong safety record. Safety is engendered through a series of standard operating practices and procedures which are rigorously enforced with the aim of making safety a state of mind for all employees. The Group has its own Mine Quality Association accredited training facilities. All operational employees are provided with safety training both as part of their induction process and on regular refresher courses.

Safety is an integral and key part of the culture of the Group and it seeks to reinforce this at every opportunity. All accidents and incidents are investigated to establish the root cause and all lost time incidents are discussed with the Group's executive committee, EXCO and will, following Admission, be reported to the Board's safety, health, environment, quality and training committee. Regrettably, on 18 November 2010, an employee of Shaft Sinkers (Pty) was fatally injured and another suffered serious injuries in an incident during cleaning operations involving a mechanical loader at the Styldrift Main Shaft.

### 3.4 Principal markets

The Group is currently working on projects in South Africa, Russia and India. Historically, however, it has completed projects in over 20 different countries across Africa, Europe, South America, the Middle East, Asia and Australia.

The Group's principal market is in South Africa, where the majority (by number and value) of its projects are undertaken. However, it has also identified countries within the CIS and India as key target markets due to the large mineral deposits present in those countries and the limited presence of relevant local providers of the Group's services in those countries. The Group has invested in these countries, establishing local operations, learning local working practices, securing work permits for expatriate staff and certifying its machinery for use in those countries. The Group has found that it is able to compete with local contractors because of the age and availability of its equipment, its health and safety protocols and its ability to deliver shafts in difficult environments and through all types of rock strata on a timely basis.

The following table sets out a breakdown of the Group's revenue and gross profit by geographical region for the periods indicated:

£'000	Year ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Revenue</b>					
South Africa . . . . .	36,241	76,411	110,058	44,904	63,332
Rest of the World . . . . .	3,786	22,798	37,807	23,610	16,677
	<u>40,027</u>	<u>99,209</u>	<u>147,865</u>	<u>68,514</u>	<u>80,009</u>
%	Year ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Proportion of total revenue</b>					
South Africa . . . . .	91%	77%	74%	66%	79%
Rest of the World . . . . .	9%	23%	26%	34%	21%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

£'000	Year ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Profit/(Loss) before income tax</b>					
South Africa . . . . .	2,852	8,032	12,779	6,611	7,568
Rest of the World . . . . .	175	4,841	9,306	4,628	7,537
Other corporate activities . . . . .	(4,027)	(7,885)	(9,624)	(4,604)	(5,677)
	<u>(1,000)</u>	<u>4,988</u>	<u>12,461</u>	<u>6,635</u>	<u>9,428</u>

While the majority of the Group's revenue has been generated locally within South Africa, the proportion of revenue generated in the Rest of the World has increased since 2007. The Directors aim to extend this trend over time although the nature of the Group's business with a small number of major contracts extending over several years means that in any one period this will depend on the timing of award and commencement of work on individual contracts. Profit margins are typically higher on projects outside South Africa and the Directors expect this to continue.

### 3.5 End-market applications

The fundamental skills required for shaft sinking and underground development do not vary significantly with the nature of the ore or other end-market application. As a result the Group has the ability to deploy its skills across a range of different end-markets. Recent and current applications have focused on the mining sector and hydropower but other potential end-market applications include underground road and railway access, underground caverns (for example, pumphouse stations) and underground nuclear waste storage infrastructure.

The following table sets out a breakdown of the Group's revenue by commodity/end-market application:

	Years to 31 December			Six months to
	2007	2008	2009	30 June 2010
Platinum . . . . .	70%	68%	57%	68%
Potash . . . . .	—%	10%	15%	12%
Gold . . . . .	21%	19%	13%	12%
Manganese . . . . .	—%	1%	11%	—%
Hydro power . . . . .	—%	1%	3%	6%
Ferrochrome . . . . .	6%	1%	1%	2%
Other . . . . .	3%	—%	—%	—%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

In recent years the Group has experienced notable success in securing projects from major PGM mining groups in South Africa. The Directors believe that this has been driven by rising demand for PGM and the need to access deeper deposits as shallower PGM deposits are depleted. Although the Group has been seeking to diversify its end-markets, the Directors expect PGM mining to remain the principal source of medium-term demand for the Group's services. Since most of the World's known PGM reserves are in South Africa, the next largest being in Russia, the Directors believe the Group is well placed to benefit from continuing growth in PGM demand.

In July 2008, the Group was awarded a contract by EuroChem at Volgakaly in Russia to sink a shaft to access certain potash deposits. While this represented a new non-metal mineral commodity for the Group, the skills required draw on the Group's existing expertise in cementation and dry shaft sinking, given the particular need to avoid any water leakage which could damage the potash reserves.

### 3.6 Customers

Since 1 January 2007, the Group has worked on, in aggregate, 22 contracts for 11 customers (excluding clients of METS). It is currently working on 14 contracts for eight customers. This reflects the nature of the Group's business which comprises a series of high-value discrete major projects each extending over periods of up to four years. Much of the Group's work consists of repeat projects or multiple contracts for the same customer. It is often the case that either towards the end of a contract or in addition to the original contract, the Group is requested to carry out additional work and contracts, reflecting the Group's close relationships with its major customers.

Major recent and current customers include:

- established major PGM groups—such as Impala Platinum, Lonmin and a joint venture between Royal Bafokeng Resources and a subsidiary of Anglo Platinum;
- gold miners such as Anglo Gold Ashanti, Randgold Resources and Harmony Gold Mining;
- other mining groups such as Kalagadi Manganese, Hercul Ferrochrome and International Ferro Metals; and
- international non-metals mining customers such as EuroChem (potash) and Teesta (hydropower).

The majority of the Group's work is for established major mining groups. During the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the Group's largest three customers represented some 78 per cent, 69 per cent. and 80 per cent. respectively of revenue. Impala Platinum was the largest customer in each period at 38 per cent., 32 per cent. and 41 per cent. respectively of revenue.

Although the customer base is concentrated, the risk is spread across a number of discrete individual contracts; the largest individual contract in each of the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 represented some 25 per cent., 18 per cent. and 23 per cent. of revenue respectively.

### 3.7 Order book at 30 June 2010

As at 30 June 2010, the Group had a committed order book with a future revenue value of some £474 million, based on exchange rates then in force, extending over the period to 31 December 2014:

Company	Project	Country	Award date	End date <sup>(1)</sup>	Contract type	Future revenue <sup>(2)</sup> £'m
Impala Platinum . . . . .	Impala 16—2 shafts	SA <sup>(3)</sup>	2005	2011	Rates	17
	Impala 16 development	SA	2010	2012	Rates	34
	Impala 17—3 shafts	SA	2007	2013	Rates	54
Lonmin . . . . .	Saffy <sup>(9)</sup>	SA	2009	2014	ATC <sup>(4)</sup>	53
	Hossy <sup>(9)</sup>	SA	2008	2010	Cost Plus	27
	Karee 3	SA	2007	2011	Rates	14
	Karee 3 ORD <sup>(5)</sup>	SA	2009	2013	Rates	11
Anglo Gold Ashanti . . . . .	Moab	SA	2006	2010	ATC <sup>(4)</sup>	6
Anglo Platinum/Royal Bafokeng Resources <sup>(7)</sup> . . . . .	Styltdrift	SA	2010	2013	Rates	94
Hercul Ferrochrome . . . . .	Bokfontein	SA	2008	2013	Cost Plus	26
EuroChem . . . . .	Volgakaly	Russia	2008	2012 <sup>(8)</sup>	Cost Plus	126
Abir (Teesta) . . . . .	Hydro—2 shafts	India	2008	2013	Rates <sup>(6)</sup>	10
Kalagadi Manganese . . . . .	Winder rental	SA	2010	2013	Rental	2
						474

The order book may also be analysed by period:

Period	Future revenue £'m	%
6 months to 31 December 2010 . . . . .	85	18
Year to 31 December 2011 . . . . .	160	34
Year to 31 December 2012 . . . . .	124	26
Year to 31 December 2013 . . . . .	73	15
Year to 31 December 2014 . . . . .	32	7
	474	100

The order book comprises 10 vertical shafts and 9 decline or development contracts representing 64 per cent. and 36 per cent. respectively of the Group's anticipated future revenue.

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Notes:

- (1) Contractual end date.
- (2) The future revenue value of the order book at any date represents the aggregate expected invoice value of all contracts committed as at that date (as estimated in the relevant contract or the latest amendment thereto) without escalation for future movements in relevant indices and assuming contracts run their full course with no extension, amendment, cancellation or curtailment, less revenues recognised up to that date in the Group's income statements. While contracts are technically terminable upon 90 days' notice, this is generally uneconomic once the pre-sink is complete. The order book excludes income expected to be generated by METS.
- (3) SA = South Africa.
- (4) Agreed target cost.
- (5) Ore Resource Development.
- (6) Monthly rates payable for labour and equipment.
- (7) The contracting party is Bafokeng Rasimone Platinum Mine Joint Venture, which is an unincorporated joint venture between Rustenburg Platinum Mines Limited (a subsidiary of Anglo Platinum) and Royal Bafokeng.
- (8) The EuroChem contract is currently running some eight months behind the original planned schedule due to external circumstances, and the Group and EuroChem are in negotiations to finalise a revised programme of work.
- (9) Contracts have not been formally signed with Lonmin but work has commenced and payments have been received by the Group in accordance with the proposed contract terms.
- (10) This table has been compiled on the assumption that all customers have the necessary approvals or licences in place.

The long-term nature of the Group's projects provides considerable visibility over the Group's future revenues and a degree of resilience to short-term movements in commodity prices. In addition, each individual project typically comprises a number of separate contracts. During the recent economic downturn the Group has continued to win new contracts, with nine new contracts signed since 1 January 2008 and only one contract terminated.

### **3.8 Market size and characteristics**

#### **3.8.1 Market size**

The Directors are not aware of any independent statistics, either within or outside South Africa, for the shaft sinking and underground development markets and, in particular, for the deeper and wider vertical shafts on which the Group seeks to focus.

#### **3.8.2 Resilience to short-term commodity prices**

Shaft sinking and the development of underground infrastructure are long-term projects, for which clients typically take a medium-to-long term view on demand. The majority of projects are undertaken for established mining companies which generally have long-term investment horizons and are commissioning shafts to access replacement reserves with which to meet future market commitments. In addition, the substantial up-front expenditure required to commence a shaft means that it is generally uneconomic to slow down or cease work on a shaft once sinking has commenced and has reached a reasonable depth. As a result, shaft sinking and the associated underground infrastructure tend to be relatively insulated from short-term movements in commodity prices.

#### **3.8.3 Market drivers**

The Directors believe that global demand for shaft sinking will continue to grow as a result of the depletion of surface and shallow mineral ore bodies, growing environmental pressures and growth in alternative end-market applications.

##### **3.8.3.1 Depletion of surface and shallow mineral ore bodies**

As the more easily accessible surface and shallow mineral ore bodies are depleted and the depth of available reserves increases, the Directors believe that demand will increase for shafts capable of providing access to such deeper ore bodies. This effect is already being seen in South Africa, where platinum deposits, previously accessible from the surface through open-pit mining only a few years ago, are now expected to be mined at depths of 2,000 metres from the surface.

### *3.8.3.2 Growth in alternative end-market applications*

Environmental and other considerations may also lead to a rise in end-market applications requiring the sinking of shafts. Examples include the rising demand for hydro-electric power worldwide which could lead to a need for the construction of pressure and surge shafts. Other applications include the construction of deep, purpose-built underground caverns to store nuclear waste.

### *3.8.3.3 Environmental considerations*

As environmental pressures increase, the Directors believe this will lead to additional pressure for underground rather than open-pit mining for shallower reserves despite the possible greater cost of such operations. This is expected to lead to an increase in the number of decline and vertical shafts that will need to be sunk globally.

### *3.8.4 Competitors*

Within South Africa, Shaft Sinkers (Pty) is one of the leading shaft sinking companies by depth and diameter of vertical shafts sunk. Its principal competitor is Murray & Roberts Cementation, a division of Murray & Roberts. The Group also competes with Grinaker (part of the Aveng Group). Both Murray & Roberts and Grinaker are primarily civil engineering companies, and provide shaft sinking services through dedicated divisions. The limited competition in the vertical shaft sinking market reflects the barriers to entry including the need for a strong operating track record, access to skilled personnel and a pool of specialised equipment.

There is greater competition in the South African decline shaft sinking and underground infrastructure markets from local competitors and large mining companies that have their own in-house divisions/teams than in the South African vertical shaft sinking market.

Outside South Africa, vertical shaft sinking competitors include Murray & Roberts, Redpath, Thyssen Schachtbau and other competitors in individual territories. In its pursuit of geographical diversification, the Group has sought to select countries and regions in which it sees an opportunity to enter the market and gain significant market share without a high level of competition from local operators. As in South Africa, there is greater competition in the decline shaft sinking and underground infrastructure market.

METS competes internationally with a number of civil engineering and consulting companies.

## **3.9 Business strategy**

The Company intends to maintain and build on its existing strategic strengths. At the same time it aims to expand further into the CIS and India and diversify its existing offering into additional end-market applications. It will also remain alert to selective acquisition opportunities with the potential to add value to its operations.

### *3.9.1 Maintaining and building on existing strategic and technical strengths*

The Directors believe that the Group is well positioned both to maintain and build on its existing strategic strengths. It has a strong track record of working for established mining groups to deliver major shaft and decline shaft sinking projects and an excellent safety record, each of which it will seek to maintain and enhance over time. It also continually reviews its policies and procedures and its ability to retain and attract skilled sinkers through the provision of appropriate training and on-the-job experience.

The Group retains a pool of strategic plant and equipment such as winders and other major assets at its yard in Randfontein. Sourcing such equipment internally allows it to offer potential clients a shorter lead time when bidding for major projects than sourcing it externally. The Group intends to apply some £2.0 million of the Placing proceeds to the reconditioning of its winders in order to enhance its ability to compete for new business.

### *3.9.2 Further expansion into the CIS and India*

The Directors foresee the potential for significant demand for shaft sinking services in countries within the CIS and India as those countries develop their mineral resources and believe the Group is well placed to exploit such demand. Its track record, technology and working practices are generally more current than those of local competitors and to date there have been few international competitors for shaft sinking projects in such countries offering the Group the prospect of improved margins.

Work on the Group's existing projects for EuroChem in Russia and Teesta in India has given the Group access to local management and expertise and an understanding of local law and working practices. The Group believes it can leverage such experience. Work on these contracts has also generated contacts with local intermediaries and mining services companies providing access to leads and the opportunity to build alliances to win additional local business.

Finally, the knowledge, experience and standing gained from working with ECIC in Russia should enhance the perception of the Group as an appropriate partner for other export credit agencies financing projects in the CIS.

### ***3.9.3 Diversification into additional end-market applications***

The majority of the Group's work in South Africa over the past few years has been for major metals mining groups and, in particular, PGM producers. Recent projects for EuroChem in Russia and Teesta in India have provided an element of diversification into the potash and hydro-electric industries. While shaft sinking for major PGM and other metals mining groups is likely to remain the Group's principal activity, the Group will continue to seek additional diversification into new end-markets as opportunities arise. Possible applications include access to fertiliser and other non-metals resources, hydro-electric pressure and surge shafts, access for underground road and rail systems and access to and caverns for underground nuclear waste and low pressure gas storage.

### ***3.9.4 Potential for selective acquisition opportunities***

The Directors believe that opportunities may exist to make selective acquisitions with the potential to add value to the Group's operations. Possible opportunities include the acquisition of additional technical capabilities and/or know-how (in mechanised sinking, coal mine infrastructure development and raise boring) and the addition of local capability in emerging markets. The Group may also enter into alliances to develop such skills.

## **4. Operations**

### **4.1 Principal activities**

#### ***4.1.1 Shaft sinking***

The Group specialises in sinking particularly deep (over 500 metres) and/or wide (5–20 metre diameter) shafts. Shafts are either vertical or inclined, with a decision made on which type dependent on depth and cost. For mining purposes a vertical shaft is generally more expensive to sink than a decline but becomes cheaper to operate as the depth increases and the cost of hoisting ore and raw material to the surface undercuts the cost of conveying it by vehicle or belt system. The Directors believe that in South Africa the current break even point normally lies at a depth of around 350 metres but this will vary depending on the type of mineral, the cost of fuel and other factors.

As the depth of a shaft increases, the degree of specialisation required rises. Ambient rock temperature and rock pressure increase and, as such, larger winders are required at the surface to provide the necessary access and facilitate waste rock removal. The predictability of water or gas occurrence from prior core sampling reduces and the techniques necessary to contain them are more likely to be required. The need for rigorous standard operating procedures to ensure safe operation is crucial at any depth but the consequence of error can be more serious at greater depths. Greater precision is also required as the length of a shaft increases and the Group regularly works to tolerances of less than 100 millimetres of linear drift per 1,000 vertical metres.

#### ***4.1.2 Shaft infrastructure/maintenance***

The Group undertakes the repair, maintenance and upgrading of existing shafts. Services include the repair and maintenance of old or damaged shaft linings, replacement of guides and buntons and replacement of shaft services such as lighting, ventilation and refrigeration.

#### ***4.1.3 Underground construction and equipment***

With its winders and other equipment in place and crews assembled, the Group is well placed to develop much of the underground infrastructure required before mining can commence. Based on client specifications, the Group can start work on the tunnelling and infrastructure required at intermediate

levels while continuing to sink a shaft to greater depths. Infrastructure requirements typically include the blasting of haulages and tunnels and the excavation of ore passes, ventilation passes, dams, silos and accesses between levels.

#### ***4.1.4 Large underground infrastructure***

The Group can design and construct large and small underground caverns for hydropower and pumped storage power projects, normal and high pressure oil and gas storage and underground pump chambers. The Group also excavates large underground sub-level hoist and pump chambers for secondary and tertiary shafts.

#### ***4.1.5 Civil and mining tunnelling***

In most cases, the Group sinks shafts to gain access to ore bodies or resources that lie in the ground surrounding the shaft. To access these ore bodies, a development tunnel network must be constructed and the Group will excavate horizontal tunnel networks from the stations created in the shaft. The Group sub-contracts all raise-boring work, for example where bottom access is available for waste chip removal, and sacrificial ore or ventilation passes are drilled between levels to allow removal of waste. Many of these underground tunnelling and development services are included in the shaft sinking contract.

#### ***4.1.6 Contract or toll mining***

The Group regards contract mining as ancillary to its principal operations and, typically, it is not undertaken by the Group on a stand-alone basis. The Group is, however, willing to undertake limited contract metalliferous mining for certain clients in conjunction with its principal shaft sinking and underground infrastructure development operations where it is confident that it understands the ground conditions and risks involved or where all major risks are assumed by the customer.

Contract mining generally commands lower margins than shaft sinking. Contract mining revenues represented less than 19 per cent. and 12 per cent. respectively of total revenue in each of the years to 31 December 2008 and 2009.

#### ***4.1.7 Mining and Engineering Technical Services***

METS (Mining and Engineering Technical Services) is an ISO 9001-2008 accredited division within the Group. It provides consultancy and design services, primarily internally to the main shaft sinking business but also externally directly to customers in the mining and civil engineering industries. It is capable of conducting all design, feasibility/pre-feasibility studies, mine design and surface modelling, design of sinking arrangements including sinking stages, headgears and ventilation, and EPCM (Engineering, Procurement and Construction Management) for mining projects.

In addition to generating incremental revenue, METS provides the Group with a strategic advantage when bidding for new work as it allows the Group to put forward a broader offering than its competitors, offering a one-stop-shop for the feasibility study and design work as well as the core shaft sinking services. METS is also a valuable source of business development for, and introductions to, potential shaft sinking opportunities.

## **4.2 The shaft sinking process**

The shaft sinking process typically encompasses a number of distinct stages:

### ***4.2.1 Site establishment***

Once a contract has been awarded or a binding letter of intent is in place, the Group will commence mobilisation and site establishment. Site sizes vary and are dependent on the number of shafts to be sunk and the number of personnel to be based on-site as well as local topography. The Group site is secured, the ground cleared, appropriate access roads and other infrastructure established and the site offices, stores and workshops erected.

### ***4.2.2 Pre-sink***

An initial box cut is excavated using normal excavation techniques until hard rock is reached (typically at a depth of around 10 metres in South Africa). The shaft is then located and a “collar” constructed in this

position. The collar is built from the hard rock surface up to ground level, using a combination of reinforced steel and concrete, and provides a firm footing for the top of the shaft and establishment of the headgear and other top-of-shaft infrastructure.

Hand-held drilling machines are then used to drill a series of 1 metre holes in the shaft floor. These are filled with explosives and detonated to break the rock. The waste rock is loaded into a kibble using a small loader and hoisted out of the shaft and the process repeated. At this stage, progress is approximately 1 metre per day (equivalent to one blast per day).

The pre-sink continues until the shaft has been sunk to a depth sufficient to accommodate the stage and sinking equipment (generally between 60 and 90 metres).

#### ***4.2.3 Main sink***

Once the pre-sink is complete, a sinking stage or series of working platforms or levels is assembled and suspended in the shaft to be used as the platform for much of the work to be carried out concurrently in the shaft. At this time construction also commences on the headgear infrastructure and the specialised winders to be used to sink the shaft are typically installed.

The main sink also uses blasting techniques as in the pre-sink but at an increased rate. The drilling process is mechanised using a hydro-pneumatic jumbo, a specialised piece of drilling machinery with up to eight independent drill booms and retracting legs. A jumbo can be up to 14 metres tall and weigh up to 30 tonnes. Between 80 and 140 holes are drilled in the bottom of the shaft depending on the blast design specific to the shaft, generally to a depth of 3.2 metres; these are then filled with explosives and detonated. The holes are drilled in concentric circles and detonated in a specific pattern to propel the blasted rock inwards. The waste is then generally removed using a cactus grab attached to the bottom level of the stage and loaded into a kibble which is then hoisted out of the shaft and the process repeated. This process typically results in progress of approximately 3 metres per day (equivalent to one blast per day).

When sinking a shaft, sinkers need to be particularly alert to the risk of water or gas which could cause problems either in the sinking of the shaft or its later stability. Every 36 metres, a series of cover holes is drilled 42 metres in advance to test for water and gas (a minimum of 6 metres cover, whereby there is always an additional 6 metres of cover ahead of the advancing shaft bottom, is maintained at all times). If water is encountered, it is generally sealed using micro fine cement or other cementitious or resin grouts. Other sinking companies use alternative techniques such as freezing (the sinking of a series of surrounding large diameter holes and injection of a refrigerant to freeze the surrounding ground). Any natural gas encountered is controlled and then normally vented to the atmosphere.

Ventilation, electrical and communication services, service columns and pipes carrying the concrete, water and compressed air required to continue sinking and excavate any underground infrastructure are installed as the shaft is sunk. The walls of the shaft are lined with concrete of varying constitution and thickness dependent on the conditions in the rock around the shaft. Under simple conditions, the lining might be only 20-30 cm thick, whereas in harsh conditions it can be up to 130 cm thick. Additives and reinforcements may be added as required by the ground conditions. Steel inserts or buntion boxes may also be cast into the lining to facilitate the equipping of the shaft for its permanent condition if required.

#### ***4.2.4 Level establishment***

Once the required depth has been reached, access is required to the deposit. A station is constructed by blasting into the shaft walls to enlarge the width of the shaft. It is essential to support the overhang in the rock properly, and rock bolts and long anchors of up to 10 metres tensioned up to 40 tonnes are drilled into the rock for this purpose. Tunnels are then developed from the stations towards the ore body or service level. A mine will typically contain a series of individual levels.

#### ***4.2.5 Shaft equipping***

After sinking, the shaft may be equipped depending on its purpose. Pre-jigged guides and buntions are installed to precise tolerances (typically of less than 100 millimetres deviation per 1,000 metres of vertical height) to guide cages and skips. Services are also installed. The Group also completes the construction of the main headgear and top-side infrastructure which may also include the installation of the main winder to be used for future operations.

On completion of the project the Group will remove all of its equipment from the site including the sinking winder(s), stage, jumbos, cactus grabs and other key equipment.

### **4.3 Contracting philosophy**

#### **4.3.1 Background**

The tendering process for contracts varies between clients but will normally involve at least a two-stage process with binding tenders and contracts awarded on the basis of the second tender. A typical shaft sinking contract specifies the depth and diameter of the shaft, the surface infrastructure required, the expected duration of the project, facilities and services provided as well as shaft infrastructure and funding arrangements. The Group's shaft sinking contracts are typically for the full duration of the project.

The nature of the Group's work is inherently unpredictable, depending on ground conditions and other factors beyond the control either of the Group or the client. Where the Group is not confident of such factors, it seeks to ensure that its contracts contain escalation clauses as well as adjustments for unforeseen or abnormal ground conditions or features so as to pass on any unexpected costs to the client. In addition, both sides typically recognise their mutual inter-dependence and the likelihood that discussions may be required at some stage during a project to resolve any issues which arise.

#### **4.3.2 Contract types**

The Group operates three principal contract types, the general features of which are described below.

##### **(1) Cost plus**

This is the Group's preferred contracting basis. The project is conducted on an open-book basis, under which both the Group and the client have full access to the costs incurred in relation to the project. The Group agrees with the client a mark-up at the outset, typically applicable to costs incurred but sometimes based on a fee per month, and payable by the client. Certain costs (such as entertainment and legal fees) may not be recoverable but these tend to be *de minimis*. The key risk on this type of contract is of a delay in recovering costs from the client due to a slow internal verification process at the client or disputed costs.

##### **(2) Agreed target cost**

The Group agrees with the client a cost budget and target margin at the outset; rates of recovery are then established based on regular bills of quantities certified by a quantity surveyor. A performance element is included such that if the Group completes the project for less than the agreed target cost, it is entitled to a share of the saving. Conversely, if the Group overspends, its margin is reduced although the Group always seeks to limit its exposure to no more than its profit margin and to include suitable protections for events outside its control such as water and gas intersection and bad ground conditions. The profitability of the contract therefore relies on the Group's estimating skill and its performance. The Group will always retain control over safety and operating procedures.

##### **(3) Rates/Bill of quantities**

Despite the Group's preference for cost plus contracts, many of the Group's established mining customers insist on agreed rate contracts, under which the Group is paid on a pre-agreed scale determined by a measurable quantity. Such contracts typically focus on the depth of shaft sunk, square metre of lining of shaft or quantity of rock removed. Rates are determined based on estimated costs for the project and include labour, material and plant and equipment depreciation. Profitability depends on the rates negotiated and performance. In order to safeguard itself, the Group will normally include cost escalation clauses to allow for inflation, bad ground conditions and for unforeseen events out of its control. The Group generally refuses to enter into rates contracts unless it is confident it understands the operating conditions, terrain and risks involved.

In contract mining, where the contract relates to labour only, the client is charged an hourly rate per employee. A risk inherent in this type of contract is that the client may decide to replace the Group's staff with its own labour.

METS services are generally billed on an hourly rates basis.

### **4.3.3 Standard terms**

Contracts are based either on conditions generally accepted in the industry (such as FIDIC or NEC) or on a client's in-house conditions as varied by mutual agreement. Common variations include provisions relating to over-runs, liability limitations, cost escalation (for wage increases, raw materials price increases, poor ground conditions, water/gas intersection and other factors), ownership of the plant and equipment, bank guarantees, performance bonds, warranties, advances and payment terms. The individual contract terms negotiated inevitably reflect the particular circumstances and demands of each client and the Group's perception of the overall balance of risk and reward.

Margins depend on the nature of the project, services to be provided and the jurisdiction involved. Margins are typically higher on shaft sinking contracts outside South Africa and lower on contract mining services within South Africa.

Where the client uses strategic assets owned by the Group such as winders, the Group will normally retain ownership of the underlying asset and charge a usage fee equivalent to depreciation with a view to fully depreciating such assets over the course of the contract.

Many contracts provide for extension in certain circumstances as the scope changes. Almost all of the Group's existing contracts include liability caps limiting the Group's exposure in the event of an overrun.

The Group does not normally include provision for loss of profit upon cancellation of its contracts; in such cases the client pays all proven costs up to the point of cancellation plus demobilisation costs. Contracts typically contain a detailed schedule of responsibility identifying the responsibilities and ownership of plant and equipment as between the employer and contractor.

The Group is careful to limit its credit and funding exposures particularly on projects outside South Africa and in relation to project capital expenditure on the inception of a contract. The Company intends to continue to apply this policy notwithstanding the greater potential flexibility which the proceeds of the Placing will provide. On commencement of a contract the Group will typically seek an advance or irrevocable letter of credit covering at least the cost of procurement or deployment of the assets and mobilisation costs plus a margin. Funding exposures are normally limited to monthly labour costs and the Group seeks to limit the need to provide performance guarantees and retentions through negotiation.

Under no circumstances does the Group accept liability for consequential loss and damage. In circumstances of force majeure, each party generally is responsible for its own costs.

## **4.4 Suppliers**

The Group's business is labour intensive. In total, labour costs represented some 57 per cent. and 66 per cent. of direct costs in the years to 31 December 2008 and 2009 respectively. Other significant direct costs include plant costs, direct materials and sub-contractor costs.

The Group's key suppliers comprise manufacturers and refurbishers of plant such as winders, jumbos and drill bits and suppliers of direct materials such as steel, cement and explosives. Winder procurement and refurbishment is normally the principal focus of project planning. Winders are critical items of equipment as they are responsible for transporting people and machinery safely in the shaft. With lead times of up to 18 months for the supply of a new winder, it is essential to determine early on in planning a project whether or not a new winder is required. The Group maintains an inventory of used winders and other strategic assets in its plant yard at Randfontein and has the capability to refurbish smaller used winders in-house within approximately 6 months, significantly reducing the potential lead time required on new projects.

Sub-contractors are typically used for ground preparation work, surface concrete structures and the head gear of shafts. The Group also sub-contracts certain services such as raise boring, accommodation, transport and waste rock removal. Sub-contractor costs comprised less than 10 per cent. of direct costs in each of the three years to 31 December 2007, 2008 and 2009.

The Group is generally not dependent on any one supplier and the Directors are confident that the Group's business and profitability would not be materially affected by the loss of any single supplier or contract with any supplier.

## 4.5 Key performance indicators

Each month the Group monitors its overall performance against budget and prior year where appropriate. Key performance indicators include:

- Safety—lost time injuries, reportable accidents and fatal accidents;
- Revenue invoiced, revenue recognised and revenue received in advance;
- Gross contribution from contracts;
- Net contribution from contracts; and
- Labour, plant and equipment, indirect overheads, consumables and sub-contractor costs.

The Group also reviews for each major project:

- Safety—lost time injuries, reportable accidents and fatal accidents;
- Progress—budget versus actual depth sunk;
- Cost efficiency—costs per man or per m<sup>3</sup> of waste rock removed;
- Revenue and contribution—versus budget;
- Material costs;
- Sub-contractor costs;
- Availability of suitable labour on-site and the mix of skilled versus semi-skilled;
- Capital expenditure; and
- Revenue received in advance.

## 4.6 Staff and employees

### 4.6.1 Overview

As at 30 June 2010, the Group had a workforce of 6,334 employees. Set out below is an analysis of the number of the Group's employees as at 31 December 2007, 2008 and 2009:

	Years to 31 December			Six months to 30 June 2010
	2007	2008	2009	
<b>By location</b>				
South Africa . . . . .	6,349	5,835	5,857	6,258
Rest of World <sup>(1)</sup> . . . . .	72	145	203	76
Total . . . . .	<u>6,421</u>	<u>5,980</u>	<u>6,060</u>	<u>6,334</u>

(1) Rest of World employees comprise employees based outside South Africa.

The Group categorises its employees as follows:

- Category A employees comprise skilled workers including site managers, shift bosses, qualified artisans and skilled junior management. They are full time employees of the Group and often work on multiple projects remaining employed between specific projects to which they may be assigned. The Directors believe that access to this pool of experienced employees represents a key strength for the Group.
- Category 3–8 employees comprise semi-skilled workers who work predominantly underground and are hired on limited duration contracts, typically for the duration of a specific project. The costs of these employees are directly attributable to individual projects. The Group has historically not experienced any shortage of such employees in South Africa nor do the Directors foresee any future shortage.

At 30 June 2010, the Group employed 5,112 Category 3–8 employees and 1,026 Category A employees. The remaining 196 employees were categorised as executives (20), corporate support (146) and non-permanent employees (30). The reduction in the average number of Rest of World employees during the six months to 30 June 2010 was due to the completion of the Yalea contract in Mali.

Approximately 50 per cent. of Category 3–8 employees belong to a union, the majority being members of the NUM. There have been no recent strikes or incidents of industrial unrest and the Directors believe that relations with the NUM are good. Wage negotiations usually take place in July/August of each year with any increases effective in September. Any strikes out of the Group's control are typically defined as force majeure events in the Group's contracts.

#### **4.6.2 Recent developments**

Following annual wage negotiations during July and August 2010, the Group and NUM have agreed an effective 9.9 per cent. increase in total cost to the Group for Category 3–8 employees and 6.1 per cent. for Category A employees. This is broadly in line with wage settlements negotiated in other South African industries. These increases will be passed through to the Group's customers in accordance with the terms of individual contracts.

#### **4.6.3 Benefits and incentives**

Category A employees receive monthly production bonuses based on their individual roles and production achieved. They also receive housing allowances, efficiency bonuses and car and site allowances.

Category 3–8 employees receive monthly production bonuses based on production achieved and contract bonuses annually or on termination of their contract as an incentive to complete their employment contracts. They also receive overtime, leave pay, leave bonuses and living out allowances.

South African expatriate staff based in Russia and India receive enhanced pay and allowances together with bonuses to incentivise them to complete their contracts.

#### **4.6.4 Training**

The Group has a Mine Quality Association (MQA) accredited training facility which provides for skills training in both sinking and conventional development and mining operations. This also covers all lower level training including operation of equipment. Specialised skills such as first aid are outsourced to other service providers. Provision is made for structured development programmes for individuals to progress to shift overseers and mine overseers.

The Group also has an extensive learnership programme for both engineering and mining learnerships.

The engineering learnerships cover all the major trades (fitters, electricians, boilermakers and riggers) and participants complete the section 13 qualification. The Group has partnered with a leading training facility in Welkom to provide the theoretical training. Thereafter, on-the-job training is done at the actual workplaces. Several women participate in this programme and the feedback from line management is that the quality of staff completing these programmes is high.

The Group provides study reimbursement schemes for those wanting to study further within their current line of work. High level development is also provided for selected individuals who may need to complete programmes such as an MBL (or similar programmes) as part of executive development initiatives.

#### **4.6.5 Health**

All prospective employees undergo medical assessments and the Group encourages all site-based employees to have annual medicals. The Group provides insured health benefits through Momentum Health and additional insurance through Rand Mutual Fund which also covers employees for any injuries sustained at work.

The Group recognises the HIV/AIDS pandemic. It has introduced an awareness programme for employees with regular teach-ins in the form of theatre and warnings of the need for a lifestyle conducive to the prevention of HIV/AIDS. The Group offers support to those employees who have HIV/AIDS and includes supplements in the food provided on-site to strengthen their immune systems.

## **5. Current trading and prospects**

In June 2010, the Group was awarded a major new rates contract by a joint venture between Royal Bafokeng Resources and a subsidiary of Anglo Platinum for the Styldrift project. This project, which is for the sinking of main and ventilation shafts to a depth of approximately 740 metres together with associated

development, has an expected value of ZAR 1,089 million (£94.4 million) spread over four years. Mobilisation commenced in August 2010.

The Group's results for the first half of 2010 benefited from the £3.8 million settlement of a lapsed contract which will not be repeated in the second half. Against this, however, the Group experienced several temporary set-backs on its Impala 16 and 17 projects. There was an unscheduled need to replace defective ropes at the Impala 16 shaft, which caused additional costs and delays. At two of the Impala 17 shafts, some delays were caused by problems with client-supplied winders, resulting in inefficient time, coupled with difficult rock conditions that proved to be a challenge to break through, during which time the full margins could not be realised. In total, these set-backs led to lost margins of approximately £1.3 million.

The Directors expect results for the second half of 2010 to benefit in constant currency terms from an improved performance on the Group's Impala 17 project and a modest initial contribution from the Styldrift project offset by a rise in overheads. Results for the second half of 2010 are also expected to include £3.0 million (net) costs incurred in connection with Admission and an exceptional income of £1.8 million on the sale of the Group's investment in Alpha Resources.

The Group remains active on the tender front. It awaits the outcome, expected shortly, of a tender for a major shaft complex for an existing South African customer. If successful, work is expected to commence on this project during 2011. Negotiations are also in progress over the extension of the Group's existing Moab development project for AngloGold Ashanti.

The Group is also pursuing several medium-term shaft-sinking opportunities in South Africa, the CIS and India for commodities and applications including platinum, chrome, gold, zinc and hydropower as well as other prospects elsewhere.

With a firm base of committed long-term contracts in place, work on the new Styldrift contract expected to increase significantly in 2011 and the potential to win further new contract awards both in South Africa and elsewhere, the Directors are confident of the Group's prospects.

The Placing will strengthen the Group's balance sheet and provide additional funds to invest in reconditioning winders. With the benefit of these and an enhanced public profile, the Directors believe the Group will be well placed to execute its strategy.

## **6. Dividend policy**

The Group intends to adopt a progressive dividend policy with dividends moving broadly in line with earnings over time. Dividends are expected to be paid semi-annually in respect of each year with an interim dividend for each year paid in September and a final dividend paid in May of the following year in each case subject to the satisfaction of the Solvency Test. Interim dividends are expected to represent around one third and final dividends around two thirds of the full year dividend for each year. Annual dividends per share are expected to be covered some 2.5–3.0 times by earnings per share. In the absence of unforeseen circumstances, the Company expects to pay its first dividend in September 2011.

## **7. Treasury policy**

The Group's treasury activities are designed to protect profits rather than to speculate.

The Group will report its future results in Sterling. However, almost all of its revenues and costs are currently denominated in other currencies, in particular the South African Rand and, to a lesser extent, the US Dollar and other currencies.

The Group seeks where possible to put in place natural currency hedges by matching contract revenues in a currency with contract costs in the same currency and financing assets in a currency with borrowings in the same currency within appropriate limits. The Group does not currently, and would not normally expect to hedge the Sterling translation value of foreign currency profits although, to the extent that such profits are repatriated, it may hedge the value to the receiving company of such payments using forward contracts or similar hedging instruments. The Group may also hedge the expected value of planned Sterling payments up to 12 months in advance.

As the Group's business becomes more international, the Directors expect its exposure to the South African Rand to reduce as a proportion of its business.

## **8. Corporate social responsibility (CSR)**

Shaft Sinkers (Pty) is in the process of implementing existing and exploring new CSR initiatives such as a tertiary education bursary scheme for children of employees and employment of local labour and local skills development within its pipe manufacturing facility.

The Group spent ZAR 1.8 million on enterprise development during 2009. The Group partnered with Raizcorp to select suitable start up businesses, generally with HDSAs and to provide them with entrepreneurial training to enable them to become self sustainable.

During 2009, the Group funded seven businesses which varied from catering to waste removal companies and also assisted an HDSA to start up an underground wetcrete application company which has recently become an approved sub-contractor to the Group. The Group has budgeted ZAR 3 million for 2010 in respect of CSR.

The Group is also commissioning an employee assistance programme (EAP) to debrief employees after traumatic events and may consider a full EAP programme for 2011.

## **9. Effect of Isle of Man domicile**

### *The City Code*

The City Code will apply to the Company, as it applies to companies that have their registered office in the United Kingdom, the Channel Islands or the Isle of Man if any of their securities are admitted to trading on a regulated market in the United Kingdom or any stock exchange in the Channel Islands or the Isle of Man.

Accordingly, upon Admission, Shareholders will be afforded the protections provided by the City Code, in particular the mandatory takeover provisions in Rule 9 of the City Code. In the event of a takeover, the Isle of Man Companies Act provides that the offeror is entitled to acquire compulsorily any remaining shares if it has received acceptances or purchased shares subsequent to the making of the offer amounting (in aggregate) to 90% by value of the shares to which the offer relates.

### *Company law*

There are a number of material differences between the Companies Act and the IM Act which may affect the rights of holders of Ordinary Shares. The salient differences are set out in more detail in Part X of this document.

However, the Company, through its Articles, has adopted many provisions commonly found in the Companies Act. For example, rights of pre-emption broadly similar to those contained in the Companies Act have been adopted in the Company's Articles. Details of these Articles are set out in more detail in Part X of this document.

## **10. Employee Incentives**

The Group currently has a cash-based management incentive scheme for its senior and executive management providing for the payment of up to a maximum of 90 per cent. of the total aggregate salaries of those participating in the scheme. Such payments are dependent on (i) personal performance, and (ii) seniority, subject to the achievement of pre-determined target results.

In order to develop a remuneration policy which seeks to retain and motivate key individuals to grow the value of the Group and maximise returns to shareholders, the Board has in addition adopted a long term incentive plan (the "LTIP"). The LTIP will offer executives of the Company the opportunity to receive awards over ordinary shares of the Company subject to growth in (i) earnings per share and (ii) the Company's share price. The LTIP will involve awards over 2,500,000 Ordinary Shares of the Company. Further details of the LTIP are set out in paragraph 13 of Part X of this document.

## **PART II: DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE**

### **1. Directors**

The Board of Directors of the Company will, on Admission, consist of three Executive and four Non-executive Directors:

#### *Amre Youness, Non-executive Chairman, Age 48*

Mr. Youness is the Chief Executive Officer of IMR Management Services Limited, and has been Non-executive Chairman of Capstone since 2008. He is also Chairman of Samancor Chrome (an IMR investee company). He was previously in private equity. He is a Board member of various charitable organisations involved in Sub-Saharan Africa. Mr. Youness is a US citizen.

#### *Alon Davidov, Chief Executive Officer, Age 36*

Mr. Davidov has been a director of Shaft Sinkers (Pty) since 2007. He currently works for IMR in its business development function (2003 to present) but will, on Admission, no longer be employed by IMR. As IMR's South African representative, he was responsible for IMR's original investment in the Group in 2007 and oversight of the Group's subsequent development on behalf of IMR. He was previously Finance Director of Bateman Litwin Kazakhstan from 2003 to 2005. He is a fluent Russian speaker and is also a Non-executive Director of Samancor Chrome. Mr. Davidov has dual citizenship in South Africa and Israel.

#### *Rob Schroder, Chief Operating Officer, Age 41*

Mr. Schroder joined the Group in 2004 as Commercial General Manager, and was promoted to Managing Director of Shaft Sinkers (Pty), the Group's principal operating subsidiary, in February 2008. He had previously set up and run his own project services consultancy practice in mining and heavy engineering for three years and had been a partner at Venn and Milford PQS (Quantity Surveyor, specialising in mining and heavy engineering) for three years. Mr. Schroder has dual citizenship in South Africa and the UK.

#### *Chris Hall, Chief Financial Officer, Age 51*

Mr. Hall joined the Group in 2007 as the Chief Financial Officer following three years as the Chief Executive Officer of JSE-listed Excellerate Holdings. He has over 13 years' experience in the oil industry and was previously Finance Director of Total South Africa, during which time he spent seven years in France. He qualified as a Chartered Accountant and spent four years post-qualification at PricewaterhouseCoopers and Ernst & Young. Mr. Hall is a South African citizen.

#### *Stephen Oke, Independent Non-executive Director, Age 56*

Mr. Oke holds a BSc Honours degree in Geology from the University of Southampton and an MBA from the University of the Witwatersrand Graduate School of Business. He has 35 years' experience in the mining and metals industry of which some 12 years were spent in various operational management positions for the National Coal Board, Anglovaal Ltd, BPCoal and Johannesburg Consolidated Investment Company Limited. Subsequently he has held senior positions in the investment banking industry for Smith New Court, Merrill Lynch, NM Rothschild and Sons and Standard Bank, specialising in the metals and mining sector, where he advised on a number of transactions and equity capital fund raisings worldwide. He is a non executive director of International Ferro Metals Limited and African Mining & Exploration plc and was previously on the boards of Nikanor plc, Katanga Mining Limited and Kazakhgold Group Limited.

#### *Ian Watson, Independent Non-executive Director, Age 67*

Mr. Watson is a qualified mining engineer with over 45 years' experience of the mining industry. He joined Gold Fields of South Africa Ltd in 1962 and after working at various gold mines became Mine Manager at, successively, the West Driefontein gold mine, the Kloof Gold Mining Company and the Northam Platinum Ltd platinum mine and then Consulting Engineer from 1992 - 1998. He subsequently worked as Managing Director of Northam Platinum Ltd from 1998 - 2002, as Chief Executive Officer of International Ferro Metals (SA) (Pty) Ltd from 2003 - 2005 and as Chief Executive Officer of Boynton Investments (Pty) Ltd until his retirement in 2009. He is a Professional Engineer (Engineering Council of South Africa) and holds a National Diploma in Mining from the Witwatersrand Technical College, a Mine Manager's Certificate of Competency from the South African College of Mining and has been a participant on the

General Management Programme at Henley Management College in the UK. He is currently non-executive Chairman of Galaxy Gold, a private company.

***Roger Williams, Independent Non-executive Director, Age 47***

Mr. Williams is a UK and South African chartered accountant with over 20 years' international experience in mining finance. After graduating from the University of Southampton with an honours degree in French and Spanish, he qualified as a chartered accountant with Touche Ross and joined the finance department of Carlton Paper. In 1997 he joined Randgold Resources working on its London Stock Exchange listing and its later secondary listing on NASDAQ and was appointed Group Finance Director in 2002. During 2002 - 2007 he was part of the management team that oversaw its expansion raising debt finance, managing its treasury operations and assisting on M&A and new business. He was subsequently Chief Financial Officer of JSE-listed AECI Limited and BSG Resources Limited, a private company, both involved in the mining industry. He is a UK citizen.

Each of the Directors can be contacted at the registered office of the Company at 18 Athol Street, Douglas, Isle of Man, IM1 1JA.

## **2. Senior Managers**

The Company has the following senior managers:

***Tomasz Pietrzak, Vice President: Operations & SHEQT, Age 57***

Mr. Pietrzak is the Vice President of Operations and SHEQT of Shaft Sinkers (Pty) and has been employed by the Group since 1988. He has an MDP (Management Development Programme), Higher National Diploma in Mining Engineering, Honours in Mining Engineering (Graduate Diploma in Engineering) and is a certificated Mine Manager. He was previously with Anglo American Gold Division for 14 years. He has dual Polish and South African citizenship.

***Salmon van der Wath, Vice President: Engineering, Age 60***

Mr. Salmon van der Wath is the Vice President Engineering of Shaft Sinkers (Pty) and has been employed by the Group since 2009. He has over 35 years of mining experience as an engineer and manager whilst working for Anglo American and Anglogold Ashanti. He gained international mining experience as a project manager and engineering consultant in Russia, Canada and West Africa. Salmon is a certified engineer, a member of the mine resident engineers and registered as a professional project and construction manager with the South African Council. Mr. van der Wath is a South African citizen.

## **3. Corporate Governance**

The Directors recognise the importance of maintaining sound corporate governance practices. The Company will be in compliance with the corporate governance regime applicable to it as an Isle of Man incorporated company. As the Ordinary Shares will be admitted to the premium listing segment of the Official List, the Company will be required to comply with the UK Corporate Governance Code. At present, the Company complies with the requirements of the UK Corporate Governance Code, with the exceptions that (i) the Chairman does not meet the independence criteria set out in Code Provision B.1.1. of the UK Corporate Governance Code and (ii) the Board has not implemented a formal process of evaluating the effectiveness of the Board, its committees and its Directors. With regard to the former, Mr. Youness has been responsible for overseeing the recent successful development of the Group and, therefore, the Board considers that Mr. Youness' continued involvement as Chairman is vitally important to the success of the Group. With regard to the latter, while the Company has only recently been incorporated, the Board intends to establish a formal evaluation process in the first quarter of 2011.

### ***Board Structure***

Upon Admission, the Board will consist of three Executive Directors and four Non-executive Directors of whom three are considered by the Board to be independent pursuant to the UK Corporate Governance Code.

The Chairman's role is to ensure good corporate governance. His responsibilities will include leading the Board, ensuring the effectiveness of the Board in all aspects of its role, ensuring effective communication

with shareholders, setting the Board's agenda and ensuring that all Directors are encouraged to participate fully in the activities and decision-making process of the Board.

The Board has appointed Stephen Oke as Senior Independent Director primarily to act as a conduit to the Board for the communication of shareholder concerns when other channels of communication are inappropriate.

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Safety Committee.

#### *Audit Committee*

The Audit Committee is chaired by Roger Williams, and its other members are Stephen Oke and Ian Watson. The Audit committee will meet not less than four times a year and will have responsibility for, amongst other things, monitoring the integrity of the Company's financial statements and reviewing its summary financial statements. It will oversee the Company's relationship with its external auditors and review the effectiveness of the external audit process. The committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules. It will also have responsibility for reviewing the effectiveness of the Company's and the Group's system of internal controls and risk management systems. The ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Board. The Non-executive directors of the Company who have been appointed as the initial members of the Audit Committee are considered by the Board to have recent and relevant financial experience.

#### *Remuneration Committee*

The Remuneration Committee is chaired by Stephen Oke, and its other members are Roger Williams and Ian Watson. The Remuneration Committee will meet not less than twice a year and will have responsibility for making recommendations to the Board for the determination, within agreed terms of reference, of the remuneration of the Chairman and of specific remuneration packages for each of the Executive Directors and the members of the key management, including pension rights, and any compensation payments. The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in this respect. The Executive Directors determine the remuneration of the Non-executive directors other than the Chairman, including the members of the Remuneration Committee.

#### *Nomination Committee*

The Nomination Committee is chaired by Amre Youness, and its other members are Stephen Oke and Roger Williams. The committee will meet at least twice a year and will, with effect from Admission, have responsibility for making recommendations to the Board on the composition of the Board and its committees and on retirements and appointments of additional and replacement Directors and ensuring compliance with the UK Corporate Governance Code.

#### *Safety, health, environment, quality and training Committee*

The Safety, health, environment, quality and training Committee is chaired by Ian Watson and its other members are Stephen Oke and Rob Schroder. The committee will meet at least twice a year and will, with effect from Admission, have responsibility for making recommendations to the Board to ensure a safe and healthy workplace is created and maintained for all employees.

#### *Executive Committee*

The executive functions of Shaft Sinkers (Pty) are carried out by the Executive Committee. This is a committee of the Senior Management of the Group and comprises Rob Schroder, Chris Hall, Tomasz Pietrzak and Salmon van der Wath.

#### *Model Code*

Upon Admission, the Company will adopt a code of securities dealings in relation to the Ordinary Shares, securities in group companies with stock exchange listings and other securities, to ensure compliance with the Model Code as published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Company.

#### *General Meetings*

The Company is not required to hold shareholder meetings in the Isle of Man and, in the interests of Shareholders, intends to hold all shareholder meetings in London, United Kingdom, including all annual general meetings.

## **PART III: THE PLACING AND RELATED MATTERS**

### **1. The Placing**

The Placing comprises the issue by the Company of 24,680,734 New Ordinary Shares representing approximately 52.0 per cent. of the Company's Enlarged Ordinary Share Capital. In total, the Placing will raise gross proceeds of approximately £30.6 million and net proceeds of approximately £27.6 million after expenses. Of this latter amount, approximately £24.1 million will be used to satisfy the consideration due to the Minority Shareholders in respect of the Capstone Acquisition.

The Company, the Directors, IMR and Arbuthnot Securities have entered into the Placing Agreement pursuant to which Arbuthnot Securities has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the New Ordinary Shares. The Placing is not being underwritten, however, Arbuthnot has undertaken to remit sufficient of the Placing Proceeds to satisfy the consideration due to the Minority Shareholders pursuant to the Capstone Acquisition. Further details of the Placing Agreement are set out in paragraph 12.1(d) of Part X of this document.

Following the Placing, IMR will continue to own approximately 48.0 per cent. of the Company's issued Ordinary Shares. IMR has entered into a Relationship Agreement and a lock-in agreement regarding its shareholding in the Company. Further details of the Relationship Agreement and the lock-in agreement are contained in paragraph 2 of Part VII and paragraph 12.1(c) of Part X respectively of this document.

### **2. Reasons for the Placing and use of proceeds**

The Placing will raise additional funds for the Company and strengthen the Group's balance sheet to support its future strategic development. In addition, the Directors believe that admission to the Official List will raise the Group's profile as it expands outside the South African market and stimulate its development. It will also provide enhanced access to capital and a currency for any future acquisitions as well as an opportunity to introduce share incentive schemes to attract, retain and motivate its employees.

The issue of New Ordinary Shares pursuant to the Placing will raise net proceeds after expenses of approximately £27.6 million. The Company intends to apply this as follows:

- approximately £24.1 million to be paid to the Minority Shareholders in respect of the Capstone Acquisition;
- approximately £2 million for the reconditioning of winders; and
- approximately £1.5 million to fund expected future project capital expenditure and working capital requirements.

In line with standard industry practice, the Group's policy since 2007 has been to seek advances from customers at the commencement of projects. These have been used to fund the Group's purchases of the plant and equipment required for such contracts and the working capital requirements under such contracts. However, the need to secure such advances has limited the Group's ability to tender for certain contracts. The additional capital resources arising from the Placing will give the Group greater flexibility when tendering for contacts while still continuing to seek advances from customers.

### **3. Distribution**

#### *General*

The distribution of this Prospectus and the offer of New Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes must inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. Persons receiving this Prospectus should not distribute or send it into any jurisdiction where to do so would or might contravene local securities laws or regulations. No action has been taken by the Company or Arbuthnot Securities that would permit, otherwise than under the Placing, an offer of New Ordinary Shares or possession or distribution of this Prospectus or any other offering material relating to New Ordinary Shares in any jurisdiction where action for that purpose is required. No offer is being made to the public in any jurisdiction.

None of the New Ordinary Shares may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this Prospectus and any other material in relation to the New Ordinary Shares may not be

circulated in any jurisdiction where to do so would violate any securities law or regulation of any such jurisdiction or, other than in the UK, give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

#### *United Kingdom*

Arbuthnot Securities has confirmed that: (i) it has not offered or sold and will not offer or sell any New Ordinary Shares to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Prospectus Rules or the FSMA; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the New Ordinary Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom.

#### *European Union*

In relation to any Member State of the EEA (each, a “Relevant Member State”) which has implemented Directive 2003/71/EC (the “Prospectus Directive”) with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “relevant implementation date”) no New Ordinary Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the New Ordinary Shares that has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant Member State at any time, (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive as implemented in that Relevant Member State.

For the purpose of this provision, the expression “offer to the public” in relation to any New Ordinary Share in any Relevant Member State, means the communication in any form or by any means of sufficient information on the terms of the Placing and the New Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Ordinary Shares, as the expression may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each person in a Relevant Member State who acquires any New Ordinary Shares under the Placing will be deemed to have represented, warranted and agreed that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) either: (i) the New Ordinary Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Arbuthnot Securities has been given to the offer or resale; or (ii) any acquisition of New Ordinary Shares by it under the Placing on behalf of other persons will be deemed to have been made as a qualified investor because such New Ordinary Shares are acquired by it on a discretionary basis.

The Company and its affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

#### **4. Admission, CREST and settlement**

Application has been made to the Financial Services Authority for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence by no later than 8.00 a.m. on 23 December 2010.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares under the CREST system. All of the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

Applications have been made for the Ordinary Shares to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions imposed by the CREST Regulations are satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the Ordinary Shares on admission of the Ordinary Shares to the Official List. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear.

CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

## PART IV: SELECTED FINANCIAL INFORMATION

The following selected financial information on Capstone has been extracted from the financial information set out in Part IX of this document.

Investors should read these selected financial data together with the Historical Financial Information set out in Part IX of this Prospectus and the discussion contained in the Operating and Financial Review set out in Part V of this Prospectus.

<u>£'000</u>	Years ended 31 December			Six months ended 30 June	
	2007 <sup>(1)</sup> (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Revenue</b> . . . . .	40,027	99,209	147,865	68,514	80,009
Direct expenses . . . . .	(39,693)	(87,119)	(121,317)	(58,592)	(69,334)
<b>Gross profit</b> . . . . .	334	12,090	26,549	9,922	10,675
Operating income . . . . .	1,962	3,705	3,426	1,885	873
Operating expense . . . . .	(3,273)	(8,250)	(10,151)	(4,108)	(5,057)
Contract provision and settlement . . . . .	—	—	(5,479)	—	3,820
Fair value adjustment of share option . . . . .	(125)	—	—	—	—
<b>Profit/(Loss) from operations</b> . . . . .	(1,102)	7,545	14,343	7,698	10,311
Share of loss on equity accounted investments . . .	(96)	(192)	(79)	—	—
Finance income . . . . .	1,255	53	100	—	271
Finance costs . . . . .	(1,058)	(2,418)	(1,904)	(1,063)	(1,154)
<b>Profit/(Loss) before income tax</b> . . . . .	(1,000)	4,988	12,461	6,635	9,428
Income tax . . . . .	(16)	(1,709)	(2,508)	(1,955)	(2,751)
<b>Profit/(Loss) from continuing operations</b> . . . . .	<b>(1,016)</b>	<b>3,279</b>	<b>9,953</b>	<b>4,680</b>	<b>6,677</b>
Loss from discontinued operation . . . . .	(87)	—	—	—	—
<b>Profit/(Loss) for the year/period</b> . . . . .	<b>(1,103)</b>	<b>3,279</b>	<b>9,953</b>	<b>4,680</b>	<b>6,677</b>
<b>Other comprehensive income</b>					
Revaluation of property, plant and equipment . . .	298	376	216	—	—
Effect of translation differences on translation of foreign operations . . . . .	(27)	(6)	—	—	—
Effect of exchange differences on translation from functional to presentation currency . . . . .	(16)	352	2,495	705	509
Income tax on other comprehensive income . . . . .	(86)	(55)	(26)	—	—
Other comprehensive income for the year/period .	169	667	2,685	705	509
<b>Total comprehensive income for the year/period</b> . .	<b>(934)</b>	<b>3,946</b>	<b>12,638</b>	<b>5,385</b>	<b>7,186</b>

Note:

(1) Audited financial information on the Group for 2007 includes the consolidated results of the underlying businesses from 1 April 2007.

## **PART V: OPERATING AND FINANCIAL REVIEW**

This operating and financial review discusses the financial condition and results of operations of the Group for the three financial years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 (the “Review Period”). It should be read in conjunction with “Historical Financial Information” on Capstone in Part IX and with the information relating to the business of the Group included elsewhere in this Prospectus. The discussion includes forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. These forward-looking statements include all matters that are not historical facts and speak only as at the date of this document. The actual future results of the Company and/or the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in the document, particularly those described in “Risk Factors”. For the avoidance of doubt, the above does not seek to qualify the working capital statement made in paragraph 15 of Part X of this document. Investors should read the whole of this document and not rely only on summarised information.

### **1. Overview**

Shaft Sinkers is the newly incorporated Isle of Man holding company of a group of companies specialising in the sinking of vertical and decline shafts and development of underground infrastructure. Current and recent projects have focused on applications in mining and hydropower. Other potential applications include underground road and railway access, underground storage caverns and underground nuclear waste disposal.

Through its METS division, the Group provides consultancy and design services, primarily internally to the main shaft sinking business but also externally directly to customers in the mining and civil engineering industries.

### **2. Basis of preparation**

Capstone became the holding company of the Group on 31 March 2007. As a result the audited figures for Capstone for the period ended 31 December 2007, which are shown below in the table in paragraph 7 of this Part V and have been extracted from the financial information in Part IX, only reflect the consolidation of the results of the Group and underlying business with effect from 1 April 2007.

### **3. Significant Factors Affecting Results of Operations**

The results of the Group’s operations have been, and the Company and/or the Group’s operations will continue to be, affected by many factors, some of which are beyond either the Company or the Group’s control. This section sets out certain key factors that the Directors believe have affected the Group’s results of operations during the period under review or could affect the Company and/or the Group’s results of operations in the future. For a discussion of certain factors that may adversely affect the Company and/or the Group’s results of operations and financial condition, please see those discussed in “Risk Factors—Risks relating to the Company and/or the Group’s Business”.

The key factors that affect the Group’s results of operations include:

- Dependence on key clients and demand from PGM miners;
- Performance of individual contracts;
- Procurement of winders;
- Level of medium-term mining development activity;
- Changes in operating costs;
- Governmental, political, economic, fiscal and monetary factors;
- Movements in currency exchange rates;
- Ability to secure advance payments;
- Negotiated withdrawal from loss-making Everest contract and review of new contract procedures;
- Award of EuroChem contract in 2008;
- Lapse of contract in 2009 and settlement; and
- Impairment of investment in Alpha Resources Limited.

### ***3.1 Dependence on key clients and demand from PGM miners***

As a specialist shaft sinking and underground infrastructure business, the Group derives almost all of its revenue from the sinking of shafts, underground excavation and development and the furnishing or equipping of such. Accordingly, the business results of the Group are dependent upon demand for shaft sinking and underground infrastructure, particularly in the South African market where the majority of its projects have historically been based.

The Group's business is also dependent on a relatively small number of clients and contracts. In total, the Group generated revenue from 22 contracts for 11 clients (excluding clients of METS) during the Review Period. The Group's three largest clients contributed approximately 71 per cent. of Group revenue in the year ended 31 December 2009 and approximately 56 per cent. of Group revenue over the Review Period.

During the Review Period, demand from PGM miners for new shafts was buoyant. A large proportion of the world's PGM reserves is located in South Africa and the Group was successful in winning a number of major contracts. Work on projects for PGM miners represented approximately 64 per cent., 56 per cent. and 67 per cent. respectively of the Group's revenues for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010.

### ***3.2 Performance of individual contracts***

Due to the small number of projects undertaken by the Group, the influence of individual contracts is significant to its operational and financial performance. As a consequence, the commencement or completion of individual contracts and the margin the Group is able to negotiate at the start of each contract will affect its results. In addition, the Group's ability to complete contracts on time and within budget and to replace completed contracts with new contracts will affect its results.

Over the Review Period, the Group's results have been significantly affected by certain contracts including the termination of the Everest contract in 2007, the commencement of the EuroChem contract in 2008 and the lapse of a contract in 2009.

### ***3.3 Procurement of winders***

The timing of arrival of a winder on-site has a direct impact on when work can commence on a project. External procurement of winders can require a lead time of up to 18 months whereas reconditioning an existing winder from the Group's yard may take only six months. An example of this arose on a contract in South Africa, where the reconditioning process took place over a period of approximately 3 months and enabled the Group to substantially reduce the timescales involved in commencement of the contract. The ability to source a winder from stock can therefore assist in securing a contract and accelerate its start date.

The Group currently has 31 kibble and stage winders, most of which are held in reserve and 13 of which are deployed on current projects. This stock of winders has been one of the key factors in the Group's ability to secure new contracts.

### ***3.4 Level of medium-term mining development activity***

The Group's business is dependent, in part, upon the level of mining development activity within the markets in which it operates. In turn this largely depends on customers' perceptions of the medium-term supply and demand balance and prices of the relevant mineral, each of which is influenced by a variety of factors. The lead time for the Group's projects is normally between four and six years, so demand is driven by clients' perception of demand and pricing on a medium-term horizon. The Group is relatively insulated from short-term fluctuations in commodity prices and demand.

### ***3.5 Changes in operating costs***

The Group's results of operations are affected by changes in operating costs, in particular changes in the cost of labour, plant, direct materials and sub-contractor rates. Labour cost and material cost increases are normally passed on to customers depending on the terms of the relevant contract.

The nature of the Group's operations is labour intensive. Labour costs represented approximately 60 per cent., 57 per cent., 66 per cent., and 65 per cent. of direct expenses in the years ended 31 December 2007, 2008 and 2009 and the six months to 30 June 2010 respectively. Overall, headcount has remained relatively stable over the Review Period despite the growth in the business, although there has been a shift towards more skilled labour.

### ***3.6 Governmental, political, economic, fiscal and monetary factors***

The Group's activities are subject to extensive laws and regulations governing various matters. These include laws and regulations relating to exchange control, taxation, environmental protection, labour standards and occupational health and safety. Possible additional future laws and regulations, changes to existing laws and regulations or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities may increase the Group's costs associated with compliance with these laws and regulations.

### ***3.7 Movements in currency exchange rates***

Approximately 77 per cent. of the Group's revenue in 2009 was denominated in South African Rand and a further 23 per cent. in US Dollars. While the Group seeks where possible to put in place natural foreign exchange hedges through the use of Rand or US Dollar denominated costs, this does not provide complete protection against currency exchange rate fluctuations. In 2009, 91 per cent. of the Group's costs were in South African Rand and 8 per cent. in US dollars. As a result, the Group's reported Sterling results are and will remain exposed to movements in the Sterling:US Dollar and Sterling:South African Rand exchange rates. The Group is also exposed to a lesser extent to movements in the exchange rates for Sterling against Russian Roubles, Indian Rupees, United Arab Emirates Dirham and the Euro.

### ***3.8 Ability to secure advance payments***

In line with standard industry practice, the Group's policy since 2007 has been to seek advances from customers on the commencement of projects. The Group received advances of approximately £11.2 million, £5.2 million and £11.5 million during the years to 31 December 2008 and 2009 and the 6 months ending 30 June 2010 respectively. These have been used to fund both the Group's purchases of the plant and equipment required for such projects and for general working capital purposes.

The Group expects to continue to secure advances on contracts. However, the size of such advances may reduce as clients seek to tailor the profile of advances more closely to the Group's underlying cash flows on individual contracts and in turn, could affect the interest cost to the Group.

### ***3.9 Negotiated withdrawal from loss-making Everest contract and review of new contract procedures***

The 2007 results were adversely affected by the Group's loss-making Everest contract with Aquarius Platinum Limited, entered into in March 2005, for contract mining on a rates basis, leading to losses from this contract of approximately £0.9 million in the financial year ended 31 December 2007. The Group negotiated its withdrawal from this contract in January 2008.

The Group has subsequently reviewed its procedures in relation to new contracts. All contracts are now subject to approval by two designated signatories. Where possible, the Group also seeks to protect itself through the negotiation of cost plus or agreed target cost contracts and through the imposition of liability caps. Where the Group enters into rates contracts it now negotiates escalation clauses and seeks to protect itself against poor ground conditions, water/gas intersection and other issues.

### ***3.10 Award of EuroChem contract in 2008***

In 2008, the Group was awarded a major contract by EuroChem in Russia. This contract represented approximately 14 per cent. of Group revenue in the financial year ended 31 December 2009 and 13 per cent. of Group revenue in the six months ended 30 June 2010. Whilst the Group does not disclose margins on individual contracts, the Group has generally been able to secure higher margins on projects outside South Africa to compensate for additional political, foreign exchange, legal risks and operational and transactional costs.

### ***3.11 Lapse of contract in 2009 and settlement***

In 2008, the Group was awarded a contract with a junior mining company to sink two shafts on a cost plus basis. An interim agreement was signed pending the negotiation of terms for the main agreement. During 2009 delays arose on the client's settlement of invoices and, in view of the lack of security for reimbursement of future capital expenditures, the Group allowed the interim agreement to lapse in accordance with its terms and sued for recovery of equipment and outstanding debts. Please see paragraph 11.2 of Part X of this Prospectus for further information. In respect of the financial year ended 31 December 2009, the Directors recognised as revenue approximately £5.5 million of payments received

in advance up to the date of lapse (as the Group was entitled to do under the terms of the agreement) but impaired the value of outstanding debtors and equipment by a similar amount. In April 2010, the parties signed a settlement agreement leading to the recognition of approximately £3.8 million as income in the six months to 30 June 2010.

### ***3.12 Impairment of investment in Alpha Resources***

In March 2005, Rossal and Mmakau Mining acquired 25 per cent. and 75 per cent. respectively of the issued equity of Alpha Resources together with certain claims against Alpha Resources. Rossal also agreed to advance a loan to Delta Gold Zimbabwe (Private) Limited, a wholly owned subsidiary of Alpha Resources, which owned the Eureka gold mine in Zimbabwe.

Owing to the economic instability and political unrest in Zimbabwe, the Group decided prior to the Review Period to impair fully both its investment in and claims against Alpha Resources and the loan to Delta Gold Zimbabwe (Private) Limited. The Group recognised amounts of £0.1 million and £0.2 million in the years ended 31 December 2007 and 2008 respectively as its share of the losses of Alpha Resources. The Group also recognised impairment charges in each period equal to the interest that accrued on its claims against Alpha Resources and loan to Delta Gold Zimbabwe (Private) Limited, amounting to ZAR 2.3 million (£0.2 million); ZAR 13.5 million (£0.9 million); ZAR 11.8 million (£0.7 million) and ZAR 5.1 million (£0.4 million) in the financial years ended 31 December 2007, 2008, 2009 and in the six months ended 30 June 2010.

### ***3.13 Impairment of investment in Alpha Resources Limited***

On 11 October 2010 the Group entered into a sale of shares agreement with Mmakau Mining whereby the Group disposed of its 25 per cent. interest in the shareholding of Alpha Resources as well as the claims that the Group had against Alpha Resources and its wholly-owned subsidiary, Delta Gold Zimbabwe (Private) Limited for a purchase consideration of ZAR 20 million. The purchase consideration was received on 27 October 2010 and the agreement became binding, resulting in the derecognition of the Group's investment in equity accounted investments at that date.

## **4. Factors affecting comparability**

### ***4.1 Acquisition of Rossal by Capstone in 2007***

As at 1 January 2007, Capstone's only significant asset was a 25 per cent. interest in the equity of Rossal, then the holding company of the Shaft Sinkers business. For accounting purposes it was considered that this stake did not provide Capstone with significant influence. However, the settlement of an outstanding loan with AMCO Investments Limited changed that status and therefore at 1 April 2007 Capstone was able to combine this 25 per cent. shareholding with its additional acquisition on 31 March 2007 of a further 50 per cent. shareholding in Rossal, giving it a 75 per cent. interest in total. It commenced consolidating the results of Rossal and the underlying Shaft Sinkers business with effect from 1 April 2007 and acquired the remaining 25 per cent. of the equity of Rossal on 1 June 2007.

IMR advanced ZAR 214 million (£15 million) to Capstone in 2007 to finance its acquisition of the remaining 75 per cent. of the equity of Rossal. ZAR 170 million (£12 million) of this loan was repaid later in 2007 funded effectively through a loan of ZAR 170 million (£12 million) from ABSA Bank to a subsidiary of Rossal. The outstanding balance of this loan is £0.4 million, and the Group has applied to the South African Reserve Bank for permission to repay this loan. During 2008, shareholder loans and accrued interest of ZAR 41 million (£3.0 million) from IMR and ZAR 6 million (£0.4 million) from Holgoun were capitalised and converted into equity.

### ***4.2 Reporting and functional currencies***

Although the Group's future reporting currency will be Sterling, the functional currency of the principal operating entity during the Review Period was South African Rand. As a result the Group's reported sterling results were affected by movements in the rates of exchange, in particular Sterling:South African Rand.

Set out below are the average and period end exchange rates for the periods under review:

	Year ended 31 December			6 months to 30 June	
	2007	2008	2009	2009	2010
<i>Average exchange rates</i>					
GBP: ZAR .....	14.145	15.181	13.140	13.724	11.519
<i>Period end rates</i>					
GBP: ZAR .....	13.691	13.704	11.814	13.021	11.533

While Sterling weakened overall against the South African Rand during the Review Period by approximately 19 per cent. on a period average basis and 16 per cent. on a period end basis, there were individual periods in which it strengthened. Overall, the impact has been to depress the Group's reported results for the year ended 31 December 2008 relative to the year ended 31 December 2007 and enhance the Group's reported results for both the year ended 31 December 2009 relative to the year ended 31 December 2008 and for the six months to 30 June 2010 relative to the six months to 30 June 2009.

## 5. Critical accounting policies and estimates

The Group's significant accounting policies are more fully described in the financial information in relation to Capstone included in Part IX.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Accounting 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 and in any future periods affected.

The Group believes that the following critical accounting policies involve the most significant judgments and estimates used in preparation of its combined financial statements.

### 5.1 Revenue recognition

The Group accounts for its contracts as either services contracts or construction contracts. Revenue generated from service contracts is recognised in the statements of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Service contracts tend to be labour rates contracts, in which case the stage of completion is assessed on the basis of the number of hours worked. Most of the Group's contracts are considered construction contracts, accounting for shaft sinking and underground construction work. Revenue from construction contracts is recognised as soon as the outcome of the contract can be estimated reliably, in proportion to the stage of completion of the contract. The stage of completion is assessed by quantity surveyors. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately.

Advances received from clients are initially credited to deferred revenue and recognised as revenue over the original (or any extended) term of the contract at a similar rate to which expenditures are incurred.

## 6. Consolidated Statement of Comprehensive Income

The following describes certain line items in the Group's Statement of Comprehensive Income.

### 6.1 Revenues

The Group derives almost all of its revenues from contracts for the sinking of shafts, underground excavation and development and the furnishing or equipping of such. Revenue also includes revenue generated by the Group's METS division.

In 2009, 74 per cent. of the Group's revenues came from South African operations and 26 per cent. from international operations. 2008 showed a similar split of sources of revenues. However, in 2007, 91 per cent. of the Group's revenue came from South African operations and only 9 per cent. from international operations.

## **6.2 Direct Expenses**

Direct expenses principally comprise labour costs, plant, direct materials and sub-contractor rates.

Labour costs represented approximately 60 per cent., 57 per cent., 66 per cent., and 65 per cent. of direct expenses in the years ended 31 December 2007, 2008 and 2009 and the six months to 30 June 2010 respectively. The Group is normally able to pass on increases in labour costs, that are in line with national pay increases in South Africa, to its customers.

## **6.3 Operating income/expenses**

Operating income included the following key elements in the financial years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010:

### *—METS recoveries*

The internal design division, METS, recovers its costs by billing internal charges to the sinking division on current projects. Those charges are included in direct costs. When METS invoice customers directly, such billing is included in Revenue.

### *—Foreign exchange gains*

Foreign exchange gains arising on transactions are included in operating income and foreign exchange losses included in operating expenses.

### *—Profit on disposal of property, plant and equipment*

Profits on disposal of assets to clients or scrapped are shown as operating income, as the Group does not hold assets with the intention of resale.

### *—Sundry income items*

Sundry income includes rentals and revenues collected from the Group's accommodation facilities including Casa D'Vliet and Rustenburg complexes, as well as miscellaneous items such as discounts received from suppliers.

Operating expenses comprised the following key elements in the financial years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010:

### *—Net engineering recoveries*

Net engineering recoveries represents the charge out from the engineering division for time and depreciation of project property, plant and equipment, net of operating overheads and depreciation for that division.

### *—METS costs*

METS overhead costs are recorded under operating expenses and include primarily the labour content of that division.

### *—Overheads*

Overheads includes the administrative and other indirect overheads of the head office, including salaries, loss on disposal of property, plant and equipment not in the course of a project contract, foreign exchange losses and depreciation of non-project assets.

### *—Impairment provisions*

Impairment provisions are raised for property, plant and equipment and trade debtors as well as for retirement benefit obligations to past employees for medical aid benefits.

## **6.4 Finance income/(costs)**

Finance income and costs includes interest receivable from funds on deposit with banks, income from investments and interest expense on borrowings.

## 7. Results of Operations

£'000	Years ended 31 December			6 months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Revenue</b> . . . . .	40,027	99,209	147,865	68,514	80,009
Direct expenses . . . . .	(39,693)	(87,119)	(121,317)	(58,592)	(69,334)
<b>Gross profit</b> . . . . .	334	12,090	26,548	9,922	10,675
Operating income . . . . .	1,962	3,705	3,425	1,884	873
Operating expense . . . . .	(3,273)	(8,250)	(10,151)	(4,108)	(5,057)
Contract provision and settlement . . . . .	—	—	(5,479)	—	3,820
Fair value adjustment of share options through profit or loss . . . . .	(125)	—	—	—	—
<b>Profit/(Loss) from operations</b> . . . . .	(1,102)	7,545	14,343	7,698	10,311
Share of loss on equity accounted investments . . . . .	(96)	(192)	(78)	—	—
Finance income . . . . .	1,255	53	100	—	271
Finance costs . . . . .	(1,057)	(2,418)	(1,904)	(1,063)	(1,154)
<b>Profit/(Loss) before income tax</b> . . . . .	(1,000)	4,988	12,461	6,635	9,428
Income tax . . . . .	(16)	(1,709)	(2,508)	(1,955)	(2,751)
<b>Profit/(Loss) from continuing operations</b> . . . . .	<b>(1,016)</b>	<b>3,279</b>	<b>9,953</b>	<b>4,680</b>	<b>6,677</b>
Loss from discontinued operation . . . . .	(87)	—	—	—	—
<b>Profit/(Loss) for the year/period</b> . . . . .	<b>(1,103)</b>	<b>3,279</b>	<b>9,953</b>	<b>4,680</b>	<b>6,677</b>
<b>Other comprehensive income</b>					
Revaluation of property, plant and equipment . . . . .	298	376	216	—	—
Effect of translation differences on translation of foreign operations . . . . .	(27)	(6)	—	—	—
Effect of exchange differences on translation from functional to presentation currency . . . . .	(16)	352	2,495	705	509
Income tax on other comprehensive income . . . . .	(86)	(55)	(26)	—	—
Other comprehensive income for the year/period . . . . .	169	667	2,685	705	509
<b>Total comprehensive income/(loss) for the year/ period</b> . . . . .	<b>(934)</b>	<b>3,946</b>	<b>12,638</b>	<b>5,385</b>	<b>7,186</b>

Due to the small number of projects undertaken by the Group, the influence of individual projects is significant to its operational and financial performance. During the Review Period, a number of key contracts and associated events influenced Capstone's operational and financial performance:

### *Year ended 31 December 2007*

As set out in paragraph 3.9 above, the results for the financial year ended 31 December 2007 were adversely affected by the Group's loss-making Everest contract with Aquarius Platinum for contract mining on a rates basis leading to losses of approximately £0.9 million in the financial year ended 31 December 2007. The Group negotiated its withdrawal from this contract in January 2008.

### *Year ended 31 December 2008*

In the second half of the year, the Group commenced work on the newly won EuroChem and Teesta contracts. At the start of the EuroChem project a significant advance was received to finance the capital expenditure necessary to prepare for this project. The EuroChem and Teesta projects signalled the Group's intention to re-enter the international markets.

In South Africa, the Group benefited from a number of existing projects that entered into higher operational activity phases (Impala 17, Saffy and Hossy) which helped generate significant additional revenue and gross margin for the year.

### *Year ended 31 December 2009*

The results of the Group for the financial year ended 31 December 2009 included for the first time a full 12 months of profit generated on the EuroChem and Teesta contracts.

As set out in paragraph 3.11 above, the Group allowed an interim agreement on a project to lapse during the year. The Directors recognised as revenue approximately £5.5 million payments received in advance up to the date of lapse but impaired the value of outstanding debtors and equipment by a similar amount.

As described below in paragraph 7.2, a contract was cancelled during 2008, resulting in the accelerated recognition in 2009 of approximately £2.1 million advance payments as revenue.

Additional VAT relating to prior years was provided for amounting to £0.8 million.

#### *Six months ended 30 June 2010*

As set out in paragraph 3.11 above, a settlement agreement was reached in respect of a lapsed contract, resulting in the recognition of approximately £3.8 million as income. In addition, one of the Group's key South African projects entered a new phase of work and the Group successfully renegotiated improved rates for that phase of the project.

A further provision was made for VAT relating to prior years in the amount of £0.4 million.

During the six months ended 30 June 2010, the Group experienced temporary set-backs on its Impala 16 and 17 projects. There was a need to replace defective ropes at the Impala 16 shaft, which caused additional costs and delays. At two of the Impala 17 shafts, some delays were caused by problems with client-supplied winders, resulting in standing time, coupled with difficult rock conditions that proved to be a challenge to break through, during which time the full margins could not be realised. In total, these set-backs led to lost margins of approximately ZAR 15 million (£1.3 million).

The Group also experienced one-off costs associated with Admission. These amounted to £0.4 million during the six months ended 30 June 2010.

#### **7.1 Six months ended 30 June 2010 compared to the six months ended 30 June 2009**

The six months ended 30 June 2010 resulted in a profit from operations of £10.3 million or 12.9 per cent. of revenue. This was an increase of £2.6 million over the six months ended 30 June 2009 result of £7.7 million or 11.2 per cent. of revenue.

The total comprehensive income for the six months ended 30 June 2010 was £7.2 million, or 9.0 per cent. of revenue, compared to the previous period of £5.4 million, or 7.9 per cent. of revenue.

#### *Revenue*

The Group's revenues increased by £11.5 million, or 16.8 per cent., from £68.5 million for the six months ended 30 June 2009 to £80.0 million for the six months ended 30 June 2010. Foreign exchange movements accounted for the whole of the increase, as the South African Rand strengthened against Sterling. On a constant currency basis, revenue was some 2.0 per cent. lower than that for the previous period.

During the six months ended 30 June 2010, the Group commenced two new contracts with Lonmin (Saffy and Hossy) for capital development, contributing £4.9 million and £2.2 million respectively, in addition to a capital footprint project at Impala 16 contributing an additional £3.6 million to revenue. These gains in revenue in the first half of 2010 were offset by the lapse of a project as mentioned above in 3.11 and the cessation of a project for Randgold Resources (Yalea) in 2009.

#### *Direct Expenses*

The Group's direct expenses increased by £10.7 million, or 18.3 per cent., from £58.6 million for the six months ended 30 June 2009 to £69.3 million for the six months ended 30 June 2010.

As is the case with revenue, and described above, the increase in the Group's direct expenses was largely due to the strengthening of the South African Rand against Sterling. Direct expenses increased by an additional 1.3 per cent. partly due to unexpected costs at the Impala 17 shaft project.

#### *Gross profit*

As a result of the above, the Group's gross profit increased by £0.8 million, or 7.6 per cent., from £9.9 million for the six months ended 30 June 2009 to £10.7 million for the six months ended 30 June 2010. On a constant currency basis, gross profit would have declined by some 9.7 per cent.

Gross profit represented approximately 13.3 per cent. of revenue for the six months ended 30 June 2010 compared to 14.5 per cent. for the previous period.

#### *Operating income*

The Group's operating income decreased by £1.0 million, or 53.7 per cent., from £1.9 million for the six months ended 30 June 2009 to £0.9 million for the six months ended 30 June 2010.

The decrease in operating income was due to a combination of lower METS inter-divisional billing of £1.8 million and a £0.8 million loss on disposal of plant and equipment relating to the lapsed contract referred to in paragraph 3.11, offset by additional income of £1.0 million relating to sundry sale of stock items and a contribution of £0.6 million from the strengthening of the South African Rand against other currencies in the six months ended 30 June 2010.

#### *Operating expense*

The Group's operating expense increased by £1.0 million, or 23.1 per cent., from £4.1 million for the six months ended 30 June 2009 to £5.1 million for the six months ended 30 June 2010.

Operating expenses were reduced by a £2.9 million improvement in foreign exchange differences from 30 June 2009 to 30 June 2010. The foreign exchange differences changed from a loss of £2.1 million for the six months ended 30 June 2009 to a gain of £0.8 million in the corresponding period in 2010. The change in foreign exchange differences was a result of the continued strengthening of the South African Rand against other major world currencies during the period and the Group having a net liability in foreign monetary items for the 2010 period as opposed to a net asset in 2009.

Net engineering recoveries were lower in the six months ended 30 June 2010 by £0.9 million and other operating expenses increased by approximately £2.5 million in that period which included an abnormal accrual for VAT relating to the past years of £0.4 million, higher salaries, higher incentive bonuses, higher audit fees and inflation accounting for the remainder of the increase.

#### *Contract provision and settlement*

Contract provision and settlement in the six months ended 30 June 2010 was £3.8 million and related entirely to the settlement proceeds of a lapsed contract as described in paragraph 3.11 of this Part. There were no such proceeds in the six months ended 30 June 2009.

#### *Fair value adjustment of share options*

The employee share option scheme to which the fair value adjustment of share options related during 2007 was curtailed in 2007 when IMR acquired its controlling interest in Capstone and no further fair value adjustments have been necessary since the 2007 financial year.

#### *Profit/(loss) from operations*

As a result of the above, the Group's profit from operations increased by £2.6 million, or 33.8 per cent. (12.4 per cent. on a constant currency basis), from £7.7 million for the six months ended 30 June 2009 to £10.3 million for the six months ended 30 June 2010.

#### *Share of loss on equity accounted investments*

Delta Gold Zimbabwe has not been operational since 2008 and as a result the Group did not incur any loss in respect of equity accounted investments for the six months ended 30 June 2009 or the six months ended 30 June 2010.

#### *Finance income*

The Group's finance income increased by £0.3 million, from a negligible amount for the six months ended 30 June 2009 to £0.3 million for the six months ended 30 June 2010 due to finance income earned on finance lease assets arising on the employee motor vehicle scheme. This scheme was implemented during the second half of the 2009 financial year. Also included in this figure is interest accrued on loans to related parties.

#### *Finance costs*

The Group's finance costs increased by £0.1 million, or 8.5 per cent., from £1.1 million for the six months ended 30 June 2009 to £1.2 million for the six months ended 30 June 2010. While finance costs decreased by 9 per cent. in the first half of 2010 in constant currency terms due to lower interest on term debt, the increase was primarily due to the strengthening of the South African Rand against Sterling from 2009 to 2010.

#### *Profit/(Loss) before income tax*

As a result of the above, the Group's profit before income tax increased by £2.8 million, or 42.1 per cent. (19.3 per cent. on a constant currency basis), from £6.6 million for the six months ended 30 June 2009 to £9.4 million for the six months ended 30 June 2010.

#### *Income tax*

As a result of the increased profitability of the Group, the Group's income tax charge increased by £0.8 million, or 40.8 per cent., from £2.0 million for the six months ended 30 June 2009 to £2.8 million for the six months ended 30 June 2010. The Group's effective tax rate was 29.5 per cent. for the six months ended 30 June 2009 and fell to 29.2 per cent. for the six months ended 30 June 2010.

#### *Profit/(Loss) from continuing operations*

As a result of the above, the Group's profit from continuing operations increased by £2.0 million, or 42.7 per cent. (19.7 per cent. on a constant currency basis), from £4.7 million for the six months ended 30 June 2009 to £6.7 million for the six months ended 30 June 2010.

#### *Loss from discontinuing operation*

The Group incurred no loss from discontinued operations in the six months ended 30 June 2009 or the six months ended 30 June 2010.

#### *Profit/(Loss) for the year/period*

As a result of the above, the Group's profit for the period increased by £2.0 million, or 42.7 per cent. (19.7 per cent. on a constant currency basis), from £4.7 million for the six months ended 30 June 2009 to £6.7 million for the six months ended 30 June 2010.

#### *Revaluation of property, plant and equipment*

The Group incurred no gain or loss on revaluation of property, plant and equipment in either the six months ended 30 June 2009 or the six months ended 30 June 2010.

#### *Effect of translation differences on translation of foreign operations*

The Group incurred no foreign currency translation differences in the six months ended 30 June 2009 or the six months ended 30 June 2010.

#### *Effect of exchange differences on translation from functional to presentation currency*

The Group's exchange gains on translation from functional to presentation currency decreased by £0.2 million, or 27.7 per cent., from £0.7 million in the six months ended 30 June 2009 to £0.5 million in the six months ended 30 June 2010, due to strengthening of the South African Rand against Sterling during the period.

#### *Income tax on other comprehensive income*

The Group incurred no income tax on other comprehensive income in either the six months ended 30 June 2009 or the six months ended 30 June 2010.

#### *Other comprehensive income for the year/period*

As a result of the above, the Group's other comprehensive income for the period decreased by £0.2 million, or 28.6 per cent., from £0.7 million in the six months ended 30 June 2009 to £0.5 million in the

six months ended 30 June 2010, due to a decrease in exchange differences on translation from functional to presentation currency in the period.

#### *Total comprehensive income for the year/period*

As a result of the above, the Group's total comprehensive income for the period increased by £1.8 million, or 33.3 per cent., from £5.4 million for the six months ended 30 June 2009 to £7.2 million for the six months ended 30 June 2010.

#### **7.2 Year ended 31 December 2009 compared to year ended 31 December 2008**

The financial year ended 31 December 2009 resulted in a profit from operations of £14.3 million or 9.7 per cent. of revenue. This was an increase over the financial year ended 31 December 2008 result of £7.5 million or 7.6 per cent. of revenue.

The total comprehensive income for the year was £12.6 million, or 8.5 per cent. of revenue, compared to the previous period of £3.9 million, or 3.9 per cent. of revenue.

#### *Revenue*

The Group's revenues increased by £48.7 million, or 49.0 per cent., from £99.2 million for the financial year ended 31 December 2008 to £147.9 million for the financial year ended 31 December 2009.

This increase in revenue was due to two key factors. During the financial year ended 31 December 2009, the Group had several larger contracts running concurrently and a full 12 months' revenue from the EuroChem project in Russia and the Teesta contract in India. In addition, the strengthening of the South African Rand against Sterling by 13.4 per cent from 2008 to 2009, accounted for £15.4 million of the £48.7 million increase. On a constant currency basis revenue increased by 29 per cent.

The Group also benefited from the accelerated recognition of £2.1 million in advance payments as revenue in the financial year ended 31 December 2009 in respect of winders procured on a contract that was terminated in December 2008. The contract terms were such that the Group became legally entitled to the funds after the one year anniversary of the contract expiry date, in December 2009.

#### *Direct Expenses*

The Group's direct expenses increased by £34.2 million, or 39.3 per cent., from £87.1 million for the financial year ended 31 December 2008 to £121.3 million for the financial year ended 31 December 2009. £17.9 million of this increase is attributable to the increased labour, materials costs and other direct expenses incurred in relation to the greater amount of work undertaken by the Group during the year, with the remaining £13.5 million relating to foreign exchange movements.

#### *Gross profit*

As a result of the above, the Group's gross profit increased by £14.4 million, or 119.6 per cent., from £12.1 million for the financial year ended 31 December 2008 to £26.5 million for the financial year ended 31 December 2009.

Gross profit represented approximately 18.0 per cent. of revenue for the financial year ended 31 December 2009 compared to 12.2 per cent. for the prior year. This improvement is due to:

- the increasing contribution from cost plus contracts, most notably the EuroChem project in Russia which started to contribute towards the end of 2008 but contributed for a full 12 months during 2009 and the Teesta project in India which also commenced in the latter half of 2008; and
- the strengthening of the South African Rand against Sterling.

On a constant currency basis, gross profit increased by 90 per cent.

#### *Operating income*

The Group's operating income decreased by £0.3 million, or 7.5 per cent., from £3.7 million for the financial year ended 31 December 2008 to £3.4 million for the financial year ended 31 December 2009.

The decrease in operating income was due to the reversal of certain impairment provisions in 2008 that did not repeat in 2009 and a decrease in the METS inter-divisional charge (charged from the METS division to Group projects) from 2008 to 2009.

#### *Operating expense*

The Group's operating expense increased by £1.9 million, or 23.2 per cent., from £8.3 million for the financial year ended 31 December 2008 to £10.2 million for the financial year ended 31 December 2009.

The increase is largely due to the strengthening of the South African Rand against Sterling in 2009.

#### *Contract provision and settlement*

Contract provision and settlement in the financial year ended 31 December 2009 related entirely to a provision of £5.5 million in respect of revenue recognised on a lapsed contract as described in paragraph 3.11 of this Part. There was no such provision in the financial year ended 31 December 2008.

#### *Fair value adjustment of share options*

No fair value adjustment of share options was applicable in the financial year ended 31 December 2008 or the financial year ended 31 December 2009.

#### *Profit/(loss) from operations*

As a result of the above, the Group's profit from operations increased by £6.8 million, or 90.1 per cent. (64.5 per cent. on a constant currency basis), from £7.5 million for the financial year ended 31 December 2008 to £14.3 million for the financial year ended 31 December 2009.

#### *Share of loss on equity accounted investments*

Share of loss on equity accounted investments decreased by £0.1 million from a loss of £0.2 million in the financial year ended 31 December 2008 to a loss of £0.1 million in the financial year ended 31 December 2009. This was solely attributable to its investment in Alpha Resources.

#### *Finance income*

The Group's finance income increased by £0.1 million, from a negligible amount for the financial year ended 31 December 2008 to £0.1 million for the financial year ended 31 December 2009.

The increase in finance income is primarily attributable to the strengthening of the South African Rand against Sterling and the Group's finance income decreasing by 4.2 per cent. on a constant currency basis, as a result of a decline in the prime lending rate in South Africa from 2008 to 2009.

#### *Finance costs*

The Group's finance costs decreased by £0.5 million, or 21.3 per cent., from £2.4 million for the financial year ended 31 December 2008 to £1.9 million for the financial year ended 31 December 2009 due to reduced borrowing costs arising from the repayment of certain banking facilities during the year as well as a decrease in the prime lending rate in South Africa from 2008 to 2009.

#### *Profit/(Loss) before income tax*

As a result of the above, the Group's profit before income tax increased by £7.5 million, or 149.8 per cent. (116.3 per cent. on a constant currency basis), from £5.0 million for the financial year ended 31 December 2008 to £12.5 million for the financial year ended 31 December 2009.

#### *Income tax*

As a result of the increased profitability of the Group, the Group's tax charge increased by £0.8 million, or 46.8 per cent., from £1.7 million for the financial year ended 31 December 2008 to £2.5 million for the financial year ended 31 December 2009. The Group's effective tax rate fell from 34.3 per cent. for the year ended 31 December 2008 to 20.1 per cent. for the year ended 31 December 2009 due to an over-provision for income tax in the financial year ended 31 December 2008.

#### *Profit/(Loss) from continuing operations*

As a result of the above, the Group's profit from continuing operations increased by £6.7 million, or 203.5 per cent. (162.8 per cent. on a constant currency basis), from £3.3 million for the financial year ended 31 December 2008 to £10.0 million for the financial year ended 31 December 2009.

#### *Loss from discontinued operation*

The Group incurred no losses from discontinued operations in the financial year ended 31 December 2008 or the financial year ended 31 December 2009.

#### *Profit/(Loss) for the year/period*

As a result of the above, the Group's profit for the period increased by £6.7 million, or 203.5 per cent. (162.8 per cent. on a constant currency basis), from £3.3 million for the financial year ended 31 December 2008 to £10.0 million for the financial year ended 31 December 2009.

#### *Revaluation of property, plant and equipment*

The Group's gain from revaluation of property, plant and equipment decreased by £0.2 million, or 42.6 per cent., from £0.4 million for the financial year ended 31 December 2008 to £0.2 million for the financial year ended 31 December 2009.

#### *Effect of translation differences on translation of foreign operations*

The Group incurred no foreign currency translation differences in the financial year ended 31 December 2009 compared to a negligible loss for the financial year ended 31 December 2008.

#### *Effect of exchange differences on translation from functional to presentation currency*

The Group's exchange gains on translation from functional to presentation currency increased by £2.1 million, or 608.5 per cent., from £0.4 million in the financial year ended 31 December 2008 to £2.5 million in the financial year ended 31 December 2009, due to the strengthening of the South African Rand against Sterling during the period.

#### *Income tax on other comprehensive income*

As a result of the above, the Group's income tax on other comprehensive income decreased slightly in the financial year ended 31 December but remained negligible.

#### *Other comprehensive income for the year/period*

As a result of the above, the Group's other comprehensive income for the period increased by £2.0 million, or 302.5 per cent., from £0.7 million in the financial year ended 31 December 2008 to £2.7 million in the financial year ended 31 December 2009, largely due to an increase in exchange differences on translation from functional to presentation currency in the period.

#### *Total comprehensive income for the year/period*

As a result of the above, the Group's total comprehensive income for the period increased by £8.7 million, or 220.3 per cent., from £3.9 million for the financial year ended 31 December 2008 to £12.6 million for the financial year ended 31 December 2009.

### ***7.3 Year ended 31 December 2008 compared to year ended 31 December 2007***

As discussed in paragraph 4.1 above, at 1 January 2007 Capstone's only significant asset was a 25 per cent. interest in the equity of Rossal, then the holding company of the Shaft Sinkers business. Capstone commenced consolidating the results of Rossal and the underlying Shaft Sinkers business with effect from 1 April 2007. As a result figures for the financial year ended 31 December 2007 only reflect the inclusion of nine rather than 12 months trading for Rossal and the underlying Shaft Sinkers business.

The financial year ended 31 December 2008 resulted in a profit from operations of £7.5 million or 7.6 per cent. of revenue. This was an increase of £8.6 million over the loss from operations of £1.1 million for the year ended 31 December 2007.

The total comprehensive income for the year was £3.9 million, or 4.0 per cent. of revenue, compared to the loss for the previous period of £0.9 million.

#### *Revenue*

The Group's revenues increased by £59.2 million from revenues of £40.0 million for the financial year ended 31 December 2007 to £99.2 million for the financial year ended 31 December 2008. This increase in revenue was due to a larger number of contracts running concurrently during 2008, and the commencement of a number of key contracts awarded in late 2007 or 2008. In particular, work commenced on the EuroChem project in Russia and the Teesta project in India in the second half of 2008 and a significant shaft sinking project for Impala. The increase in revenue was offset by a weakening of the South African Rand against Sterling.

#### *Direct Expenses*

The Group's direct expenses increased by £47.4 million from direct expenses of £39.7 million for the financial year ended 31 December 2007 to £87.1 million for the financial year ended 31 December 2008. These increased costs are largely attributable to the inclusion of only nine months' trading in the results for the year ended 31 December 2007 and the increased labour and materials costs incurred in relation to the greater amount of work undertaken by the Group during the year offset by the weakening of the South African Rand against Sterling during the year.

#### *Gross profit*

As a result of the above, the Group's gross profit increased by £11.8 million from gross profit of £0.3 million for the financial year ended 31 December 2007 to £12.1 million for the financial year ended 31 December 2008.

Gross profit represented approximately 12.2 per cent. of revenue for the financial year ended 31 December 2008 compared to 0.8 per cent. for the prior year. This improvement is mostly due to the increasing contribution from cost plus contracts (particularly the commencement of the EuroChem, Teesta and Impala 17 projects), the cessation of the loss-making Everest contract, commencement of local projects with enhanced terms and increased activity on existing South African contracts.

#### *Operating income*

The Group's operating income increased by £1.7 million from operating income of £2.0 million for the financial year ended 31 December 2007 to £3.7 million for the financial year ended 31 December 2008. This was primarily due to an increase in internal charges from the Group's METS division as a result of increased work on projects for the Group and partly due to the inclusion of only nine months' trading in the results for the year ended 31 December 2007 offset by the weakening of the South African Rand against Sterling during the year.

#### *Operating expense*

The Group's operating expense increased by £5.0 million from operating expense of £3.3 million for the financial year ended 31 December 2007 to £8.3 million for the financial year ended 31 December 2008. This was primarily due to the inclusion of only nine months' trading in the results for the year ended 31 December and the start-up of Impala, EuroChem and Teesta contracts in 2008.

#### *Contract provision and settlement*

There were no contract provisions or settlements in the financial years ended 31 December 2007 or 2008.

#### *Fair value adjustment of share options*

No fair value adjustment of share options was necessary for the financial year ended 31 December 2008 compared with a charge of £0.1 million in the financial year ended 31 December 2007.

#### *Profit/(loss) from operations*

As a result of the above, the Group's profit from operations increased by £8.6 million, from a loss from operations of £1.1 million for the financial year ended 31 December 2007 to a profit of £7.5 million for the financial year ended 31 December 2008.

#### *Share of loss on equity accounted investments*

The Group's loss in respect of equity accounted investments increased by £0.1 million, from a loss of £0.1 million for the financial year ended 31 December 2007, to a loss of £0.2 million for the financial year ended 31 December 2008. This was attributable to impairment losses in respect of the Group's shareholding in and claims against Alpha Resources Limited and loans granted to its subsidiary, Delta Gold Zimbabwe (Private) Limited.

#### *Finance income*

The Group's finance income decreased by £1.3 million, from £1.3 million for the financial year ended 31 December 2007 to a negligible amount for the financial year ended 31 December 2008.

#### *Finance costs*

The Group's finance costs increased by £1.3 million from £1.1 million for the financial year ended 31 December 2007 to £2.4 million for the financial year ended 31 December 2008 due to increased borrowing costs arising from the drawdown of certain facilities at the end of the 2007 financial year.

#### *Profit/(Loss) before income tax*

As a result of the above, the Group's profit before income tax increased by £6.0 million, from a loss of £1.0 million for the financial year ended 31 December 2007 to a profit of £5.0 million for the financial year ended 31 December 2008.

#### *Income tax*

As a result of the above, the Group's income tax charge increased by £1.7 million from a negligible income tax charge for the financial year ended 31 December 2007 to £1.7 million for the financial year ended 31 December 2008. The Group's effective tax rate for the financial year ended 31 December 2008 was 34.3 per cent.

#### *Profit/(Loss) from continuing operations*

As a result of the above, the Group's profit from continuing operations increased by £4.3 million, from a loss of £1.0 million for the financial year ended 31 December 2007 to a profit of £3.3 million for the financial year ended 31 December 2008.

#### *Loss from discontinuing operation*

The Group incurred no loss from discontinued operations for the financial year ended 31 December 2008 compared with a small loss of £0.1 million for the financial year ended 31 December 2007.

#### *Profit/(Loss) for the year/period*

As a result of the above, the Group's profit for the period increased by £4.4 million, from a loss of £1.1 million for the financial year ended 31 December 2007 to £3.3 million for the financial year ended 31 December 2008.

#### *Revaluation of property, plant and equipment*

The Group's gain from revaluation of property, plant and equipment was £0.4 million for the financial year ended 31 December 2008, compared to £0.3 million for the financial year ended 31 December 2007.

#### *Effect of translation differences on translation of foreign operations*

The Group incurred negligible foreign currency losses on translation of foreign operations for each of the financial years ended 31 December 2007 and 2008.

#### *Effect of exchange differences on translation from functional to presentation currency*

The Group's exchange differences on translation from functional to presentation currency increased by £0.4 million, from a negligible amount in the financial year ended 31 December 2007 to a £0.4 million gain in the financial year ended 31 December 2008.

#### Income tax on other comprehensive income

As a result of the above, the Group's income tax on other comprehensive income was a charge of £0.1 million for the financial year ended 31 December 2008, compared to a charge of £0.1 million for the financial year ended 31 December 2007.

#### Other comprehensive income for the year/period

As a result of the above, the Group's other comprehensive income for the period increased by £0.5 million from £0.2 million in the financial year ended 31 December 2007 to £0.7 million in the financial year ended 31 December 2008, reflecting principally exchange differences on translation.

#### Total comprehensive income for the year/period

As a result of the above, the Group's total comprehensive income increased by £4.8 million, from a loss of £0.9 million for the financial year ended 31 December 2007 to an income of £3.9 million for the financial year ended 31 December 2008.

### 7.4 Segment Reporting

The Group is managed in two geographic segments, South Africa and the Rest of the World.

£'000	Year ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Revenue</b>					
South Africa . . . . .	36,241	76,411	110,058	44,904	63,332
Rest of the World . . . . .	3,786	22,798	37,807	23,610	16,677
	<u>40,027</u>	<u>99,209</u>	<u>147,865</u>	<u>68,514</u>	<u>80,009</u>

  

%	Year ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Proportion of total revenue</b>					
South Africa . . . . .	91%	77%	74%	66%	79%
Rest of the World . . . . .	9%	23%	26%	34%	21%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

  

£'000	Year ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
<b>Profit/(Loss) before income tax</b>					
South Africa . . . . .	2,852	8,032	12,779	6,611	7,568
Rest of the World . . . . .	175	4,841	9,306	4,628	7,537
Other corporate activities . . . . .	(4,027)	(7,885)	(9,624)	(4,604)	(5,677)
	<u>(1,000)</u>	<u>4,988</u>	<u>12,461</u>	<u>6,635</u>	<u>9,428</u>

The Group's total revenue has risen over the Review Period and from period to period for the reasons set out in paragraphs 7.1 to 7.3 above. The proportion of revenue from South African operations and Rest of the World operations in any single period varies depending on the timing of award and commencement of work on individual contracts; this reflects the nature of the Group's business with a small number of major contracts extending over several years. While the majority of the Group's revenue has been generated from South African operations, and the value of revenue from South African operations has risen from period to period, the proportion of revenue from Rest of the World operations has increased from nine per cent. of total revenue in the financial year ended 31 December 2007 to 26 per cent. in the financial year ended 31 December 2009, although this fell slightly to 21 per cent. for the six months ended 30 June 2010.

Gross margins are higher on projects outside South Africa. The profit/(loss) before income tax from Rest of the World business has also risen from £0.2 million in the financial year ended 31 December 2007 to £7.5 million for the six months ended 30 June 2010.

## 8. Liquidity and Capital Resources

The Group's primary sources of funding are cash provided by operating activities, advances from clients, and short-term and long-term borrowings. The primary uses of funds are operating expenses, working capital, capital expenditure and repayment of debt.

As at 30 June 2010, the Company had cash and cash equivalents of £5.9 million, comprising primarily cash, of which £3.3 million was restricted cash in relation to performance guarantees. During July 2010 the restrictions on cash and cash equivalents were lifted and all cash and cash equivalents became available for use.

The following table sets forth a summary of the cash flows for the periods indicated.

£'000	Years ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
Cash flow from operating activities . . . . .	8,890	17,269	13,511	7,868	604
Cash flow from investing activities . . . . .	(19,908)	(10,927)	(14,050)	(7,286)	(454)
Cash flow from financing activities . . . . .	14,560	(1,435)	(1,410)	(1,529)	(2,852)
Net increase (decrease) in cash and cash equivalents . . . . .	3,542	4,907	(1,949)	(947)	(2,702)
Cash and cash equivalents at the beginning of the period . . . . .	14	3,674	9,017	9,017	8,403
Foreign currency translation difference . . . . .	118	436	1,335	422	208
Cash and cash equivalents at the end of the year . .	<u>3,674</u>	<u>9,017</u>	<u>8,403</u>	<u>8,492</u>	<u>5,909</u>

### 8.1 Cash flows

#### *Cash flow from operating activities*

Cash flow from operating activities reflects the Group's profit adjusted for certain non-cash items, including depreciation, amortisation, profit attributable to minority interests, impairments and other activities.

Cash provided by operating activities for the six months ended 30 June 2010 was £0.6 million compared to £7.9 million for the six months ended 30 June 2009. This decrease was primarily due to increases in trade and other receivables (mostly due from EuroChem pending receipt of ECIC funding approval for this project which has now been secured), taxation paid and a decrease in trade and other payables.

Cash provided by operating activities for the financial year ended 31 December 2009 was £13.5 million compared to £17.3 million for the financial year ended 31 December 2008. This decrease was primarily due to an increase of £3.7 million in taxation paid during the financial year ended 31 December 2009 as compared to the 2008 financial year.

Cash provided by operating activities for the financial year ended 31 December 2008 was £17.3 million compared to £8.9 million for the financial year ended 31 December 2007. The increase is partly attributable to the inclusion of only nine months' trading in the results for the financial year ended 31 December 2007, partly to the Group's enforcement during the year of 30-day payment terms with its suppliers leading to additional cash inflows of approximately £8.6 million and partly due to the start-up of several new contracts during the year (including the EuroChem contract in the second half of 2008) leading to an increase of £11.2 million in revenue received in advance.

#### *Cash flow from investing activities*

The principal items affecting cash flow from investing activities have been capital expenditures for asset purchases made in connection with contracts funded by advances received from clients. The Group's net cash outflows from investing activities for the periods ended 30 June 2009 and 2010 were £7.3 million and £0.5 million respectively. The Group's net cash outflows from investing activities for the periods ended 31 December 2008 and 2009 were £10.9 million and £14.1 million respectively. Cash used in investing activities in 2008 included a cash inflow of £2.0 million from the disposal of assets of Shaft Sinkers Mining and £15.5 million of project capital expenditure largely related to the Impala 17 contract and another contract. Cash used in investing activities in 2009 mainly consisted of £16.1 million project capital expenditure related to the EuroChem and Teesta contracts. The Group's cash outflow from investing

activities in the financial year ended 31 December 2007 was £19.9 million, reflecting in part the net cost of Capstone's acquisition of 75 per cent. of the equity of Rossal and consolidation of Rossal and the underlying Shaft Sinkers business.

#### *Cash flow from financing activities*

The principal items which contributed to cash flow from financing activities have been repayments made and/or funding received on the term loan and instalment sale obligations.

The Group's net cash outflows from financing activities for the periods ended 30 June 2009 and 30 June 2010 were £1.5 million and £2.9 million respectively. The increase in cash outflow from financing activities was primarily as a result of increased repayment of loans and instalment sale obligations.

For the financial years ended 31 December 2008 and 31 December 2009, cash used in financing activities was £1.4 million and £1.4 million respectively, primarily as a result of repayment of loans and instalment sale obligations to ABSA Bank.

The cash inflow of £14.6 million from financing activities for the financial year ended 31 December 2007 reflects the £11.9 million draw-down of the term loan from ABSA Bank, the £2.9 million net effect of the draw-down and substantial repayment of the loan from IMR to enable Capstone to purchase the remaining 75 per cent. of the equity of Rossal during that year.

## **8.2 Bank and loan financing**

As at 30 June 2010, the Group had the following loan facilities available to it:

#### *Shareholder loans*

The Group had an outstanding shareholder loan of ZAR 5 million (£0.4 million) from IMR representing the remaining balance of the original ZAR 214 million (£15.0 million) loan advanced by IMR in 2007 to finance Capstone's purchase of additional shares in Rossal. The loan is repayable on demand, subject to exchange control approval. The Group has applied to the South African Reserve Bank for permission to repay this loan. The loan is secured by pledges of shares and bears interest at South African prime lending rate less 2 per cent. per annum.

#### *ABSA Bank*

ZAR 112.3 million remained outstanding under a ZAR 115.0 million term loan facility advanced by ABSA Bank in November 2007. The borrower was Shaft Sinkers (Proprietary) Limited (formerly Rossal No 126 (Proprietary) Limited), and the loan proceeds were used in part repayment of the bridging loan of ZAR 245.0 million from IMR to Capstone. The loan facility bore interest at JIBAR plus 1.75 per cent. per annum and was repayable quarterly in arrears from 31 March 2008. The loan is intended to be repaid on 20 December 2010 out of a new borrowing facility provided by Standard Bank (as described below and in paragraph 12.1(f) of Part X of this document).

The Group had also been granted a number of other facilities by ABSA Bank, including: an overdraft facility of up to ZAR 60.0 million (as at 30 June 2010, the Group had utilised ZAR 15 million (£1.3 million) of this facility) which bore interest at the prime interest rate of ABSA Bank; a lease and instalment sale facility of up to ZAR 53.6 million (as at 30 June 2010, the Group had drawn down ZAR 44 million (£3.8 million) of this facility), which bore interest at a variable rate linked to the prime interest rate in South Africa. The average age of the lease agreements was between 3 and 5 years, with an average effective borrowing rate in the financial year ended 31 December 2009 of 10.61 per cent. compared to 14.02 per cent. in the financial year ended 31 December 2008 and 11.75 per cent. in the financial year ended 31 December 2007.

The Group had a performance bond facility of ZAR 50.0 million (as at 30 June 2010, the Group had utilised ZAR 40.6 million (£3.5 million) of this facility), a foreign exchange trading facility of ZAR 35.8 million (as at 30 June 2010, the Group had utilised ZAR 32.3 million (£2.8 million) of this facility) and an interest rate derivative facility of ZAR 8.0 million (as at 30 June 2010, the Group had utilized ZAR 1.5 million (£0.1 million) of this facility).

As at 30 June 2010, the Group had provided security to ABSA Bank for the provision of banking and loan facilities. These included grants of security over the debtors of Shaft Sinkers (Pty); subordination of all claims by shareholders of Shaft Sinkers (Pty); general notarial bonds over all moveable assets and inventory of Shaft Sinkers (Pty) (up to ZAR 300 million); mortgage bonds/covering bonds over fixed

properties (up to ZAR 100 million); cession of all cash and deposits of Shaft Sinkers (Pty); pledge and cession of all client and instalment sale agreements not discounted; pledge and cession of 100 per cent. of the shares in Shaft Sinkers (Pty); and the pledge and cession by Shaft Sinkers (Pty) of all its share investments both ordinary and preference and investments during the term of the loan facility from ABSA Bank.

Following the Group's entry into a loan and guarantee agreement with Standard Bank on 28 October 2010, all of the facilities provided by ABSA Bank were replaced by the facilities from Standard Bank described below, and the above pledges have been lifted and transferred to Standard Bank.

#### *Standard Bank*

On 28 October 2010, Shaft Sinkers (Pty), Rossal and Capstone entered into an agreement with Standard Bank pursuant to which Standard Bank agreed to lend to Shaft Sinkers (Pty):

- (i) a senior amortising facility of ZAR 150,000,000 with a maturity date of thirty six months from the date of drawdown at a rate of 2.20 per cent. plus JIBAR;
- (ii) a senior bullet facility of ZAR 50,000,000 with a maturity date of thirty six months from the date of drawdown at a rate of 2.50 per cent. plus JIBAR;
- (iii) a mezzanine facility of ZAR 50,000,000 with a maturity date of forty eight months from the date of drawdown at a rate of 6.75 per cent. plus JIBAR;
- (iv) an on-demand general short term banking facility of ZAR 80,000,000 subject to annual review at South African prime lending rate less 1.00 per cent.;
- (v) an on-demand performance guarantee facility of ZAR 100,000,000 subject to annual review at a rate of 0.091 per cent. plus JIBAR, (i), (ii), (iii), (iv) and (v) together, the "New Facilities";
- (vi) an interest rate derivative facility of ZAR 250 million; and
- (vii) a forward exchange contract facility of ZAR 7 million.

The agreement provides for the following repayments:

- (i) twelve consecutive instalments in respect of the senior amortising facility;
- (ii) in respect of the senior bullet facility, repayment of the capital sum within three years of the date of advance; and
- (iii) in respect of the mezzanine facility, repayment of the capital sum within four years of the date of the first advance.

On 13 December 2010 Shaft Sinkers (Pty) drew down ZAR 250 million under the above facilities. These funds are intended to be used to repay the term loan from ABSA Bank.

The facilities from Standard Bank are secured by guarantees from each of Capstone, Rossal and Shaft Sinkers (Pty) of each other's obligations under the agreement; a cession of bank accounts held by Shaft Sinkers (Pty); a cession of lease and instalment sale agreements and debtors; a cession by Shaft Sinkers (Pty) of its share investments; a special notarial bond over the movable assets of Shaft Sinkers (Pty) identified by Standard Bank; a general notarial bond over all movable assets of Shaft Sinkers (Pty); and a mortgage bond over all land and buildings of Shaft Sinkers (Pty).

### **8.3 Capital Expenditures**

The table below sets out the Group's significant capital expenditures for the historical periods indicated:

£'000	Years ended 31 December			Six months ended 30 June	
	2007 (audited)	2008 (audited)	2009 (audited)	2009 (unaudited)	2010 (audited)
Plant and equipment . . . . .	6,148	14,587	14,922	8,016	3,383
Motor vehicles . . . . .	29	662	814	90	216
Furniture, fittings and office equipment . . . . .	188	376	362	174	202
Building improvements . . . . .	64	12	19	2	1
Total . . . . .	<u>6,429</u>	<u>15,637</u>	<u>16,117</u>	<u>8,282</u>	<u>3,802</u>

The capital expenditures for the periods above were incurred primarily in connection with contracts for clients and funded by advances received from clients. This table does not include any capital expenditure incurred on Capstone's purchase of equity in Rossal.

#### *Capital Commitments*

As at 30 June 2010, the Group had capital commitments of £8,288,542 for capital expenditure authorised but not yet contracted for. These relate principally to capital expenditures in connection with the Styldrift project commenced in October 2010. These capital commitments will be funded out of advances from customers or from the Group's debt facilities.

#### *Off balance sheet liabilities*

At 30 June 2010, the Group had outstanding two guarantees and a performance bond with a total value of ZAR 40.6 million (£3.5 million).

#### *Trade receivables*

As at 30 June 2010, trade and other receivables were £45.0 million (30 June 2009 £26.3 million). The increase was mostly due to a delay in receipt of funds from international customers. Month end trade receivables usually represent two months' worth of billed work. However, pending receipt of ECIC funding approval for the EuroChem project, trade receivables at 30 June 2010 were unusually high.

#### *Trade payables*

As at 30 June 2010, trade and other payables were £27.9 million (30 June 2009 £29.5 million). Of the total balance, £10.2 million relates to employee related costs (30 June 2009 £7.8 million). The remainder relates to trade creditors whose normal payment terms are 30 days from the date of invoice. Trade payables decreased at 30 June 2010 due to lower VAT accruals at the Russian operations compared to 30 June 2009.

### **8.4 Disclosures about market risk**

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Foreign currency risk*

The Shaft Sinkers Group is exposed to currency risk on contract revenue, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the South African Rand (ZAR), U.S. Dollar (USD), Russian Rouble (RuR), the United Arab Emirate Dirham (Dirham) and the Indian Rupee (INR).

The Group seeks to ensure that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances. The Group invoices in foreign currencies where possible.

#### *Interest rate risk*

The Group is exposed to interest rate risk as it borrows and invests excess funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mixture between fixed and floating rate borrowings and placings within the market exposure expectations. The Group also uses interest rate swaps, where deemed necessary to hedge its exposure to floating interest rates.

#### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables to customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer as well as the demographics of the Group's customer base, including the default risk of the industry and country in which its customers operate.

### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flow and marketable securities to meet its obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

### **8.5 Current trading and prospects**

In June 2010, the Group was awarded a major new rates contract by a joint venture between Royal Bafokeng Resources and a subsidiary of Anglo Platinum for the Styl drift project. This project, which is for the sinking of main and ventilation shafts to a depth of approximately 740 metres together with associated development, has an expected value of ZAR 1,089 million (£94.4 million) spread over four years. Mobilisation commenced in August 2010.

The Group's results for the first half of 2010 benefited from the £3.8 million settlement of a lapsed contract which will not be repeated in the second half. Against this, however, the Group experienced several temporary set-backs on its Impala 16 and 17 projects. There was an unscheduled need to replace defective ropes at the Impala 16 shaft, which caused additional costs and delays. At two of the Impala 17 shafts, some delays were caused by problems with client-supplied winders, resulting in inefficient time, coupled with difficult rock conditions that proved to be a challenge to break through, during which time the full margins could not be realised. In total, these set-backs led to lost margins of approximately £1.3 million.

The Directors expect results for the second half of 2010 to benefit in constant currency terms from an improved performance on the Group's Impala 17 project and a modest initial contribution from the Styl drift project offset by a rise in overheads. Results for the second half of 2010 are also expected to include £3.0 million (net) costs incurred in connection with Admission and an exceptional income of £1.8 million on the sale of the Group's investment in Alpha Resources.

The Group remains active on the tender front. It awaits the outcome, expected shortly, of a tender for a major shaft complex for an existing South African customer. If successful, work is expected to commence on this project during 2011. Negotiations are also in progress over the extension of the Group's existing Moab development project for AngloGold Ashanti.

The Group is also pursuing several medium-term shaft-sinking opportunities in South Africa, the CIS and India for applications including platinum, chrome, gold, zinc and hydropower as well as other prospects elsewhere.

With a firm base of committed long-term contracts in place, revenues from the new Styl drift contract expected to increase significantly in 2011 and the potential to win further new contract awards both in South Africa and elsewhere, the Directors are confident of the Group's prospects.

The Placing will strengthen the Group's balance sheet and provide additional funds to invest in reconditioning winders. With the benefit of these and an enhanced public profile, the Directors believe the Group will be well placed to execute its strategy.

## PART VI: CAPITALISATION AND INDEBTEDNESS STATEMENT

The capitalisation and indebtedness of the Group as at 30 September 2010, extracted from the unaudited management financial information of the Group is included.

### Capitalisation and indebtedness

	£
<i>Current debt</i>	
Guaranteed . . . . .	—
Secured . . . . .	4,909,529
Unguaranteed/unsecured . . . . .	449,736
<b>Total current financial indebtedness</b> . . . . .	<b>5,359,265</b>
<i>Non-current debt</i>	
Guaranteed . . . . .	—
Secured . . . . .	8,204,225
Unguaranteed/secured . . . . .	—
<b>Total non-current financial indebtedness</b> . . . . .	<b>8,204,225</b>
<i>Shareholders' equity</i>	
Share capital . . . . .	144
Share premium . . . . .	3,434,021
Retained earnings . . . . .	24,083,481
Revaluation reserve . . . . .	850,001
Foreign currency translation reserve . . . . .	4,613,894
<b>Total shareholders' equity</b> . . . . .	<b>32,981,541</b>

### Net financial indebtedness

The following table sets out the unaudited net financial indebtedness of the Group as at 30 September 2010:

	£
<i>Cash and equivalents</i>	
—current . . . . .	873,744
—non-current . . . . .	—
<b>Total liquidity</b> . . . . .	<b>873,744</b>
Current bank debt . . . . .	(3,573,242)
Current portion of non-current debt . . . . .	(1,336,287)
Other current financial debt . . . . .	(449,736)
<b>Current financial indebtedness</b> . . . . .	<b>(5,359,265)</b>
<b>Net current financial indebtedness</b> . . . . .	<b>(4,485,521)</b>
Non-current financial indebtedness . . . . .	(8,204,225)
<b>Total net financial indebtedness</b> . . . . .	<b>(12,689,746)</b>

As at 30 September 2010, the Group had provided security to ABSA Bank for the provision of banking and loan facilities listed in paragraph 8.2 of Part V of this Prospectus. These included grants of security over the debtors of Shaft Sinkers (Pty); subordination of all claims by shareholders of Shaft Sinkers (Pty); general notarial bonds over all moveable assets and inventory of Shaft Sinkers (Pty) (up to ZAR 300 million); mortgage bonds/covering bonds over fixed properties (up to ZAR 100 million); cession of all cash and deposits of Shaft Sinkers (Pty); pledge and cession of all client and instalment sale agreements not discounted; pledge and cession of 100 per cent. of the shares in Shaft Sinkers (Pty); and the pledge and cession by Shaft Sinkers (Pty) of all its share investments both ordinary and preference and investments during the term of the loan facility from ABSA Bank.

Following the Group's entry into a loan and guarantee agreement with Standard Bank on 28 October 2010, all of the facilities provided by ABSA Bank were replaced by the facilities from Standard Bank described in paragraph 8.2 of Part V of this Prospectus, and the above pledges have been lifted and transferred to Standard Bank.

## PART VII: MAJOR SHAREHOLDER AND RELATED MATTERS

### 1. Major shareholder

Immediately following Admission, IMR will own 48.0 per cent. of the issued Ordinary Share capital of the Company and, as such, will exert significant influence over the Company. Accordingly, IMR and the Company entered into a relationship agreement on 20 December 2010 (the “Relationship Agreement”) which will, conditional on Admission, regulate the ongoing relationship between IMR and the Group with a view to ensuring that the Group is capable of carrying on its business independently of IMR, and that transactions and relationships between the Group and IMR are at arm’s length and on a normal commercial basis.

IMR is the Netherlands incorporated holding company of a privately owned mining and investment group with mining and metal processing operations in five countries and sales and representative offices across the globe. It indirectly and directly employs more than 15,000 people worldwide. IMR owns a controlling interest in Samancor Chrome (Pty) Ltd in South Africa, one of the largest ferrochrome producers in the world with annual production in excess of 1.2 million tons of ferrochrome and significant chrome ore reserves. IMR also has a joint venture interest in CuNiCo, one of the largest ferronickel producers in the world with annual production of 36,000 tons of nickel in ferronickel.

IMR has no indirect interest in the Company.

The ultimate holding company of IMR is Summerside Investments Sarl, which is owned by three individuals, being Patokh Chodiev, Alijan Ibragimov and Alexander Machkevitch (the “Ultimate Shareholders”).

### 2. Relationship Agreement with IMR

As described above, IMR and the Company have entered into the Relationship Agreement. IMR, its direct and indirect beneficial owners and any subsidiary (not including the Company) are referred to in this paragraph as its “Shareholder Group”. For the purposes of the Relationship Agreement, an Independent Director broadly means a Director of the Company who is not a current or recent director, officer, employee or shareholder of, or consultant to, or a person having a relationship, association or interest which is material to him with or in, or who has been nominated by IMR or any associate (as defined in the Relationship Agreement) of IMR or with or in any person having a relationship which is material to it or him with IMR or any associate of IMR. The initial Independent Directors will comprise Rob Schroder, Chris Hall, Stephen Oke, Ian Watson and Roger Williams.

The Relationship Agreement is conditional upon Admission and shall continue for so long as IMR and its Shareholder Group (and any of their respective associates) collectively control directly or indirectly a shareholding, in aggregate, of at least 15 per cent. in the Company or until the Ordinary Shares are de-listed or until IMR (or any of its associates) and/or the Shareholder Group become the owners (either individually or in aggregate) of 75 per cent. or more of the Ordinary Shares in issue at any time following Admission and a shareholders’ resolution has been passed approving the de-listing of the Ordinary Shares. Under the Relationship Agreement, IMR and the Company agree, inter alia, that:

- (a) IMR shall not vote on any shareholder resolution that is required pursuant to applicable law or regulation to alter the Company’s articles or memorandum of association which would be contrary to the maintenance of the Company’s ability to manage and run its business independently of IMR and the Shareholder Group, unless such resolution is supported by the votes of the majority of Independent Directors;
- (b) there shall at all times be a majority of Independent Directors on the Board, whose number shall not be less than the number of Directors nominated by IMR. In addition, the number of non-executive Independent Directors shall not be less than the number of non-Independent Directors. IMR shall exercise the voting rights attaching to the Ordinary Shares held from time to time, directly or indirectly by it and/or by any of its Shareholder Group (and shall use reasonable efforts to procure, so far as it is able, that the non-independent Directors shall exercise their voting rights on the Board) so that if it becomes aware that an Independent Director ceases to be an Independent Director of the Company for any reason, that Independent Director will (insofar as may be necessary to ensure that there continues to be a majority of Independent Directors on the Board and that the number of non-executive Independent Directors shall not be less than the number of non-Independent Directors) be

replaced or supplemented as the case may be by a new executive or non-executive Director, as the case may be, who is also an Independent Director;

- (c) save to the extent required by law or as otherwise contemplated in the Relationship Agreement, they shall exercise their powers in a manner which shall not prevent the Company from being managed in accordance with the principles and provisions set out in the UK Corporate Governance Code;
- (d) they shall, and shall respectively use reasonable efforts to procure that all subsidiaries of IMR and the Company respectively shall, conduct all transactions and relationships with IMR and all subsidiaries of IMR (as the case may be) on arms length terms;
- (e) no material agreement, arrangement or transaction between the Group and any associate of the Controlling Shareholder shall be entered into, novated, varied, abrogated nor shall any agreement be materially amended unless approved by a resolution of the Board which has been voted for by a majority of the Independent Directors. The Group must enforce the terms of agreements with IMR and associates of IMR unless there is a bona fide commercial reason not to do so and such action has been approved by resolution of the Board which has been voted for by a majority of the Independent Directors;
- (f) the business and affairs of the Company shall be managed by the Board in accordance with the Memorandum and the Articles and all applicable law and for the benefit of the Shareholders as a whole;
- (g) if, within five years of the date on which the Relationship Agreement is executed, IMR is presented with an opportunity to develop or acquire a business principally concerned with shaft sinking, it will first offer to the Company the chance to take up such opportunity (and if the Company does not confirm in writing within 14 days of being so informed that it wishes to pursue the opportunity then it shall be deemed to have declined it); and
- (h) save where the approval of the Board has been given, IMR shall not, and shall procure that no other member of its Shareholder Group shall, recruit, solicit or entice any senior employee (of the Company or any member of its group) with a salary in excess of £100,000. This prohibition shall not apply where such senior employee independently approaches IMR.

IMR shall have the right to appoint two Directors to the Board so long as it, its Group or its Shareholder Group controls 25 per cent. or more of the voting rights at general meetings of the Company. Where such percentage control is 15 per cent. or more (but less than 25 per cent.), the right is to appoint one Director.

Under the Relationship Agreement, IMR represents and warrants to the Company that it does not currently directly or indirectly own or otherwise have any material interest in any business which is principally engaged in shaft sinking otherwise than through the Company or another member of the Group or as disclosed in the Prospectus or in writing to the Company prior to the date of the agreement.

### **3. Black Economic Empowerment**

Black economic empowerment (“BEE”) is a programme that promotes the accelerated integration of historically disadvantaged South Africans (HDSAs) into the South African economy and has been a policy of the South African government since 1994.

In April 2004, the Broad Based Black Economic Empowerment Act 53 of 2003 (“BEE Act”) came into effect. The BEE Act establishes the legislative framework for the promotion of BEE, and in particular, what it refers to as “broad-based” BEE.

Broad-based BEE involves the economic empowerment of all HDSAs, including women workers, youth, people with disabilities and people living in rural areas through strategies which seek to, amongst others, increase the number of HDSAs that manage, own and control enterprises and productive assets.

The main mechanisms introduced in the BEE Act to ensure that these socio-economic strategies are implemented are:

- Codes of Good Practice (“Codes”): issued by South Africa’s Minister of Trade and Industry, which were gazetted on 9 February 2007 and which specify empowerment targets consistent with the objectives of the BEE Act, and the periods within which those targets must be achieved.
- Transformation Charters: developed through a participatory approach by major stakeholders in various sectors of the economy which promote transformation for that particular sector. Certain

sectors such as mining, have, through industry bodies and negotiations with government, developed transformation charters setting BEE targets for those sectors.

The charters represent the commitment of stakeholders in that sector to promote BEE in the particular sector.

In September 2010, the Department of Mineral Resources published an amended Charter for the South African Mining Industry (the “2010 Mining Charter”) (this Charter amended the First Charter which had been published in 2004). The Directors understand that the members of the Group are not classified as “mining companies” and, as such, are not directly subject to the 2010 Mining Charter, however, this charter requires the Group’s South African customers to procure 40 per cent. of their capital goods, 70 per cent. of their services and 50 per cent. of their consumer goods from “BEE entities” by 2014.

Immediately following completion of the Capstone Acquisition, Shaft Sinkers (Pty) will no longer have any of its share capital directly owned by HDSAs and, as such, Shaft Sinkers (Pty) will seek to rely on the continuing consequences of all of its previous BEE transactions in order to enable it to retain its status as a “BEE entity” for the purposes of the 2010 Mining Charter. In the event that Shaft Sinkers (Pty) is no longer considered a “BEE entity” for the purposes of the 2010 Mining Charter, this may result in the Group’s services becoming less attractive to its customers in respect of their own compliance with the provisions of the 2010 Mining Charter and a potential loss of future contract awards to any competitors that are considered to be “BEE entities” for the purposes of such charter.

In any event, the Group supports the aims of the charters and will continue to seek to comply, in so far as it is able, with any relevant charters in order to promote BEE and will, if appropriate and/or required by customers, seek to partner with BEE entities on a project-by-project basis or as appropriate.

#### **4. The Ultimate Shareholders**

The Ultimate Shareholders, together with a number of related individuals, have been named in an ongoing investigation of certain tax matters in Belgium (unrelated to the Group’s activities) that started in 1996 and that could ultimately lead to criminal sanctions. To date no charges have been brought against the Ultimate Shareholders. The Company has been advised by the Ultimate Shareholders that they are confident that the Belgian investigation will not result in the imposition of criminal sanctions. There can be no assurance that criminal proceedings will not be commenced or the timing and nature of the outcome of any such proceedings. Any such proceedings should not be against the Group and should not involve the Group’s assets or operations.

## PART VIII: UNAUDITED PRO FORMA FINANCIAL INFORMATION

### Section A—Accountants' report on unaudited pro forma financial information

#### KPMG LLP

15 Canada Square  
Canary Wharf  
London  
E14 5GL  
United Kingdom

The Directors  
Shaft Sinkers Holdings plc  
18 Athol Street  
Douglas  
Isle of Man  
IM1 1JA

20 December 2010

Dear Sirs

#### Shaft Sinkers Holdings plc (the "Company")

We report on the pro forma net asset statement (the 'Pro forma financial information') set out in Section B of Part VIII of the prospectus dated 20 December 2010, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Placing might have affected the financial information presented on the basis of the accounting policies to be adopted by Shaft Sinkers Holdings plc in preparing the financial statements for the period ending 31 December 2010. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

#### Responsibilities

It is the responsibility of the directors of Shaft Sinkers Holdings plc to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation. It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

#### Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Shaft Sinkers Holdings plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Shaft Sinkers Holdings plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Shaft Sinkers Holdings plc.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I and Annex III of the Prospectus Directive Regulation.

Yours faithfully

**KPMG LLP**

## Section B—Pro Forma Financial Information in respect of Admission and the effect on the Company

The unaudited pro forma financial information set out below has been prepared to illustrate the impact of the Placing on the Company and Group. The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not and will not represent the Company's or Group's actual financial position or results. The pro forma financial information has been prepared on a basis that is consistent with the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 December 2010 and those adopted by the Group in preparing the historical financial information for the period ended 30 June 2010.

The pro forma financial information is based on the consolidated balance sheet of the Group as at 30 June 2010 and has been prepared on the basis that the settlement of the Placing, acquisition of IMR's 54 per cent. interest in Capstone and the Capstone Acquisition, took place on that date. The pro forma financial information takes no account of the results of the Group for the period subsequent to 30 June 2010, or of any other changes in its financial position in that period.

£'000	Consolidated net assets as at 30 June 2010 (note 1)	Net proceeds of the Placing (note 2)	Consolidated Pro forma
<b>Non-current assets</b>	<b>55,070</b>		<b>55,070</b>
Property, plant and equipment	49,105		49,105
Goodwill	2,363		2,363
Other unlisted investment	1		1
Loan to shareholder	643		643
Deferred taxation	2,302		2,302
Finance lease receivables	656		656
Cash and cash equivalents	—		—
<b>Current assets</b>	<b>59,880</b>		<b>63,355</b>
Inventories	7,006		7,006
Trade and other receivables	45,017		45,017
Finance lease receivables	389		389
Loan to related party	1,010		1,010
Loans to joint venture partners	53		53
Income taxation	496		496
Cash and cash equivalents	5,909	3,475	9,384
<b>Non-current liabilities</b>	<b>32,129</b>		<b>32,129</b>
Deferred taxation	1,101		1,101
Deferred revenue	8,727		8,727
Interest bearing borrowings	9,344		9,344
Interest free advances from clients	12,497		12,497
Post retirement benefit obligations	460		460
<b>Current liabilities</b>	<b>54,383</b>		<b>54,383</b>
Trade and other payables including derivatives	27,936		27,936
Deferred revenue	10,334		10,334
Bank overdraft	—		—
Income taxation	3,154		3,154
Liabilities classified as held for sale	—		—
Interest bearing borrowings	4,207		4,207
Interest free advances from clients	8,331		8,331
Shareholder's loan	422		422
<b>Net assets/(liabilities)</b>	<b>28,438</b>	<b>3,475</b>	<b>31,913</b>

Notes:

- (1) The consolidated net assets of the Group as at 30 June 2010 have been extracted without material adjustment from Part IX: "Historical Financial Information"
- (2) Net proceeds of the Placing:

	£m
Gross placing proceeds	30.6
Placing expenses (net)	(3.0)
Payment to Minority Shareholders	(24.1)
Net proceeds of the Placing	3.5

## **PART IX: HISTORICAL FINANCIAL INFORMATION**

### **AUDITED (AND UNAUDITED) FINANCIAL INFORMATION RELATING TO CAPSTONE**

Set out on the following pages is unaudited consolidated financial information of Capstone for the six month period ended and as at 30 June 2009, as prepared by management, in accordance with IFRS and audited consolidated financial information of Capstone for and as at the three years and six-month period ended 30 June 2010 (comprising the audited financial statements for the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and for the six-month period ended and as at 30 June 2010 prepared in accordance with IFRS).

**AUDITED AND UNAUDITED FINANCIAL INFORMATION RELATING TO CAPSTONE PREPARED  
IN ACCORDANCE WITH IFRS**

**Accountant's Report on historical consolidated financial information of Capstone**

**KPMG LLP**

15 Canada Square  
Canary Wharf  
London  
E14 5GL  
United Kingdom

The Directors  
Shaft Sinkers Holdings plc  
18 Athol Street  
Douglas  
Isle of Man  
IM1 1JA

20 December 2010

Dear Sirs

**Capstone 615 (Pty) Ltd**

We report on the financial information set out on pages 72 to 128 of this Prospectus. This financial information has been prepared for inclusion in the prospectus dated 20 December 2010 of Shaft Sinkers Holdings plc on the basis of the accounting policies set out in note 1. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose. The financial information at 30 June is unaudited.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards (IFRS).

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the prospectus dated 20 December 2010, a true and fair view of the state of affairs of Capstone 615 (Pty) Ltd as at the dates stated and of its

profits, losses, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the EU as described in note 1.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I and Annex III of the Prospectus Directive Regulation.

Yours faithfully

**KPMG LLP**

## Statements of comprehensive income

	Notes	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		GBP	GBP	GBP	GBP (unaudited)	GBP
<b>Revenue</b> . . . . .	2	40,026,694	99,208,585	147,865,077	68,513,519	80,008,934
Direct expenses . . . . .		(39,692,504)	(87,118,565)	(121,316,503)	(58,591,844)	(69,333,563)
<b>Gross profit</b> . . . . .		<b>334,190</b>	<b>12,090,020</b>	<b>26,548,574</b>	<b>9,921,675</b>	<b>10,675,371</b>
Operating income . . . . .		1,961,926	3,705,401	3,425,588	1,884,602	872,778
Operating expense . . . . .		(3,273,162)	(8,250,464)	(10,151,345)	(4,108,296)	(5,057,407)
Contract provision and settlement . . . . .	3.1(a)	—	—	(5,479,452)	—	3,819,876
Fair value adjustment of share option through profit and loss . . . . .	7	(124,901)	—	—	—	—
<b>Profit/(loss) from operations</b> . . . . .	3	(1,101,947)	7,544,957	14,343,365	7,697,981	10,310,618
Share of loss on equity accounted investments . . . . .	9	(95,698)	(192,324)	(78,555)	—	—
Finance income . . . . .	4	1,255,018	53,110	99,845	13	270,978
Finance costs . . . . .	4	(1,057,636)	(2,418,232)	(1,903,693)	(1,063,453)	(1,153,594)
<b>Profit/(loss) before income tax</b> . . . . .		<b>(1,000,263)</b>	<b>4,987,511</b>	<b>12,460,962</b>	<b>6,634,541</b>	<b>9,428,002</b>
Income tax . . . . .	5	(15,602)	(1,708,715)	(2,507,792)	(1,954,536)	(2,751,490)
<b>Profit/(loss) from continuing operations</b> . . . . .		(1,015,865)	3,278,796	9,953,170	4,680,005	6,676,512
Loss from discontinued operations . . . . .	16.3	(86,710)	—	—	—	—
<b>Profit/(loss) for the year/period</b> . . . . .		<b>(1,102,575)</b>	<b>3,278,796</b>	<b>9,953,170</b>	<b>4,680,005</b>	<b>6,676,512</b>
<b>Other comprehensive income</b>						
Revaluation of property, plant and equipment . . . . .		298,061	375,943	215,770	—	—
Effect of translation differences on translation of foreign operations . . . . .		(27,396)	(5,631)	—	—	—
Effect of exchange differences on translation from functional to presentation currency . . . . .		(16,030)	352,128	2,494,839	704,840	509,261
Income tax on other comprehensive income . . . . .	5	(85,906)	(55,423)	(26,067)	—	—
<b>Other comprehensive income for the year/period</b> . . . . .		<b>168,729</b>	<b>667,017</b>	<b>2,684,542</b>	<b>704,840</b>	<b>509,261</b>
<b>Total comprehensive income for the year/period</b> . . . . .		<b>(933,846)</b>	<b>3,945,813</b>	<b>12,637,712</b>	<b>5,384,845</b>	<b>7,185,773</b>
(Loss)/earnings per share . . . . .	20	pence (200,468)	pence 163,940	pence 497,659	pence 234,000	pence 333,826

## Statement of financial position

	Note	31 December			30 June	30 June
		2007	2008	2009	2009	2010
		GBP	GBP	GBP	GBP (unaudited)	GBP
<b>Non-current assets</b>		26,405,910	41,079,500	56,394,802	49,284,921	55,069,755
Property, plant and equipment	6	23,895,257	35,094,900	48,559,745	43,335,939	49,105,152
Goodwill	8	1,990,613	1,988,652	2,306,785	2,093,009	2,362,988
Other unlisted investment	11	667	854	774	702	792
Loan to shareholder	23.1	519,373	541,824	628,502	570,257	643,815
Deferred taxation	12	—	—	2,451,762	—	2,301,879
Finance lease receivables	15	—	—	714,358	—	655,129
Cash and cash equivalents	17.1	—	3,453,270	1,732,876	3,285,014	—
<b>Current assets</b>		26,419,815	29,378,735	44,213,298	35,983,981	59,879,813
Inventories	13	1,234,129	3,230,540	7,245,556	4,477,178	7,006,362
Trade and other receivables	14	9,093,383	20,235,218	29,085,172	26,227,710	45,016,437
Finance lease receivables	15	—	—	341,011	—	389,026
Loan to fellow subsidiary	23.3	—	—	—	—	1,010,045
Loans to joint venture partners	10.1	401,808	349,002	23,776	71,889	53,132
Income taxation		826,010	—	848,153	—	495,773
Assets classified as held for sale	16.1	9,584,981	—	—	—	—
Cash and cash equivalents	17.2	5,279,504	5,563,975	6,669,630	5,207,204	5,909,038
<b>Total assets</b>		<u>52,825,725</u>	<u>70,458,235</u>	<u>100,608,100</u>	<u>85,268,902</u>	<u>114,949,568</u>
<b>Equity and liabilities</b>						
Total equity attributable to equity holders of the Company		1,232,965	8,614,502	21,252,214	13,999,347	28,437,987
Ordinary share capital	18	71	144	144	144	144
Share premium		—	3,434,021	3,434,021	3,434,021	3,434,021
Retained earnings		1,048,887	4,323,682	14,276,852	9,003,687	20,953,364
Total shareholder equity		1,048,958	7,757,847	17,711,017	12,437,852	24,387,529
Foreign currency translation reserve		(16,030)	336,295	2,747,890	1,013,828	3,237,822
Revaluation reserve	19	200,037	520,360	793,307	547,667	812,636
Non-controlling interest		1,630	—	—	—	—
Total equity		1,234,595	8,614,502	21,252,214	13,999,347	28,437,987
<b>Non-current liabilities</b>		21,501,147	25,519,041	25,018,948	26,452,570	32,129,236
Deferred taxation	12	4,102,764	2,739,374	780,463	3,284,068	1,101,020
Deferred revenue	26	—	5,663,584	10,596,275	7,774,417	8,726,658
Interest bearing borrowings	21.1	13,589,633	12,266,559	11,301,856	10,987,198	9,344,344
Interest free advances from clients	22.1	—	4,458,125	1,892,899	3,998,014	12,496,498
Shareholders' loans payable	23.2	3,437,454	—	—	—	—
Post retirement benefit obligations	24	371,296	391,399	447,455	408,873	460,716
<b>Current liabilities</b>		30,089,983	36,324,692	54,336,938	44,816,985	54,382,345
Trade and other payables including derivatives	25	9,811,610	23,702,632	30,600,515	29,510,692	27,935,575
Deferred revenue	26	6,539,985	6,739,712	10,418,024	10,057,446	10,333,045
Bank overdraft	17.3	1,913,055	—	—	—	—
Income taxation		273,752	1,113,963	4,330,843	481,984	3,154,091
Liabilities classified as held for sale	16.2	8,572,503	—	—	—	—
Interest bearing borrowings	21.2	2,230,639	2,385,899	3,745,292	2,822,700	4,206,584
Interest free advances from clients	22.2	—	2,071,940	4,846,416	1,599,206	8,330,999
Shareholder's loan payable	23.4	748,439	310,546	395,848	344,957	422,051
<b>Total equity and liabilities</b>		<u>52,825,725</u>	<u>70,458,235</u>	<u>100,608,100</u>	<u>85,268,902</u>	<u>114,949,568</u>

## Statements of changes in equity

	Ordinary share capital	Share premium	Retained earnings	Revaluation reserve	Foreign currency translation reserve	Non- controlling interest	Total equity
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
<b>Audited</b>							
Balance at 1 January 2007 . . . . .	7	—	2,168,421	—	—	—	2,168,428
Share capital issued . . . . .	64	—	—	—	—	—	64
Net loss for the year . . . . .	—	—	(1,104,205)	—	—	1,630	(1,102,575)
<i>Other comprehensive income</i>							
Revaluation of property, plant and equipment . . . . .	—	—	—	298,061	—	—	298,061
Translation adjustment . . . . .	—	—	(16,870)	(10,526)	—	—	(27,396)
Deferred tax on revaluation adjustment . . . . .	—	—	—	(85,906)	—	—	(85,906)
Transfer from revaluation reserve . .	—	—	1,541	(1,592)	—	—	(51)
Effect of exchange differences on translation from functional to presentation currency . . . . .	—	—	—	—	(16,030)	—	(16,030)
<b>Balance at 31 December 2007 . . . . .</b>	<b>71</b>	<b>—</b>	<b>1,048,887</b>	<b>200,037</b>	<b>(16,030)</b>	<b>1,630</b>	<b>1,234,595</b>
Share capital issued . . . . .	73	—	—	—	—	—	73
Share premium . . . . .	—	3,434,021	—	—	—	—	3,434,021
Net profit for the year . . . . .	—	—	3,280,426	—	—	(1,630)	3,278,796
<i>Other comprehensive income</i>							
Revaluation of property, plant and equipment . . . . .	—	—	—	375,943	—	—	375,943
Translation adjustment . . . . .	—	—	(5,631)	—	—	—	(5,631)
Deferred tax on revaluation adjustment . . . . .	—	—	—	(55,423)	—	—	(55,423)
Transfer from revaluation reserve . .	—	—	—	—	—	—	—
Effect of exchange differences on translation from functional to presentation currency . . . . .	—	—	—	(197)	352,325	—	352,128
<b>Balance at 31 December 2008 . . . . .</b>	<b>144</b>	<b>3,434,021</b>	<b>4,323,682</b>	<b>520,360</b>	<b>336,295</b>	<b>—</b>	<b>8,614,502</b>
Net profit for the year . . . . .	—	—	9,953,170	—	—	—	9,953,170
Share capital issued . . . . .	—	—	—	—	—	—	—
Share premium . . . . .	—	—	—	—	—	—	—
<i>Other comprehensive income</i>							
Revaluation of property, plant and equipment . . . . .	—	—	—	215,770	—	—	215,770
Deferred tax on revaluation adjustment . . . . .	—	—	—	(26,067)	—	—	(26,067)
Effect of exchange differences on translation from functional to presentation currency . . . . .	—	—	—	83,244	2,411,595	—	2,494,839
<b>Balance at 31 December 2009 . . . . .</b>	<b>144</b>	<b>3,434,021</b>	<b>14,276,852</b>	<b>793,307</b>	<b>2,747,890</b>	<b>—</b>	<b>21,252,214</b>
Net profit for the period . . . . .	—	—	6,676,512	—	—	—	6,676,512
Effect of exchange differences on translation from functional to presentation currency . . . . .	—	—	—	19,329	489,932	—	509,261
<b>Balance at 30 June 2010 . . . . .</b>	<b>144</b>	<b>3,434,021</b>	<b>20,953,364</b>	<b>812,636</b>	<b>3,237,822</b>	<b>—</b>	<b>28,437,987</b>
<b>Unaudited</b>							
Balance at 1 January 2009 . . . . .	144	3,434,021	4,323,682	520,360	336,295	—	8,614,502
Net profit for the period . . . . .	—	—	4,680,005	—	—	—	4,680,005
<i>Other comprehensive income</i>							
Effect of exchange differences on translation from functional to presentation currency . . . . .	—	—	—	27,307	677,533	—	704,840
<b>Balance as at 30 June 2009</b>	<b>144</b>	<b>3,434,021</b>	<b>9,003,687</b>	<b>547,667</b>	<b>1,013,828</b>	<b>—</b>	<b>13,999,347</b>

## Statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		GBP	GBP	GBP	GBP (unaudited)	GBP
<b>Cash generated by/(utilised in) operating activities before working capital changes . . . . .</b>	33.1	1,122,832	10,317,993	23,580,767	9,205,815	10,253,729
<b>Continuing operations</b>						
Decrease/(Increase) in inventories . . . . .		1,557,967	(1,600,092)	(3,219,036)	(1,020,855)	485,167
Decrease/(Increase) in trade and other receivables . . . . .		(90,562)	(7,839,418)	(8,122,875)	(4,677,950)	(14,134,254)
(Decrease)/Increase in trade and other payables . . . . .		3,048,852	8,603,719	2,792,729	4,330,337	(3,557,684)
Increase in deferred revenue and advances from clients . . . . .		3,764,121	11,193,874	5,207,161	3,322,698	11,472,052
Payments of retirement benefit obligations . . . . .		(21,356)	(25,020)	(34,218)	(16,465)	(16,454)
		<u>9,381,854</u>	<u>20,651,056</u>	<u>20,204,528</u>	<u>11,143,580</u>	<u>4,502,556</u>
<b>Discontinued operations</b>						
Cash generated by discontinued operations . . . . .		(33,143)	—	—	—	—
<b>Cash generated by/(utilised in) operations . . . . .</b>		<u>9,348,711</u>	<u>20,651,056</u>	<u>20,204,528</u>	<u>11,143,580</u>	<u>4,502,556</u>
Interest paid . . . . .		(10,957)	(2,205,896)	(1,871,664)	(1,046,266)	(994,185)
Dividends received . . . . .		203,416	—	—	—	—
Interest received . . . . .		—	53,110	99,845	13	246,205
Income taxation paid . . . . .	33.2	(700,044)	(1,228,929)	(4,921,430)	(2,229,194)	(3,150,066)
Interest received from discontinued operations . . . . .		48,498	—	—	—	—
<b>Net cash inflow from operating activities . . . . .</b>		<u><b>8,889,624</b></u>	<u><b>17,269,341</b></u>	<u><b>13,511,279</b></u>	<u><b>7,868,133</b></u>	<u><b>604,510</b></u>
<b>Cash flows from investing activities</b>						
<b>Continuing operations</b>						
Property, plant and equipment acquired . . . . .		(1,753,109)	(12,222,761)	(15,142,983)	(8,281,630)	(3,801,859)
Property, plant and equipment acquired through finance lease obligations . . . . .		—	(3,402,715)	(954,480)	—	—
Land and buildings improved . . . . .		(64,486)	(12,209)	(19,114)	—	—
Proceeds on disposal of plant and equipment . . . . .		108,462	3,039,677	3,093,256	714,846	3,339,324
Investment in business acquired . . . . .	33.3	(16,811,895)	—	—	—	—
Decrease/(increase) in unlisted investments . . . . .		(129)	(167)	193	185	—
(Increase)/decrease in finance lease receivables . . . . .		—	—	(948,903)	—	36,975
Short term loans recovered/ (advanced) . . . . .		(141,531)	47,313	—	280,288	(28,814)
Advances to equity accounted investees . . . . .		(116,823)	(111,944)	(78,554)	—	—
<b>Discontinued operations</b>						
Cash flows from investing activities of discontinued operation . . . . .		(1,128,422)	—	—	—	—
Proceeds on disposal of assets classified as held for sale . . . . .		—	1,736,005	—	—	—
<b>Net cash outflow from investing activities . . . . .</b>		<u><b>(19,907,933)</b></u>	<u><b>(10,926,801)</b></u>	<u><b>(14,050,585)</b></u>	<u><b>(7,286,311)</b></u>	<u><b>(454,374)</b></u>

**Statements of cash flows (Continued)**

Note	Year ended 31 December			Six months ended 30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
<b>Cash flows from financing activities</b>					
<i>Continuing operations</i>					
Proceeds on issue of share capital and premium . . . . .	64	—	—	—	—
Bank borrowings received/(repaid) . . . . .	11,883,162	(1,444,192)	(1,617,203)	(752,171)	(1,155,733)
(Repayments) made on finance lease obligations . . . . .	(105,953)	(2,998,693)	(1,089,955)	(776,717)	(709,478)
Financing received on finance lease obligations . . . . .	—	3,402,715	954,480	—	(986,564)
Funding (repaid to)/received from shareholders . . . . .	2,902,665	(394,735)	—	—	—
Loan repayment received from joint venture partners . . . . .	—	—	342,616	—	—
Loans received from shareholders . . . . .	724,430	—	—	—	—
<i>Discontinued operations</i>					
Financing activities of discontinued operations . . . . .	(843,833)	—	—	—	—
<b>Cash outflow from financing activities . . . . .</b>	<b>14,560,535</b>	<b>(1,434,905)</b>	<b>(1,410,062)</b>	<b>(1,528,888)</b>	<b>(2,851,775)</b>
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>	<b>3,542,226</b>	<b>4,907,635</b>	<b>(1,949,368)</b>	<b>(947,066)</b>	<b>(2,701,639)</b>
<b>Cash and cash equivalents at beginning of period . . . . .</b>	<b>13,771</b>	<b>3,673,529</b>	<b>9,017,245</b>	<b>9,017,245</b>	<b>8,402,506</b>
<b>Effect of exchange differences or translation from functional to presentation currency . . . . .</b>	<b>117,532</b>	<b>436,081</b>	<b>1,334,629</b>	<b>422,039</b>	<b>208,171</b>
<b>Total cash and cash equivalents at end of period . . . . .</b>	<b>3,673,529</b>	<b>9,017,245</b>	<b>8,402,506</b>	<b>8,492,218</b>	<b>5,909,038</b>

## Notes to the historical financial information

### 1. Preparation of accounts

#### 1.1 Reporting entity

The historical financial information of Capstone 615 (Proprietary) Limited (“Capstone”) as at and for the years ended 31 December 2007, 31 December 2008, 31 December 2009 and as at and for the six months ended 30 June 2010 and the six months ended 30 June 2009 (which are unaudited) comprise Capstone and its subsidiaries (together referred to as “the Group” and individually as the “Group entities”) and the Group’s interest in associates and jointly controlled entities. The Group is primarily involved in shaft sinking, contract mining, mine operation, tunnelling and large underground excavations.

#### 1.2 Basis of preparation

##### 1.2.1 Statement of compliance

The historical financial information is prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as adopted by the European Union, and the requirements of the South African Companies Act of 1973.

##### 1.2.2 Basis of measurement

The historical financial information has been prepared on the historical cost basis except for the following assets and liabilities:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- land and buildings are measured at fair value;
- assets and liabilities held for sale are measured at fair value.

The methods used to measure fair value are discussed further in note 1.3.20.

##### 1.2.3 Basis of preparation

The historical financial information has been prepared in accordance with the prospectus directives and listing rules.

The historical financial information relating to the Group has been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The historical financial information is presented in British Pounds.

##### 1.2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Accounting 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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements is supplied in the following notes:

- Note 6.2: valuation of land and buildings;
- Note 6.5: useful lives of property, plant and equipment;
- Note 24: measurement of post retirement benefit obligations;
- Note 1.3.6; 21.4 and 27.1: lease classification;
- Note 1.3.3 and 28: valuation of financial instruments;
- Note 32: contingent liabilities.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### 1.2.5 Adoption of IFRS

The Group adopted IFRS for the first time on 1 January 2006. In preparing the opening IFRS statement of financial position, no adjustments had to be made by the Group to previously reported amounts under South African Generally Accepted Accounting Practice (“SA GAAP”), which was the Group’s previous accounting framework.

No adjustments had to be made on conversion to IFRS as SA GAAP had substantially converged with IFRS at the date of transition IFRS 1 transition disclosures are therefore not presented.

#### 1.2.6 Change in accounting policies

With effect from 1 January 2009, the Group changed its accounting policies relating to the presentation of its annual financial statements.

The Group applies the revised IAS 1—*Presentation of financial statements*, which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas non-owner changes in equity are presented in the statement of comprehensive income.

As a result of the adoption of the revised IAS 1—*Presentation of financial statements*, the word Balance sheet has been replaced with Statement of financial position, Income statement with Statement of comprehensive income and Cash flow statement with Statement of cash flows.

Comparative information has been re-presented in order to ensure conformity with the revised standard.

### 1.3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, except as explained in note 1.2.6, which addresses changes in accounting policies.

#### 1.3.1 Basis of consolidation

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Group.

##### *Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

##### *Investments in associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent. of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group’s investment includes goodwill

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### *Special purpose entities*

The Shaft Sinkers Employee Share Trust was a conduit for Capstone's subsidiary, Rossal 126 (Proprietary) Limited to house the shares in terms of the Group's share-based payment scheme. The Trustees of the Special Purpose Entity are also directors and key management of the Group. The special purpose entity is considered to be controlled by the Group and therefore the financial statements are included in the consolidated financial statements of the Group. The trust has now been wound up, as the shares were purchased by the Company during the 2007 financial year, and the beneficiaries' share and appreciation rights were settled. The Group does not have any direct shareholding in this entity.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **1.3.2 Foreign currency**

##### *Foreign currency transactions*

Transactions in foreign currencies are translated into the functional currency of the company at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that their fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement. 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.

##### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to British Pounds at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to British Pounds at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to British Pounds at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### *Foreign currency differences are recognised in other comprehensive income*

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income.

#### **1.3.3 Financial instruments**

##### *Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through income statement) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

##### *Share options*

Share options are classified at fair value through profit or loss, designated as such upon initial recognition. Transaction costs directly attributable to acquiring share options are recognised in the income statement when incurred. Subsequent to initial recognition, share options are measured at fair value, and all changes in fair values are recognised in the income statement.

##### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management and investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, loan to shareholder, loans to subsidiaries and loans to related parties.

Cash and cash equivalents comprise cash balances and call deposits, with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

#### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including any directly attributable costs, is recognised as a deduction from equity.

#### *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its interest rate risk exposure. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

### **1.3.4 Property, plant and equipment**

#### *Recognition and measurement*

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located.

Property, comprising land and buildings, is measured at fair value at the date of revaluation, less, for buildings, accumulated depreciation since the date of revaluation.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

#### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

derecognised. The cost of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis, over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are:

Buildings . . . . .	50 years
Plant and equipment . . . . .	3-20 years
Furniture, fittings and office equipment . . . . .	2-6 years
Motor vehicles . . . . .	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Estimates in respect of certain items of plant and equipment were revised in 2009—refer to note 6.

#### *1.3.5 Intangible assets*

##### *Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see note 1.3.1.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

#### *1.3.6 Leased assets*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, the leased assets are not recognised in the Group's statement of financial position.

#### *1.3.7 Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### 1.3.8 Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the statement of financial position.

#### 1.3.9 Impairment

##### *Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether the current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### *Non-financial assets*

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. In the case of land and buildings, the revaluation decrease is recognised directly in other comprehensive income against the revaluation reserve.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

#### **1.3.10 Employee benefits**

##### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### *Defined contribution plan*

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the services are discounted to their present value.

##### *Defined benefit plan*

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit method.

The Group recognises all actuarial gains and losses arising from defined benefit plans in profit or loss.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### *Share-based payments and transactions*

The share-based payments scheme is housed within a special purpose entity, The Shaft Sinkers Employee Share Trust (“The Trust”).

Cash settled share application rights were sold to certain key management by The Trust, at the prevailing fair value. The fair value determined at the grant date of the share appreciation rights is exchanged on a straight-line basis over the voting period in which the employees became unconditionally entitled to the payment, based on the estimate of the shares that will eventually vest and adjusted for the non-market based vesting conditions. The Trust recognized the fair value of the amount payable to the employees as an expense with a corresponding increase in the liability on an annual basis.

The liability was re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability was recognised in the income statement. The fair value of the share appreciation rights were determined annually by an independent valuation. The key assumptions used in the valuation represented management’s best estimates at the date of the valuation.

The Share based payment scheme was curtailed during the 2007 financial year and all obligations in respect of the scheme were settled by the Group.

#### **1.3.11 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### **1.3.12 Non-current assets held for sale**

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group are re-measured in accordance with the Group’s accounting policies. Thereafter, generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group’s accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

#### **1.3.13 Revenue**

Revenue comprises the net invoiced value of contracts and other services rendered (excluding value added tax).

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### *Services*

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

#### *Contract revenue*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of the contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of the contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

#### **1.3.14 Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specific asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

#### **1.3.15 Finance income and costs**

Finance income comprises interest income of funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains or losses are reported on a net basis.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

#### 1.3.16 *Income tax*

Income tax expense comprises current taxation, deferred taxation and Secondary Taxation on Companies (being a South African taxation on dividends). Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current taxation is the expected taxation payable on taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustments to taxation payable in respect of previous years.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxation is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred taxation is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxation is measured at the taxation rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively been enacted by the reporting date.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different taxable entities, but they intend to settle current taxation liabilities and assets on a net basis or their taxation liabilities and assets will be realised simultaneously.

A deferred taxation asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

#### 1.3.17 *Discontinued operations*

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

#### 1.3.18 *Earnings per share*

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of Capstone by the weighted average number of ordinary shares outstanding during the year, adjusted for the holding company's own shares.

#### 1.3.19 *Segment reporting*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate overhead expenses and income tax assets and liabilities.

## Notes to the historical financial information (Continued)

### 1. Preparation of accounts (Continued)

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

#### 1.3.20 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### *Property, plant and equipment*

The fair value of property is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipment is based on the quoted market prices for similar items as well as assessment thereof by a qualified engineer.

##### *Trade and other receivables*

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

##### *Derivatives*

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

##### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to the rate per the agreement, which is linked to the prime lending rate of South Africa.

##### *Investments in equity*

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

#### 1.3.21 New standards and interpretations

A number of new standards, amendments to standards and interpretations are not yet effective for the six months ended 30 June 2010, and have not been applied in preparing these annual financial statements. None of these are expected to have a significant effect on the annual financial statements of the Group, other than possible changes in disclosures.

Notes to the historical financial information (Continued)

2. Revenue

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
<i>Contract revenue</i>					
Revenue from local core operations . . . . .	36,240,565	76,411,200	110,058,382	44,904,137	63,332,422
Revenue from international core operations . . . . .	3,786,129	22,797,385	37,806,695	23,609,382	16,676,512
	<u>40,026,694</u>	<u>99,208,585</u>	<u>147,865,077</u>	<u>68,513,519</u>	<u>80,008,934</u>

2007 continuing and discontinued operations

	Total 2007	Continuing 2007	Discontinued 2007
	GBP	GBP	GBP
Revenue from local core operations . . . . .	57,095,809	36,240,565	20,855,244
Revenue from international core operations . . . . .	3,786,129	3,786,129	—
	<u>60,881,938</u>	<u>40,026,694</u>	<u>20,855,244</u>

3. Profit/Loss from Operations

Is arrived at after taking into account:

Note	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Auditors' remuneration . . . . .	134,073	151,030	276,958	80,006	522,737
—for audit services rendered . . . . .	78,676	145,352	263,221	72,863	516,213
—for non audit services rendered . . . . .	55,397	5,678	13,737	7,143	6,524
Depreciation of property, plant and equipment and impairment . . . . .	1,662,896	2,946,248	4,042,381	1,548,897	2,994,862
Directors emoluments . . . . .	248,705	439,666	410,335	218,911	158,332
Impairment raised on assets held for sale . . . . .	601,975	—	—	—	—
Loss/(profit) on foreign exchange differences . . . . .	26,686	40,820	1,713,043	1,964,311	(874,619)
Operating lease expenditure . . . . .	775,981	747,926	1,255,478	739,402	471,645
Personnel expenditure . . . . .	56,511,946	57,387,824	86,192,490	40,546,405	55,793,136
(Profit)/loss on disposal of plant and equipment . . . . .	(41,078)	(148,879)	(386,478)	(53,562)	749,365
Provision raised for post retirement benefits, relating to past employees . . . . .	24 73,652	43,498	28,322	13,558	18,818
Reversal of provisions for onerous contracts . . . . .	<u>(860,356)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes to the historical financial information (Continued)

3. Profit/Loss from Operations (Continued)

2007 continuing and discontinued operations

	Note	Total	Continuing	Discontinued
		2007	2007	2007
		GBP	GBP	GBP
Auditors' remuneration . . . . .		134,073	101,159	32,914
—for audit services rendered . . . . .		78,676	56,517	22,159
—for non audit services rendered . . . . .		55,397	44,642	10,755
Depreciation of property, plant and equipment and impairment . . . . .		1,662,896	1,257,323	405,573
Directors emoluments . . . . .		248,705	248,705	—
Impairment raised on assets held for sale . . . . .		601,975	—	601,975
Loss/(profit) on foreign exchange differences . . . . .		26,686	26,686	—
Operating lease expenditure . . . . .		775,981	707,487	68,494
Personnel expenditure . . . . .		56,511,946	39,145,390	17,366,556
(Profit)/loss on disposal of plant and equipment . . . . .		(41,078)	(33,633)	(7,445)
Provision raised for post retirement benefits, relating to past employees . . . . .	24	73,652	73,652	—
Reversal of provisions for onerous contracts . . . . .		(860,356)	—	(860,356)

3.1 Contract provision and settlement

The Group was involved in a dispute with one of its clients towards the end of the 2009 financial year due to the non-payment by the client of invoices issued by the Group for services rendered. At the end of the 2009 financial year this client owed the group GBP 3 million for services rendered by the Group and held assets of the Group to the value of GBP 2.5 million. Due to the fact that the dispute had turned into a legal matter, management considered it prudent to raise an impairment provision against both the outstanding receivable as well as the plant and equipment of the Group which the client had under its control due to the uncertainty around the recovery of these assets. An impairment provision of GBP 5.5 million was therefore raised at 31 December 2009.

In April 2010 the Group reached a settlement with the client mentioned above and in terms of the settlement the client agreed to pay a portion of its outstanding debts owing to the Group as well as purchase a portion of the Group's plant and equipment that were held by the client. The plant and equipment items that were not acquired by the client was returned to the Group. The settlement agreement removed the conditions that existed at the time on which the impairment provision was raised and resulted in the reversal of impairment provisions amounting to GBP 3.8 million for the six months ended 30 June 2010.

Please see paragraph 11.2 of Part X of this Prospectus for further information.

Notes to the historical financial information (Continued)

4. Finance income and costs

	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Interest received on loan to shareholder	459,783	—	—	—	
Deemed interest on deferred payment terms	570,460	—	—	—	—
Interest on call and current bank balances	—	32,915	4,851	13	2,869
Interest on related party loan	—	—	—	—	24,773
Fair value adjustment to derivative instrument	—	—	76,752	—	—
Interest on finance lease receivables	—	—	—	—	186,969
Sundry interest received	21,359	20,195	18,242	—	56,367
Dividends received from unlisted investments	203,416	—	—	—	—
<b>Finance income</b>	<u>1,255,018</u>	<u>53,110</u>	<u>99,845</u>	<u>13</u>	<u>270,978</u>
Interest paid on instalment sale agreements	(49,927)	(575,619)	(421,680)	(290,594)	(376,813)
Deemed interest on deferred payment terms	(222,370)	—	—	—	—
Interest paid on interest bearing borrowings	(141,681)	(1,447,258)	(1,139,722)	(645,033)	(469,235)
Fair value adjustments to derivative instruments	—	(212,242)	—	—	(142,829)
Interest on shareholder's loans	(499,053)	(33,532)	(32,029)	(17,183)	(16,580)
Interest on bank overdraft	(144,605)	(149,581)	(310,262)	(110,643)	(148,137)
<b>Finance costs</b>	<u>(1,057,636)</u>	<u>(2,418,232)</u>	<u>(1,903,693)</u>	<u>(1,063,453)</u>	<u>(1,153,594)</u>
<b>Net finance (costs)/income recognised in profit and loss</b>	<u>197,382</u>	<u>(2,365,122)</u>	<u>(1,803,848)</u>	<u>(1,063,440)</u>	<u>(882,616)</u>

2007 continuing and discontinued operations

	Total 2007	Continuing 2007	Discontinued 2007
	GBP	GBP	GBP
Interest received on loan to shareholder	459,783	459,783	—
Deemed interest on deferred payment terms	801,037	570,460	230,577
Sundry interest received	21,359	21,359	—
Dividends received from unlisted investments	203,416	203,416	—
<b>Finance income</b>	<u>1,485,595</u>	<u>1,255,018</u>	<u>230,577</u>
Interest paid on instalment sale agreements	(459,870)	(49,927)	(409,943)
Deemed interest on deferred payment terms	(437,313)	(222,370)	(214,943)
Interest paid on interest bearing borrowings	(141,681)	(141,681)	—
Deemed interest on interest free advance	(48,498)	—	(48,498)
Interest on shareholder's loans	(499,053)	(499,053)	—
Interest on bank overdraft	(144,605)	(144,605)	—
<b>Finance costs</b>	<u>(1,731,020)</u>	<u>(1,057,636)</u>	<u>(673,384)</u>
<b>Net finance (costs)/income recognised in profit and loss</b>	<u>(245,425)</u>	<u>197,382</u>	<u>(442,807)</u>

Notes to the historical financial information (Continued)

5. Income Tax

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
<b>Current tax expenses</b>					
—current year/period . . . . .	48,230	2,956,274	7,302,153	1,574,140	2,282,081
—prior year/period (over)/under provision . . . . .	(181)	22,653	(411,183)	—	(42,404)
—translation adjustment . . . . .	183	2,137	—	—	—
<b>Deferred tax</b>					
—current year/period . . . . .	(32,630)	(1,144,759)	(3,826,972)	380,396	483,469
—prior year/period (over)/under provision . . . . .	—	—	(556,206)	—	28,344
—rate change . . . . .	—	(127,590)	—	—	—
Total income tax . . . . .	<u>15,602</u>	<u>1,708,715</u>	<u>2,507,792</u>	<u>1,954,536</u>	<u>2,751,490</u>
<b>Income tax recognised in other comprehensive income</b>					
<i>Revaluation of property, plant and equipment</i>					
Before tax . . . . .	298,061	375,943	215,770	—	—
Tax expense . . . . .	(85,906)	(55,423)	(26,067)	—	—
Net of tax . . . . .	<u>212,155</u>	<u>320,520</u>	<u>189,703</u>	<u>—</u>	<u>—</u>

Reconciliation of effective tax rate

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	%	%	%	% (unaudited)	%
Current year's charge as a percentage of profit before tax . . . . .	(2.1)	34.3	20.1	29.5	29.2
Non-deductible expenditure . . . . .	517.6	(13.8)	(3.8)	(2.2)	(5.3)
Exempt income . . . . .	(457.0)	9.7	4.2	1.5	4.7
Prior year over provision . . . . .	—	0.5	7.8	—	0.2
Assessed loss utilized . . . . .	(132.7)	—	—	—	0.1
Change in standard tax rate . . . . .	—	(2.6)	—	—	—
Foreign tax rate differential . . . . .	(2.6)	—	1.6	—	0.8
Trust tax rate differential . . . . .	33.1	—	—	—	—
Capital gains tax rate differential . . . . .	72.7	(0.1)	(1.9)	(0.8)	(1.7)
Standard taxation rate . . . . .	<u>29.0</u>	<u>28.0</u>	<u>28.0</u>	<u>28.0</u>	<u>28.0</u>

Notes to the historical financial information (Continued)

5. Income Tax (Continued)

2007 continuing and discontinued operations

	<b>Total 2007</b>	<b>Continuing 2007</b>	<b>Discontinued 2007</b>
	<u>GBP</u>	<u>GBP</u>	<u>GBP</u>
<b>Current tax expenses</b>			
—current year . . . . .	48,230	48,230	—
—prior year (over)/under provision . . . . .	(181)	(181)	—
—translation adjustment . . . . .	183	183	—
<b>Deferred tax</b>			
—current . . . . .	219,445	(32,630)	252,075
Total income tax . . . . .	<u>267,677</u>	<u>15,602</u>	<u>252,075</u>
<b>Income tax recognised in other comprehensive income</b>			
<i>Revaluation of property, plant and equipment</i>			
Before tax . . . . .	298,061	298,061	—
Tax expense . . . . .	(85,906)	(85,906)	—
Net of tax . . . . .	<u>212,155</u>	<u>212,155</u>	<u>—</u>

Reconciliation of effective tax rate

	<b>Continuing 2007</b>	<b>Discontinued 2007</b>
	<u>%</u>	<u>%</u>
Current year's charge as a percentage of profit before tax . . . . .	(2.1)	193.8
Non-deductible expenditure . . . . .	517.6	42.2
Exempt income . . . . .	(457.0)	(1.7)
Assessed loss utilised . . . . .	(132.7)	(205.3)
Foreign tax rate differential . . . . .	(2.6)	—
Trust tax rate differential . . . . .	33.1	—
Capital gains tax rate differential . . . . .	72.7	—
Standard taxation rate . . . . .	<u>29.0</u>	<u>29.0</u>

Notes to the historical financial information (Continued)

6. Property, plant and equipment

6.1 Reconciliation of property, plant and equipment

	Plant and equipment	Land	Buildings	Furniture, fittings and office equipment	Motor vehicles	Total
	GBP	GBP	GBP	GBP	GBP	GBP
<b>30 June 2010</b>						
<i>Cost or valuation</i>						
Balance at beginning of period . . . . .	53,325,066	2,435,164	3,874,310	2,248,666	667,181	62,550,387
Additions . . . . .	3,383,403	—	868	201,882	215,706	3,801,859
Re-allocation of inventories . . . . .	(68,852)	—	—	—	—	(68,852)
Disposals . . . . .	(4,197,759)	—	—	(17,178)	(215,400)	(4,430,337)
Effect of exchange differences on translation from functional to presentation currency . . . . .	1,300,341	59,330	94,393	54,551	16,255	1,524,870
Balance at end of period . . . . .	<u>53,742,199</u>	<u>2,494,494</u>	<u>3,969,571</u>	<u>2,487,921</u>	<u>683,742</u>	<u>63,377,927</u>
<i>Depreciation and impairment losses</i>						
Balance at beginning of period . . . . .	11,820,918	—	317,255	1,590,460	262,009	13,990,642
Depreciation . . . . .	2,705,492	—	39,795	182,488	67,087	2,994,862
Impairment reversal . . . . .	(2,712,025)	—	—	—	—	(2,712,025)
Disposals . . . . .	(305,544)	—	—	(15,959)	(20,145)	(341,648)
Effect of exchange differences on translation from functional to presentation currency . . . . .	288,404	—	7,679	38,537	6,324	340,944
Balance at end of period . . . . .	<u>11,797,245</u>	<u>—</u>	<u>364,729</u>	<u>1,795,526</u>	<u>315,275</u>	<u>14,272,775</u>
<i>Carrying value</i>						
Balance at beginning of period . . . . .	41,504,148	2,435,164	3,557,055	658,206	405,172	48,559,745
Additions . . . . .	3,383,403	—	868	201,882	215,706	3,801,859
Re-allocation of inventories . . . . .	(68,852)	—	—	—	—	(68,852)
Disposals . . . . .	(3,892,215)	—	—	(1,219)	(195,255)	(4,088,689)
Depreciation for the period . . . . .	(2,705,492)	—	(39,795)	(182,488)	(67,087)	(2,994,862)
Impairment reversal . . . . .	2,712,025	—	—	—	—	2,712,025
Effect of exchange differences on translation from functional to presentation currency . . . . .	1,011,937	59,330	86,714	16,014	9,931	1,183,926
Balance at end of period . . . . .	<u>41,944,954</u>	<u>2,494,494</u>	<u>3,604,842</u>	<u>692,395</u>	<u>368,467</u>	<u>49,105,152</u>

Notes to the historical financial information (Continued)

6. Property, plant and equipment (Continued)

	Plant and equipment	Land	Buildings	Furniture, fittings and office equipment	Motor vehicles	Total
	GBP	GBP	GBP	GBP	GBP	GBP
<b>31 December 2009</b>						
<i>Cost or valuation</i>						
Balance at beginning of year . . . . .	33,564,181	1,887,817	3,347,167	1,612,404	828,331	41,239,900
Additions—cost . . . . .	14,921,562	—	19,114	362,222	813,680	16,116,578
Revaluation . . . . .	—	245,346	(29,576)	—	—	215,770
Disposals—cost . . . . .	(1,981,906)	—	—	(22,068)	(1,077,718)	(3,081,692)
Effect of exchange differences on translation from functional to presentation currency . . . .	6,821,229	302,001	537,605	296,108	102,888	8,059,831
Balance at end of year . . . . .	<u>53,325,066</u>	<u>2,435,164</u>	<u>3,874,310</u>	<u>2,248,666</u>	<u>667,181</u>	<u>62,550,387</u>
<i>Depreciation and impairment losses</i>						
Balance at beginning of year . . . . .	4,657,144	—	235,279	1,072,920	179,657	6,145,000
Depreciation . . . . .	3,471,983	—	39,865	321,655	208,878	4,042,381
Impairment loss . . . . .	2,502,829	—	—	—	—	2,502,829
Disposals . . . . .	(203,590)	—	—	(10,649)	(160,675)	(374,914)
Effect of exchange differences on translation from functional to presentation currency . . . .	1,392,552	—	42,111	206,534	34,149	1,675,346
Balance at end of year . . . . .	<u>11,820,918</u>	<u>—</u>	<u>317,255</u>	<u>1,590,460</u>	<u>262,009</u>	<u>13,990,642</u>
<i>Carrying value</i>						
Balance at beginning of year . . . . .	28,907,037	1,887,817	3,111,888	539,484	648,674	35,094,900
Additions—cost . . . . .	14,921,562	—	19,114	362,222	813,680	16,116,578
Revaluation . . . . .	—	245,346	(29,576)	—	—	215,770
Disposals—net book value . . . . .	(1,778,316)	—	—	(11,419)	(917,043)	(2,706,778)
Depreciation for the year . . . . .	(3,471,983)	—	(39,865)	(321,655)	(208,878)	(4,042,381)
Impairment loss . . . . .	(2,502,829)	—	—	—	—	(2,502,829)
Effect of exchange differences on translation from functional to presentation currency . . . .	5,428,677	302,001	495,494	89,574	68,739	6,384,485
Balance at end of year . . . . .	<u>41,504,148</u>	<u>2,435,164</u>	<u>3,557,055</u>	<u>658,206</u>	<u>405,172</u>	<u>48,559,745</u>

Notes to the historical financial information (Continued)

6. Property, plant and equipment (Continued)

	Plant and equipment	Land	Buildings	Furniture, fittings and office equipment	Motor vehicles	Total
	GBP	GBP	GBP	GBP	GBP	GBP
<b>31 December 2008</b>						
<i>Cost or valuation</i>						
Balance at beginning of year . . . . .	20,662,877	1,750,785	3,099,510	1,243,985	138,615	26,895,772
Additions—cost . . . . .	14,586,890	—	12,209	376,450	662,136	15,637,685
Revaluation . . . . .	—	138,757	237,186	—	—	375,943
Disposals—cost . . . . .	(2,921,927)	—	—	(36,728)	(37,055)	(2,995,710)
Translation adjustment . . . . .	—	—	—	(6,027)	(2,322)	(8,349)
Effect of exchange differences on translation from functional to presentation currency . . .	1,236,341	(1,725)	(1,738)	34,724	66,957	1,334,559
Balance at end of year . . . . .	<u>33,564,181</u>	<u>1,887,817</u>	<u>3,347,167</u>	<u>1,612,404</u>	<u>828,331</u>	<u>41,239,900</u>
<i>Depreciation and impairment losses</i>						
Balance at beginning of year . . . . .	1,976,363	—	139,135	799,719	85,298	3,000,515
Depreciation . . . . .	2,024,001	—	86,917	259,711	90,928	2,461,557
Impairment loss . . . . .	484,691	—	—	—	—	484,691
Disposals . . . . .	(86,873)	—	—	(12,369)	(5,670)	(104,912)
Effect of exchange differences on translation from functional to presentation currency . . .	258,962	—	9,227	25,859	9,101	303,149
Balance at end of year . . . . .	<u>4,657,144</u>	<u>—</u>	<u>235,279</u>	<u>1,072,920</u>	<u>179,657</u>	<u>6,145,000</u>
<i>Carrying value</i>						
Balance at beginning of year . . . . .	18,686,514	1,750,785	2,960,375	444,266	53,317	23,895,257
Additions—cost . . . . .	14,586,890	—	12,209	376,450	662,136	15,637,685
Revaluation . . . . .	—	138,757	237,186	—	—	375,943
Disposals—net book value . . . . .	(2,835,054)	—	—	(24,359)	(31,385)	(2,890,798)
Depreciation for the year . . . . .	(2,024,001)	—	(86,917)	(259,711)	(90,928)	(2,461,557)
Impairment loss . . . . .	(484,691)	—	—	—	—	(484,691)
Translation adjustment . . . . .	—	—	—	(6,027)	(2,322)	(8,349)
Effect of exchange differences on translation from functional to presentation currency . . .	977,379	(1,725)	(10,965)	8,865	57,856	1,031,410
Balance at end of year . . . . .	<u>28,907,037</u>	<u>1,887,817</u>	<u>3,111,888</u>	<u>539,484</u>	<u>648,674</u>	<u>35,094,900</u>

Notes to the historical financial information (Continued)

6. Property, plant and equipment (Continued)

	Plant and equipment	Land	Buildings	Furniture, fittings and office equipment	Motor vehicles	Total
	GBP	GBP	GBP	GBP	GBP	GBP
<b>31 December 2007</b>						
<i>Cost or valuation</i>						
Balance at beginning of year . . . . .	—	—	—	—	—	—
Acquisition through business combination . . . . .	21,290,845	1,568,532	2,776,859	1,209,454	306,793	27,152,483
Additions—cost . . . . .	6,148,035	—	64,486	188,388	28,906	6,429,815
Revaluation . . . . .	—	106,219	188,044	4,189	(391)	298,061
Disposals—cost . . . . .	(304,125)	—	—	(6,605)	(2,212)	(312,942)
Transfer to assets held for sale . . . . .	(7,134,728)	—	—	(68,073)	—	(7,202,801)
Translation adjustment . . . . .	—	—	—	(123,140)	(198,939)	(322,079)
Effect of exchange differences on translation from functional to presentation currency . . . . .	662,850	76,034	70,121	39,772	4,458	853,235
Balance at end of year . . . . .	<u>20,662,877</u>	<u>1,750,785</u>	<u>3,099,510</u>	<u>1,243,985</u>	<u>138,615</u>	<u>26,895,772</u>
<i>Depreciation and impairment losses</i>						
Balance at beginning of year . . . . .	—	—	—	—	—	—
Acquisition through business combination . . . . .	1,859,085	—	66,543	782,866	69,953	2,778,447
Depreciation . . . . .	1,560,709	—	68,129	21,277	12,781	1,662,896
Disposals . . . . .	(207,547)	—	—	(2,782)	(173)	(210,502)
Impairment of assets held for sale . . . . .	592,329	—	—	9,646	—	601,975
Transfer to assets held for sale . . . . .	(1,891,613)	—	—	(36,942)	—	(1,928,555)
Effect of exchange differences on translation from functional to presentation currency . . . . .	63,400	—	4,463	25,654	2,737	96,254
Balance at end of year . . . . .	<u>1,976,363</u>	<u>—</u>	<u>139,135</u>	<u>799,719</u>	<u>85,298</u>	<u>3,000,515</u>
<i>Carrying value</i>						
Balance at beginning of year . . . . .	—	—	—	—	—	—
Acquisition through business combination . . . . .	19,431,760	1,568,532	2,710,316	426,588	236,840	24,374,036
Additions—cost . . . . .	6,148,035	—	64,486	188,388	28,906	6,429,815
Revaluation . . . . .	—	106,219	188,044	4,189	(391)	298,061
Disposals—net book value . . . . .	(96,578)	—	—	(3,823)	(2,039)	(102,440)
Depreciation for the year . . . . .	(1,560,709)	—	(68,129)	(21,277)	(12,781)	(1,662,896)
Impairment of assets held for sale . . . . .	(592,329)	—	—	(9,646)	—	(601,975)
Transfer of assets held for sale . . . . .	(5,243,115)	—	—	(31,131)	—	(5,274,246)
Translation adjustment . . . . .	—	—	—	(123,140)	(198,939)	(322,079)
Effect of exchange differences on translation from functional to presentation currency . . . . .	599,450	76,034	65,658	14,118	1,721	756,981
Balance at end of year . . . . .	<u>18,686,514</u>	<u>1,750,785</u>	<u>2,960,375</u>	<u>444,266</u>	<u>53,317</u>	<u>23,895,257</u>

6.2 Land and buildings

Land and buildings include:

- Portion 6 of Erf 53, Eastgate and Portion 701 of the farm Zandfontein No. 42 IR, including office buildings.
- Portion 305 of the farm Scheerpoort No. 477 JQ, including residential buildings and improvements.

The Group's land and buildings are encumbered by a cession to ABSA Bank Limited, as security for its guarantee and banking facilities as set out in note 21.3.

The Group's land and buildings were revalued by Galleon Valuation Services (Proprietary) Limited, an independent sworn appraiser, on 31 December 2009. The fair value of the land and buildings was determined with reference to market prices. The cost of the land and buildings, prior to any revaluation at 31 December 2009 is GBP 5,177,199 (2008: GBP 4,444,485) (2007: GBP 4,435,721) and at 30 June 2010 the cost of land and buildings prior to any revaluations is GBP 5,304,204 (2009: GBP 4,679,928).

## Notes to the historical financial information (Continued)

### 6. Property, plant and equipment (Continued)

#### 6.3 Plant and equipment funded by instalment sale agreements

Plant and equipment with a carrying value at 30 June 2010 of GBP 10,257,954 and at 31 December 2009 of GBP 15,758,293 (2008: GBP 3,902,891) (2009: GBP 4,765,081) were funded by instalment sale agreements during the year by the Group. The instalment sale obligations are secured by these assets (refer note 21.3).

#### 6.4 Impairment loss

Certain items of plant and equipment were assessed as having no further useful life during the financial year ended 31 December 2008 and these items were impaired to their residual values resulting in an impairment loss being recognised of GBP 0.5 million.

During the 2009 financial year the Group was involved with litigation with one of its former clients. Plant and equipment to the value of GBP 2.5 million were physically under the control of the former client when the litigation commenced and as a result of the uncertainties around the recovery of these items it was decided to impair these items resulting in an impairment loss of GBP 2.5 million being recorded in the income statement.

During April 2010 a settlement agreement was signed between the Group and its former client whereby it was agreed that the plant and equipment that was previously impaired would either be sold to the client or be returned to the Group. Since the events that originally gave rise to the impairment were removed it was deemed appropriate to reverse the impairment loss recognised in 2009. A reversal of impairment amounting to GBP 2.7 million was processed in the income statement.

The difference of GBP 0.2 million between the original impairment loss recognised and the reversal of impairment recognised in 2010 is due to foreign exchange differences arising on the translation from functional currency to presentation currency.

#### 6.5 Change in estimate

During the financial years ended 31 December 2009 and 31 December 2008 the useful lives of items of plant and equipment were reassessed resulting in a decrease in useful life and an additional depreciation charge of 2009: GBP 1.0 million (2008: GBP 0.4 million) being processed. The effect of the change in estimates on future periods is expected to be an increase of GBP 1 million in depreciation.

### 7. Financial asset—share option in Rossal 126 (Proprietary) Limited

Capstone 615 (Proprietary) Limited held a share option representing 25% plus 1 share in Rossal 126 (Proprietary) Limited (previously known as Shaft Sinkers (Proprietary) Limited). The share option was acquired from Amco Investments Limited, by way of a foreign loan (refer to note 7.1).

As Capstone 615 (Proprietary) Limited ceded the shares that they have acquired to Amco Investments Limited as security for a loan granted to Capstone 615 (Proprietary) Limited for as long as the loan balance is outstanding, management concluded that Capstone 615 (Proprietary) Limited did not own an unrestricted equity instrument in Rossal 126 (Proprietary) Limited. Capstone 615 (Proprietary) Limited was therefore in substance given a restricted right equity instrument akin to a share option held by Capstone 615 (Proprietary) Limited and the loan was therefore held off balance sheet.

The share options were fair valued annually, using the Monte Carlo valuation method. Adjustments to fair values were recognised through the income statement.

## Notes to the historical financial information (Continued)

### 7. Financial asset—share option in Rossal 126 (Proprietary) Limited (Continued)

Capstone 615 (Proprietary) Limited exercised its share option on 31 March 2007 and repaid its loan from Amco Investments Limited as detailed below.

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Opening balance . . . . .	2,527,218	—	—	—	—
Fair value adjustment of share options through profit or loss . . . . .	(124,901)	—	—	—	—
Settlement of share option . . . . .	(2,344,956)	—	—	—	—
Foreign currency translation reserve . . . . .	(57,361)	—	—	—	—
	—	—	—	—	—
	=====	=====	=====	=====	=====

#### 7.1 Off balance sheet foreign long term loan

##### *Amco Investments Limited*

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Opening balance . . . . .	1,989,068	—	—	—	—
Repayments made . . . . .	(1,943,920)	—	—	—	—
Foreign currency translation reserve . . . . .	(45,148)	—	—	—	—
Closing balance . . . . .	—	—	—	—	—
	=====	=====	=====	=====	=====

### 8. Goodwill

Goodwill arose on the acquisition of Rossal 126 (Proprietary) Limited by the Group during 2007. It represents the excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities of Rossal 126 (Proprietary) Limited, as more fully described in note 33.3.

#### Reconciliation of goodwill balances:

Note	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Opening balance . . . . .	—	1,990,613	1,988,652	1,988,652	2,306,785
Acquisitions through business combinations . . . . .	33.3 1,926,755	—	—	—	—
Foreign currency translation reserve . . . . .	63,858	(1,961)	318,133	104,357	56,203
Closing balance . . . . .	1,990,613	1,988,652	2,306,785	2,093,009	2,362,988
	=====	=====	=====	=====	=====

#### Allocation of goodwill to cash generating units

Goodwill has not been allocated to individual cash generating units as it is believed that goodwill relates to the specialised industry expertise and experience within the Group itself that allows the Group to operate in various different geographical segments.

#### Impairment testing

An impairment test was performed on 30 June 2010 on the goodwill balances of the Group, whereby the recoverable amount of the Group's investment in Rossal 126 (Proprietary) Limited was based on its value in use, which was determined using a discounted cash flow model.

## Notes to the historical financial information (Continued)

### 8. Goodwill (Continued)

The recoverable amount was compared to the carrying amount of goodwill and it was found that the recoverable amount significantly exceeded the carrying amount.

No impairment provisions have been provided against goodwill.

#### Key assumptions used in discounted cash flow projections

- The budgeted and forecasted earnings before interest, taxation, depreciation and amortisation for the period 2009 to 2013 are consistent with budgets and forecasts approved by the Board of Directors;
- No increase in earnings before interest, taxation, depreciation and amortisation have been factored in subsequent to 2014;
- The Group's weighted average cost of capital of 22.29% was used as the discount rate in determining the present values of future cash flows. Management believes that the weighted average cost of capital is a fair reflection of the expected return of an investment in an unlisted entity that operates within this industry in the Republic of South Africa; and
- Capital expenditure budgeted averages GBP 19.5m during the period 2009 to 2013.

### 9. Equity accounted investees—non current asset held for sale

The Group has a 25% investment in an associate company, Alpha Resources Limited, incorporated in Jersey, Channel Islands, and its wholly-owned subsidiary Delta Gold Zimbabwe (Private) Limited, incorporated in Zimbabwe.

Efforts to dispose of the Group's interest have commenced by 30 June 2010 and the investment is therefore classified as a non-current asset held for sale.

The Group's share of the associate's loss for the year ended 31 December 2009 amount to GBP 78,555 (2008: GBP 192,324) (2007: GBP 95,698).

The investment in equity accounted investees has been valued at the lower of its carrying amount and fair value less cost to sell. The investment has been fully impaired for all of the years/periods presented due to continuing difficulties being experienced in remitting funds from Zimbabwe as well as concerns over the ability of the associate to repay its obligations as the associate's only asset, a gold mine in Zimbabwe, was placed under care and maintenance.

Management's current intention and expectation is to dispose of the investment for a value in excess of its current carrying amount. No concrete agreement had been reached on the disposal by 30 June 2010 and hence the Groups' investment in equity accounted investees is carried at GBP Nil.

On 11 October 2010, the Group sold its interest in the equity accounted investee as more fully described in note 35.

### 10. Investment in and loans to joint venture companies

#### 10.1 Loans to joint venture partners

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
RSV-Shaft Sinkers International (Proprietary) Limited . . . . .	683	682	791	718	810
SMRD Mining Consultants and Contractors (Proprietary) Limited . . . . .	23,604	23,603	—	24,841	—
SDM Mining Contractors (Proprietary) Limited . . . . .	377,521	324,717	22,985	46,330	52,322
	<u>401,808</u>	<u>349,002</u>	<u>23,776</u>	<u>71,889</u>	<u>53,132</u>

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

Notes to the historical financial information (Continued)

10. Investment in and loans to joint venture companies (Continued)

10.2 Joint venture companies—consolidated results

The consolidated results include the following amounts relating to the Group's interest in joint venture companies:

	RSV-Shaft Sinkers International (Proprietary) Limited				
	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Revenue . . . . .	—	—	—	—	—
Net expenses . . . . .	—	—	—	—	—
Loss before taxation . . . . .	—	—	—	—	—
Taxation . . . . .	—	—	—	—	—
Net loss for the period . . . . .	—	—	—	—	—
Loans payable . . . . .	(19,530)	(19,511)	(22,632)	(20,535)	(23,184)
Interest in equity . . . . .	(19,530)	(19,511)	(22,632)	(20,535)	(23,184)
Comprising of:					
Share capital . . . . .	4	4	4	4	4
Share of accumulated loss . . . . .	(17,617)	(17,617)	(17,617)	(17,617)	(17,617)
Foreign currency translation reserve . . . . .	(1,917)	(1,898)	(5,019)	(2,922)	(5,571)
	<u>(19,530)</u>	<u>(19,511)</u>	<u>(22,632)</u>	<u>(20,535)</u>	<u>(23,184)</u>

	SMRD Mining Consultants and Contractors				
	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Revenue . . . . .	—	—	—	—	—
Net expenses . . . . .	—	(36)	—	—	—
Loss before taxation . . . . .	—	—	—	—	—
Taxation . . . . .	—	—	—	—	—
Net loss for the period . . . . .	—	(36)	—	—	—
Loans payable . . . . .	(19,938)	(19,958)	—	—	—
Interest in equity . . . . .	(19,938)	(19,958)	—	—	—
Comprising of:					
Share capital . . . . .	33	33	—	—	—
Share of accumulated loss . . . . .	(18,011)	(18,047)	—	—	—
Foreign currency translation reserve . . . . .	(1,960)	(1,944)	—	—	—
	<u>(19,938)</u>	<u>(19,958)</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes to the historical financial information (Continued)

10. Investment in and loans to joint venture companies (Continued)

	SDM Mining Contractors (Proprietary) Limited				
	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
Revenue . . . . .	2,330,066	2,322,823	—	—	—
Net expenses . . . . .	(2,487,859)	(2,349,389)	(15,315)	(15)	(1,286)
(Loss)/profit before taxation . . . . .	(157,793)	(26,566)	(15,315)	(15)	(1,286)
Taxation . . . . .	(52,259)	(48,916)	436	—	—
Net loss for the period . . . . .	<u>(210,052)</u>	<u>(75,482)</u>	<u>(14,879)</u>	<u>(15)</u>	<u>(1,286)</u>
<b>Non-current assets</b> . . . . .	45,063	—	—	—	—
Trade and other receivables . . . . .	671	—	—	—	—
Loans receivable . . . . .	—	187,440	—	—	—
Cash and cash equivalents . . . . .	64,474	663	25	698	7
Loans payable . . . . .	(148,189)	(273,732)	(100,822)	(90,929)	(103,370)
Trade and other payables . . . . .	(201,920)	(21,284)	(39,517)	(22,421)	(40,747)
Income taxation refundable . . . . .	36,014	36,413	41,988	38,363	43,016
	<u>(203,887)</u>	<u>(70,500)</u>	<u>(98,326)</u>	<u>(74,289)</u>	<u>(101,094)</u>
Comprising of:					
Share capital . . . . .	49	49	56	51	58
Share of accumulated losses . . . . .	(183,920)	(259,402)	(274,280)	(259,417)	(275,566)
Foreign currency translation reserve . . . . .	(20,016)	188,853	175,898	185,077	174,414
	<u>(203,887)</u>	<u>(70,500)</u>	<u>(98,326)</u>	<u>(74,289)</u>	<u>(101,094)</u>

There were no capital commitments in respect of these joint ventures at the reporting date.

By agreement with Mmakau Mining (Proprietary) Limited, Capstone 615 (Proprietary) Limited accounts for a 66.7% (30 June 2009: 66.7%), (31 December 2009: 66.7%), (31 December 2008: 66.7%), (31 December 2007: 66.7%) economic interest in SDM Mining Contractors (Proprietary) Limited. SDM Mining Contractors (Proprietary) Limited remains a joint venture by virtue of the provisions of the shareholders' agreement between the parties.

11. Other unlisted investment

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
<b>Shares in Rand Mutual Assurance Company Limited, at fair value</b> . . . . .	<u>667</u>	<u>854</u>	<u>774</u>	<u>702</u>	<u>792</u>

Number of shares held by the Group: at 30 June 2010 is 469 (30 June 2009: 469), (31 December 2009: 469), (31 December 2009: 506); (31 December 2008: 633).

Notes to the historical financial information (Continued)

12. Deferred taxation

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
Balance at beginning of year/period . . .	(371,691)	(4,102,764)	(2,739,374)	(2,739,374)	1,671,299
Deferred taxation liability acquired as part of a business combination (refer note 33.3) . . . . .	(3,309,680)	—	—	—	—
Current year/period movement . . . . .	—	—	—	—	—
—temporary differences recognised in profit or loss . . . . .	(219,445)	1,272,349	3,826,972	(380,396)	(483,469)
—prior year overprovision recognised in profit or loss . . . . .	—	—	556,207	—	(28,344)
—temporary differences recognised directly in equity . . . . .	(83,150)	(50,032)	(23,437)	—	—
—temporary differences on foreign translation recognised in equity . . . . .	4,379	4,829	—	—	—
Foreign currency translation reserve . . .	(123,177)	136,244	50,931	(164,298)	41,373
Balance at end of year/period . . . . .	<u>(4,102,764)</u>	<u>(2,739,374)</u>	<u>1,671,299</u>	<u>(3,284,068)</u>	<u>1,200,859</u>
Deferred tax asset . . . . .	—	—	2,451,762	—	2,301,879
Deferred tax liability . . . . .	<u>(4,102,764)</u>	<u>(2,739,374)</u>	<u>(780,463)</u>	<u>(3,284,068)</u>	<u>(1,101,020)</u>
	<u>(4,102,764)</u>	<u>(2,739,374)</u>	<u>1,671,299</u>	<u>(3,284,068)</u>	<u>1,200,859</u>
Comprising:					
—capital allowances . . . . .	(4,336,357)	(4,447,515)	(3,467,040)	(7,251,732)	(6,492,881)
—prepaid expenses . . . . .	(24,593)	(28,858)	(41,310)	—	(8,277)
—retention debtors . . . . .	(53,197)	(190,500)	(158,765)	(12,721)	(289,497)
—deferred revenue . . . . .	163,295	527,998	2,627,919	2,093,383	4,715,393
—provisions . . . . .	63,998	1,304,426	3,362,156	1,709,166	2,655,238
—loans and borrowings . . . . .	—	101,120	(651,661)	108,551	17,148
—assessed losses . . . . .	143,785	—	—	—	603,735
—other . . . . .	(59,695)	(6,045)	—	69,285	—
	<u>(4,102,764)</u>	<u>(2,739,374)</u>	<u>1,671,299</u>	<u>(3,284,068)</u>	<u>1,200,859</u>

13. Inventories

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
Consumable stores and spare parts . . . . .	1,233,503	3,229,710	7,241,194	4,476,633	6,726,794
Contract work in progress . . . . .	626	830	4,362	545	279,568
	<u>1,234,129</u>	<u>3,230,540</u>	<u>7,245,556</u>	<u>4,477,178</u>	<u>7,006,362</u>

Consumable stores include electrical wire, oils & diesel, paint and protective clothing.

Inventories were written down to their net realisable value during the financial year ended 31 December 2009. The write downs amounted to GBP 73,726.

Inventories previously written down to its net realisable value were reversed during the six months ended 30 June 2010 and 30 June 2009 as well as the financial years ended 31 December 2008 and 31 December 2007. The reversals amounted to GBP 58 for the six months ended 30 June 2010 (2009: GBP 1,059) and GBP 203,256 for the year ended 31 December 2008 (2007: GBP 127,262).

## Notes to the historical financial information (Continued)

### 14. Trade and other receivables

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
Trade receivables . . . . .	9,261,457	20,321,011	27,946,880	22,483,994	40,932,614
Impairment allowance . . . . .	(384,372)	(294,227)	(3,762,713)	(309,667)	(318,493)
Other receivables . . . . .	216,298	208,434	4,901,005	4,053,383	4,402,316
	9,093,383	20,235,218	29,085,172	26,227,710	45,016,437

The Group has ceded its trade receivables to ABSA Bank Limited, as security for its guarantee and banking facilities (refer note 21.3).

At 30 June 2010, trade receivables included retentions of GBP 1,098,649 (2009: GBP 57,983). At 31 December 2009, trade receivables include retentions of GBP 567,019 (2008: GBP 680,358) relating to contracts in progress.

### 15. Finance lease receivables

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
Non-current finance lease receivables . . . . .	—	—	714,358	—	655,129
Current finance lease receivables . . . . .	—	—	341,011	—	389,026
	—	—	1,055,369	—	1,044,155

#### 15.1 Leasing arrangements

The Group enters into finance leasing arrangements with qualifying employees in respect of motor vehicles that are acquired for use by the employees on the Group's projects. The average term of finance leases entered into is 5 years.

**Notes to the historical financial information (Continued)**

**15. Finance lease receivables (Continued)**

**15.2 Amounts receivable under finance leases**

	Gross investment in finance lease receivable	Unearned finance income	Present value of minimum lease payments
	GBP	GBP	GBP
30 June 2010:			
Due within one year . . . . .	491,768	(102,742)	389,026
Due between one and five years . . . . .	748,994	(93,865)	655,129
	<u>1,240,762</u>	<u>(196,607)</u>	<u>1,044,155</u>
31 December 2009:			
Due within one year . . . . .	462,025	(121,014)	341,011
Due between one and five years . . . . .	800,901	(86,543)	714,358
	<u>1,262,926</u>	<u>(207,557)</u>	<u>1,055,369</u>
30 June 2009:			
Due within one year . . . . .	—	—	—
Due between one and five years . . . . .	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
31 December 2008:			
Due within one year . . . . .	—	—	—
Due between one and five years . . . . .	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
31 December 2007:			
Due within one year . . . . .	—	—	—
Due between one and five years . . . . .	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

The interest rate inherent in the leases is fixed at the contract date for the entire lease term and is linked to the prime interest rate. At 30 June 2010 the average effective interest rate contracted is approximately 10.9% (31 December 2009: 11.5%).

Finance lease receivable balances are secured over the motor vehicles leased.

**16. Non-current assets and liabilities held for sale and discontinued operations**

The Group's wholly owned subsidiary, Shaft Sinkers Mining (Proprietary) Limited, was presented as a disposal group held for sale following the commitment of the Group's management to a plan to sell the subsidiary due to the inefficiencies and unfavourable contract rates resulting in losses at 31 December 2007. Efforts to sell the disposal group had commenced at the end of 2007 and management had realistic expectations that the subsidiary could be sold in its present condition.

At 31 December 2007, the disposal group comprised of assets of GBP 9,548,981 less liabilities of GBP 8,572,503.

The plant and equipment and inventory were sold to Aquarius Platinum during January 2008, while the interest bearing liabilities were assumed by them. A net cash settlement of GBP 1,924,926 was received by the Group.

The Directors subsequently decided to re-establish operations in Shaft Sinkers Mining (Proprietary) Limited. A new contract was negotiated during the 2008 financial year and finally entered into during the 2009 financial year. As a result of this development, the remaining assets and liabilities of Shaft Sinkers Mining (Proprietary) Limited were no longer regarded as a disposal group held for sale at 31 December 2008.

Notes to the historical financial information (Continued)

16. Non-current assets and liabilities held for sale and discontinued operations (Continued)

16.1 Assets classified as held for sale

	Note	31 December			30 June	
		2007	2008	2009	2009	2010
Plant and equipment . . . . .	6.1	5,274,246	—	—	—	—
Inventories . . . . .		1,084,114	—	—	—	—
Trade and other receivables . . . . .		2,919,541	—	—	—	—
Cash and cash equivalents . . . . .		307,080	—	—	—	—
		<u>9,584,981</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

16.2 Liabilities classified as held for sale

	31 December			30 June	
	2007	2008	2009	2009	2010
Interest bearing borrowings . . . . .	4,122,601	—	—	—	—
Interest free advance . . . . .	310,864	—	—	—	—
Trade and other payables . . . . .	4,139,038	—	—	—	—
	<u>8,572,503</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

16.3 Results of discontinued operations

	Year-ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Revenue . . . . .	20,855,244	—	—	—	—
Gross profit . . . . .	<u>347,582</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit from operations . . . . .	608,173	—	—	—	—
Finance income . . . . .	230,577	—	—	—	—
Finance costs . . . . .	(673,385)	—	—	—	—
Profit before taxation . . . . .	165,365	—	—	—	—
Taxation . . . . .	(252,075)	—	—	—	—
Loss for the year from discontinued operations . . . . .	<u>(86,710)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Basic loss per share in pence . . . . .	(15,765)	—	—	—	—

The loss for the year from discontinued operations is attributable entirely to the owners of the Group.

17. Cash and cash equivalents

17.1 Cash and cash equivalents—non current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
Restricted cash . . . . .	—	3,453,270	1,732,876	3,285,014	—
				(unaudited)	

Notes to the historical financial information (Continued)

17. Cash and cash equivalents (Continued)

17.2 Cash and cash equivalents—current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Restricted cash . . . . .	—	—	—	—	3,317,789
Call accounts . . . . .	5,114,514	442	118,849	5,715	139,660
Current funds at bank . . . . .	150,191	5,534,221	6,518,187	5,195,502	2,425,411
Cash on hand . . . . .	14,799	29,312	32,594	5,987	26,178
	<u>5,279,504</u>	<u>5,563,975</u>	<u>6,669,630</u>	<u>5,207,204</u>	<u>5,909,038</u>

17.3 Bank overdraft

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Current funds on overdraft . . . . .	(1,913,055)	—	—	—	—
	<u>(1,913,055)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total cash and cash equivalents . . . . .	<u>3,366,449</u>	<u>9,017,245</u>	<u>8,402,506</u>	<u>8,492,218</u>	<u>5,909,038</u>

The majority of current and call accounts are held at ABSA Bank Limited and have been ceded to them as security for loans provided to the company as described in note 21.3.

During July 2010 the restrictions on cash and cash equivalents were lifted and all cash and cash equivalents are available for use.

18. Ordinary share capital

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
<b>Authorised and issued</b>					
At 30 June 2010: 2,000 (30 June 2009: 2,000) (31 December 2009: 2,000) (31 December 2008: 2,000) (31 December 2007: 1,000) ordinary shares of R1 each . . . . .	<u>71</u>	<u>144</u>	<u>144</u>	<u>144</u>	<u>144</u>
<b>Movement of issued share capital</b>					
Opening balance . . . . .	—	71	144	144	144
Shares on incorporation . . . . .	7	—	—	—	—
Shares issued during this period . . . . .	<u>64</u>	<u>73</u>	<u>—</u>	<u>—</u>	<u>—</u>
Closing balance . . . . .	<u>71</u>	<u>144</u>	<u>144</u>	<u>144</u>	<u>144</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company. At reporting date no shares of Capstone were held by the Group.

At the start of the 2008 financial year the shareholders converted the full amount of the loans payable at 31 December 2007 by the Group, to International Mineral Resources BV (“IMR”) and Holgoun Engineering (Proprietary) Limited (“Holgoun”) referred to in note 23.2 into share capital. This resulted in IMR receiving 540 ordinary shares of R1 each at a premium of GBP 2,991,368 and Holgoun receiving 360 ordinary shares of R1 each at a premium of GBP 442,653. Mmakau Mining (Proprietary) Limited received 360 ordinary shares, the cost of which increased the loans that it owed to Capstone 615 (Proprietary) Limited.

Notes to the historical financial information (Continued)

19. Revaluation reserve

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Balance at beginning of year . . . . .	—	200,037	520,360	520,360	793,307
Movement . . . . .	210,563	320,520	189,703	—	—
Foreign currency translation reserve . . . . .	(10,526)	(197)	83,244	27,307	19,329
Balance at end of year . . . . .	<u>200,037</u>	<u>520,360</u>	<u>793,307</u>	<u>547,667</u>	<u>812,636</u>

The revaluation reserve relates to the revaluation of land and buildings net of deferred tax. Refer note 6 and note 12.

20. (Loss)/earnings per share

*Basic (loss)/earnings per share*

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders for the six months then ended of GBP 6,676,512 (30 June 2009: GBP 4,680,005) and a weighted average number of shares outstanding of 2,000 (30 June 2009: 2,000).

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders for the year then ended of GBP 9,953,170 (2008: GBP 3,278,796) (2007: GBP 1,102,575 loss) and a weighted average number of shares outstanding of 2,000 (2008: 2,000) (2007: 550).

The weighted average number of ordinary shares was calculated as follows:

	Note	2007	2008	2009	2009	2010
Issued shares at 1 January . . . . .		100	1,000	2,000	2,000	2,000
Effect of shares issued during the year/period . . . . .	18	450	1,000	—	—	—
Weighted average number of ordinary shares at the end of the year/period . . . . .		<u>550</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>

There are no instruments currently in issue that would cause a dilutive effect on earnings per share and therefore no dilutive earnings per share figures have been presented.

21. Interest bearing borrowings

21.1 Non-current portion

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Secured bank loans . . . . .	10,724,873	9,114,530	8,148,588	8,563,024	6,805,236
Non-current finance lease obligations . . . . .	2,864,760	3,152,029	3,153,268	2,424,174	2,539,108
	<u>13,589,633</u>	<u>12,266,559</u>	<u>11,301,856</u>	<u>10,987,198</u>	<u>9,344,344</u>

**Notes to the historical financial information (Continued)**

**21. Interest bearing borrowings (Continued)**

**21.2 Current portion**

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Secured bank loans . . . . .	1,552,126	1,550,597	2,481,082	1,868,971	2,929,159
Finance lease obligations . . . . .	678,513	835,302	1,264,210	953,729	1,277,425
	<u>2,230,639</u>	<u>2,385,899</u>	<u>3,745,292</u>	<u>2,822,700</u>	<u>4,206,584</u>
Total interest bearing borrowings . . . .	<u>15,820,272</u>	<u>14,652,458</u>	<u>15,047,148</u>	<u>13,809,898</u>	<u>13,550,928</u>

**21.3 Terms and debt repayment**

The secured bank loans relate to loan facilities provided by ABSA Bank Limited that are secured by the following:

- general notarial bond over all moveable assets of Shaft Sinkers (Pty) Limited;
- mortgage bond over land and buildings of Shaft Sinkers (Pty) Limited;
- cession of all cash and deposits in the bank accounts of Shaft Sinkers (Pty) Limited held at ABSA Bank Limited; and
- cession of trade debtors.

The loan bears interest at the Johannesburg Inter-Bank Agreed Rate plus 1.75% and is repayable quarterly in arrears from 31 March 2008.

A portion of the plant and equipment purchased has been funded by finance lease obligations. The average term is 3 to 5 years. For the year ended 31 December 2009, the average effective borrowing rate was 10.6% (2008: 14.0%) (2007: 11.8%), for the six months ended 30 June 2010 the average effective borrowing rate was 8.4% (2009: 10.9%). Interest rates are linked to the prime interest rate in South Africa. The fair value of the lease obligation approximates the carrying amount of the underlying asset (refer note 6.3).

Notes to the historical financial information (Continued)

21. Interest bearing borrowings (Continued)

21.4 Analysis of finance lease obligations

	Minimum lease payments due	Finance charges	Present value of minimum lease payments due
	GBP	GBP	GBP
<b>30 June 2010</b>			
Due within one year . . . . .	1,568,756	(291,331)	1,277,425
Due between one and five years . . . . .	2,828,912	(289,803)	2,539,109
	<u>4,397,668</u>	<u>(581,134)</u>	<u>3,816,534</u>
<b>31 December 2009</b>			
Due within one year . . . . .	1,638,088	(373,878)	1,264,210
Due between one and five years . . . . .	3,622,525	(469,257)	3,153,268
	<u>5,260,613</u>	<u>(843,135)</u>	<u>4,417,478</u>
<b>30 June 2009</b>			
Due within one year . . . . .	1,209,196	(255,467)	953,729
Due between one and five years . . . . .	2,697,357	(273,184)	2,424,173
	<u>3,906,553</u>	<u>(528,651)</u>	<u>3,377,902</u>
<b>31 December 2008</b>			
Due within one year . . . . .	1,319,533	(484,231)	835,302
Due between one and five years . . . . .	3,807,861	(655,832)	3,152,029
	<u>5,127,394</u>	<u>(1,140,063)</u>	<u>3,987,331</u>
<b>31 December 2007</b>			
Due within one year . . . . .	1,064,895	(386,382)	678,513
Due between one and five years . . . . .	3,590,540	(725,780)	2,864,760
	<u>4,655,435</u>	<u>(1,112,162)</u>	<u>3,543,273</u>

22. Interest free advances from clients

The advance received is a US Dollar denominated contractual working capital advance received from a client. The advance is repayable over periods ranging from 3 to 40 months through offsetting against monthly invoices.

22.1 Interest free advances—non-current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Advances received from client . . . . .	—	4,458,125	1,892,899	3,998,014	12,496,498

22.2 Interest free advances—current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Advances received from client . . . . .	—	2,071,940	4,846,416	1,599,206	8,330,999
Total interest free advances . . . . .	—	<u>6,530,065</u>	<u>6,739,315</u>	<u>5,597,220</u>	<u>20,827,497</u>

Notes to the historical financial information (Continued)

23. Related party loans

23.1 Loan to shareholder—non-current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Mmakau Mining (Proprietary) Limited . . . . .	519,373	541,824	628,502	570,257	643,815

23.2 Shareholders' loans payable—non current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
International Mineral Resources BV . . . . .	2,994,357	—	—	—	—
Holgoun Engineering (Proprietary) Limited . .	443,097	—	—	—	—
	3,437,454	—	—	—	—

23.3 Loan to fellow subsidiary—current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
International Mineral Resources SA (Proprietary) Limited . . . . .	—	—	—	—	1,010,045

23.4 Shareholder's loan payable—current

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
International Mineral Resources BV . . . . .	748,439	310,546	395,848	344,957	422,051

In 2007, Capstone received loans from IMR of circa £15 million and repaid circa £12 million. These cash flows are shown net in the cash flow statements.

The loan to Mmakau Mining (Proprietary) Limited is unsecured, bears no interest and no formal terms of repayment have been established.

The shareholders' loans payable were unsecured, bore interest at the South African prime lending rate less 2% per annum and did not have formal terms of repayment. The loans were converted into share capital at the beginning of the 2008 financial year as more fully described in note 18.

The loan to International Mineral Resources SA (Proprietary) Limited has been granted to the fellow subsidiary in three tranches. The loan is unsecured, bears interest at the South African prime lending rate plus 1% per annum and is repayable on demand.

The shareholder's loan payable is unsecured, bears interest at the South African prime lending rate less 2% per annum (30 June 2009, 31 December 2009, 2008 and 2007: Prime less 2% per annum) and is repayable on demand.

Notes to the historical financial information (Continued)

24. Post retirement benefit obligations

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
<b>Unfunded obligations</b>					
Present value of post retirement medical aid obligations . . . . .	296,036	312,017	357,785	326,509	369,183
Present value of retirement fund obligations . . . . .	75,260	79,382	89,670	82,364	91,533
Total post retirement benefit obligation . . . . .	<u>371,296</u>	<u>391,399</u>	<u>447,455</u>	<u>408,873</u>	<u>460,716</u>
<b>Movements in the obligation</b>					
Opening balance . . . . .	—	371,296	391,399	391,399	447,455
Acquired during the year . . . . .	313,721	—	—	—	—
Obligation for future medical aid subsidies provided . . . . .	35,087	72,773	21,584	10,332	14,679
Obligation for future pension fund subsidies provided . . . . .	38,565	(29,275)	6,738	3,226	4,139
Medical aid subsidies paid . . . . .	(22,199)	(20,589)	(25,312)	(12,117)	(11,993)
Pension fund subsidies paid . . . . .	(5,788)	(4,432)	(8,906)	(4,348)	(4,461)
Foreign currency translation reserve . . . . .	11,910	1,626	61,952	20,381	10,897
Closing obligation . . . . .	<u>371,296</u>	<u>391,399</u>	<u>447,455</u>	<u>408,873</u>	<u>460,716</u>
<b>Recognised in profit and loss</b>					
Present value of future medical aid payments . . . . .	35,087	72,773	21,584	10,332	14,679
Present value of future pension fund payments . . . . .	38,565	(29,275)	6,738	3,226	4,139
	<u>73,652</u>	<u>43,498</u>	<u>28,322</u>	<u>13,558</u>	<u>18,818</u>

The Group subsidises a closed group of pensioners' medical aid contributions. The monthly subsidies, which are reviewed annually by the Group, are charged against the obligation raised. The obligation is the estimated present value of the obligation payable over the recipients' remaining lives.

The Group contributes towards the Sentinel Mining Industry Retirement Fund in favour of seven disability claimants. These contributions are charged against the obligation raised. The obligation is the estimated present value of contributions until retirement date.

Independent actuarial valuations in respect of these obligations were last performed as at 31 December 2009, by R H Welham, a Fellow of the Institute of Actuaries. It is Group policy to perform actuarial valuations annually.

The scheme has no plan assets and is an unfunded scheme.

*Principal actuarial assumptions used in the last actuarial valuation, performed as at end of year/period*

	2007 Valuation %	2008 Valuation %	2009 Valuation %	Six months ended 30 June	
				2009 Valuation %	2010 Valuation %
				(unaudited)	
Long-term rate of investment return . . . . .	9.0	9.0	9.0	9.0	9.0
Inflation rate . . . . .	6.0	6.0	6.0	6.0	6.0
Future medical cost increases . . . . .	7.5	7.5	8.0	7.5	8.0
Future increases in employer contributions in respect of retirement fund . . . . .	6.0	6.0	6.0	6.0	6.0

**Notes to the historical financial information (Continued)**

**24. Post retirement benefit obligations (Continued)**

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the obligations in the defined benefit plans are as follows:

*Assumptions specifically relating to post retirement medical aid obligation:*

	2007 Valuation	2008 Valuation	2009 Valuation	Six months ended 30 June	
				2009 Valuation (unaudited)	2010 Valuation
Number of females . . . . .	33.0	34.0	31.0	34.0	31.0
Number of males . . . . .	42.0	41.0	40.0	41.0	40.0
Average age of females . . . . .	72.2	71.1	71.9	71.1	71.9
Average age of males . . . . .	73.0	73.3	74.3	73.3	74.3

*Assumptions specifically in respect of retirement fund subsidies:*

	2007 Valuation	2008 Valuation	2009 Valuation	Six months ended 30 June	
				2009 Valuation (unaudited)	2010 Valuation
Number of pensioners . . . . .	7.0	7.0	7.0	7.0	7.0
Average age of disability pensioners . . . . .	48.9	49.5	50.9	49.5	50.9
Average monthly subsidiary (GBP) . . . . .	88.0	92.0	112.0	101.6	127.4

Assumed health care cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage change in assumed health care cost trend rates has the following effects on profit or loss.

	2007 Valuation	2008 Valuation	2009 Valuation	Six months ended 30 June	
				2009 Valuation (unaudited)	2010 Valuation
	One % decrease	One % decrease	One % decrease	One % decrease	One % decrease
Effect on interest cost . . . . .	2,195	2,266	2,363	2,262	3,129
Effect on post retirement benefit obligation . . . . .	24,391	25,174	26,256	25,138	34,769

**25. Trade and other payables, including derivatives**

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
Trade and other payables . . . . .	6,844,687	17,641,233	22,013,823	21,372,073	17,567,552
Annual bonus accrual . . . . .	863,554	2,589,074	4,156,636	4,232,223	5,869,226
Leave bonus accrual . . . . .	182,963	281,662	374,304	281,240	367,974
Leave pay accrual . . . . .	1,851,859	2,887,077	3,825,948	3,332,284	3,992,926
Interest rate derivative . . . . .	—	235,107	179,737	247,445	137,897
Accrual for decommissioning of winder . . . . .	68,547	68,479	50,067	45,427	—
	<u>9,811,610</u>	<u>23,702,632</u>	<u>30,600,515</u>	<u>29,510,692</u>	<u>27,935,575</u>

Notes to the historical financial information (Continued)

26. Deferred revenue

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
Deferred revenue					
—Non-current . . . . .	—	5,663,584	10,596,275	7,774,417	8,726,658
—Current . . . . .	6,539,985	6,739,712	10,418,024	10,057,446	10,333,045
	<u>6,539,985</u>	<u>12,403,296</u>	<u>21,014,299</u>	<u>17,831,863</u>	<u>19,059,703</u>

Deferred revenue comprises advances received from clients for which the related work has not been performed as yet. Deferred revenue is released to the income statement on a stage of completion method as the services to which the deferred revenue relates are performed.

27. Commitments

27.1 Operating lease commitments

	31 December			30 June	
	2007 GBP	2008 GBP	2009 GBP	2009 GBP (unaudited)	2010 GBP
Future operating lease charges relating to property					
—payable within 1 year . . . . .	—	80,615	169,133	157,856	195,725
—payable between 1 and 5 years . . . . .	—	68,113	—	—	—
	<u>—</u>	<u>148,728</u>	<u>169,133</u>	<u>157,856</u>	<u>195,725</u>
Future operating lease charges relating to plant and equipment					
—payable within 1 year . . . . .	666,979	73,954	8,904	70,442	6,158
—payable between 1 and 5 years . . . . .	967,173	—	—	—	—
	<u>1,634,152</u>	<u>73,954</u>	<u>8,904</u>	<u>70,442</u>	<u>6,158</u>
Future operating lease charges relating to office equipment					
—payable within 1 year . . . . .	62,505	14,075	7,183	5,184	7,055
—payable between 1 and 5 years . . . . .	61,779	—	—	—	—
	<u>124,284</u>	<u>14,075</u>	<u>7,183</u>	<u>5,184</u>	<u>7,055</u>
Future operating lease charges relating to motor vehicles					
—payable within 1 year . . . . .	303,514	101,490	20,042	288,962	62,034
—payable between 1 and 5 years . . . . .	507,219	—	—	—	—
	<u>810,733</u>	<u>101,490</u>	<u>20,042</u>	<u>288,962</u>	<u>62,034</u>
Total future operating lease charges					
—payable within 1 year . . . . .	1,032,998	270,134	205,262	522,444	270,972
—payable between 1 and 5 years . . . . .	1,536,171	68,113	—	—	—
	<u>2,569,169</u>	<u>338,247</u>	<u>205,262</u>	<u>522,444</u>	<u>270,972</u>

Future lease charges, except for operating leases relating to properties, are subject to changes in the Prime lending rate of South Africa. The lease agreements continue indefinitely, unless terminated in terms of the agreements, which require a three month notice period.

## Notes to the historical financial information (Continued)

### 27. Commitments (Continued)

#### 27.2 Capital commitments

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Capital expenditure authorised					
—not yet contracted for . . . . .	9,465,903	10,007,146	11,798,096	1,847,388	8,288,542

### 28. Financial risk instruments and risk management

The Board's overall policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. Having sufficient and extensive capital, in the form of plant and equipment, is key to the success of the company. Having the necessary equipment available gives the Company a competitive edge in the tendering process and avoids delays in the start-up of new contracts. Certain key plant items are scarce in the market and have a long lead time from ordering to receiving.

The Group has exposure to the following risks

- market risk
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and process for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Exposure to currency and credit risk arises in the normal course of the Group's business. Forward exchange contracts are used as a mean of reducing exposure to fluctuations in foreign exchange rates. The Group does not speculate in derivative instruments. There were no forward exchange rate contracts at the reporting date.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management. The audit committee has been mandated with the responsibility of developing and monitoring the Group's risk management policies. The committee is assisted in its role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk managements controls and procedures, the results of which are reported to the audit committee. The Group audit committee reports to the Board of Directors on a regular basis.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training, management and safety standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations, as well as the importance of maintaining safety standards.

#### 28.1 Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Foreign currency risk

The Group is exposed to currency risk on contract revenue, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the

**Notes to the historical financial information (Continued)**

**28. Financial risk instruments and risk management (Continued)**

South African Rand (ZAR), U.S. Dollar (USD), Russian Rouble (RuR), the United Arab Emirate Dirham (Dirham) and the Indian Rupee (INR).

The Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances. The Group invoices in foreign currencies where possible, where its cost base is also in foreign currencies.

The Group's exposure to foreign currency risk was as follows:

	31 December			30 June	
	2007 ZAR	2008 ZAR	2009 ZAR	2009 ZAR (unaudited)	2010 ZAR
Loan to shareholder . . . . .	7,110,687	7,425,375	7,425,375	7,425,375	7,425,375
Inventories . . . . .	16,896,336	44,272,616	58,297,782	35,729,841	80,807,171
Trade and other receivables .	118,580,989	223,365,888	271,597,282	298,265,596	318,555,541
Finance lease receivables . . .	—	—	—	12,468,552	12,042,651
Loan to fellow subsidiary . . .	—	—	—	—	11,649,253
Loans to joint venture partners . . . . .	5,501,115	4,782,863	936,079	280,896	612,796
Assets classified as held for sale . . . . .	131,227,015	—	—	—	—
Cash and cash equivalents . .	72,281,161	123,575,943	39,320,653	89,291,031	(11,492,931)
Interest bearing borrowings .	(216,593,766)	(200,803,155)	(179,820,069)	(177,773,016)	(156,288,271)
Post retirement benefit obligations . . . . .	(5,083,380)	(5,363,886)	(5,323,981)	(5,286,398)	(5,313,624)
Trade and other payables including derivatives . . . . .	(134,329,767)	(324,830,349)	(367,689,907)	(355,506,886)	(313,599,141)
Liabilities classified as held for sale . . . . .	(117,365,283)	—	—	—	—
Deferred revenue . . . . .	(89,538,275)	(183,427,105)	(120,532,392)	(153,549,341)	(75,015,465)
Bank overdraft . . . . .	(26,191,443)	—	—	—	—
Income taxation . . . . .	7,560,906	(15,266,188)	(6,275,962)	(41,145,900)	(30,659,437)
Shareholder's loan . . . . .	(57,308,649)	(4,255,842)	(4,491,721)	(4,676,704)	(4,867,680)
<b>Gross statement of financial position exposure . . . . .</b>	<b>(287,252,354)</b>	<b>(330,523,840)</b>	<b>(306,556,861)</b>	<b>(294,476,954)</b>	<b>(166,143,762)</b>

	31 December			30 June	
	2007 USD	2008 USD	2009 USD	2009 USD (unaudited)	2010 USD
Trade and other receivables . . . . .	863,000	5,699,486	6,115,446	3,693,004	15,077,227
Cash and cash equivalents . . . . .	—	8,034,152	6,627,251	8,398,472	9,764,532
Interest free advances . . . . .	—	—	—	(10,569,337)	(37,158,662)
Trade payables . . . . .	—	—	(3,752)	—	—
<b>Gross statement of financial position exposure . . . . .</b>	<b>863,000</b>	<b>13,733,638</b>	<b>12,738,945</b>	<b>1,522,139</b>	<b>(12,316,903)</b>

Notes to the historical financial information (Continued)

28. Financial risk instruments and risk management (Continued)

	31 December			30 June	
	2007	2008	2009	2009	2010
	RuR	RuR	RuR	RuR (unaudited)	RuR
Trade and other receivables . . . . .	—	—	203,559,408	161,167,932	348,253,790
Cash and cash equivalents . . . . .	—	—	33,314,605	4,967,463	11,385,719
Trade and other payables . . . . .	—	—	(24,457,196)	(65,449,309)	(35,102,185)
<b>Gross statement of financial position exposure . . . . .</b>	<b>—</b>	<b>—</b>	<b>212,416,817</b>	<b>100,686,086</b>	<b>324,537,324</b>

	31 December			30 June	
	2007	2008	2009	2009	2010
	Dirham	Dirham	Dirham	Dirham (unaudited)	Dirham
Cash and cash equivalents . . . . .	—	—	899,733	1,770,850	841,119
<b>Gross statement of financial position exposure . . . . .</b>	<b>—</b>	<b>—</b>	<b>899,733</b>	<b>1,770,850</b>	<b>841,119</b>

	31 December			30 June	
	2007	2008	2009	2009	2010
	INR	INR	INR	INR (unaudited)	INR
Cash and cash equivalents . . . . .	—	—	—	—	2,289,761
<b>Gross statement of financial position exposure . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,289,761</b>

The following significant exchange rates applied during the year:

	2007		2008		2009	
	Average rate per pa.	Reporting date spot rate	Average rate per pa.	Reporting date spot rate	Average rate per pa.	Reporting date spot rate
Denomination in foreign currency						
ZAR 1 . . . . .	0.071	0.073	0.066	0.073	0.076	0.085
USD 1 . . . . .	0.500	0.501	0.539	0.691	0.639	0.606
RUR 1 . . . . .	0.020		0.022		0.020	0.021
Dirham 1 . . . . .	0.136		0.147		0.174	0.171
INR 1 . . . . .	0.012		0.012		0.013	0.013

	6 months ended 30 June 2009		6 months ended 30 June 2010	
	Average rate per pa.	Reporting date spot rate	Average rate per pa.	Reporting date spot rate
Denomination in foreign currency				
ZAR 1 . . . . .	0.073	0.085	0.087	0.087
USD 1 . . . . .	0.670	0.628	0.655	0.664
RUR 1 . . . . .	0.020	0.033	0.022	0.032
Dirham 1 . . . . .	0.182	0.165	0.178	0.181
INR 1 . . . . .	0.014	0.021	0.014	0.014

Sensitivity analysis

A 15 per cent. strengthening of the British Pound against the South African Rand, US Dollar, the Russian Rouble, the Dirham and the Indian Rupee would have resulted in changes to equity and profit by the

## Notes to the historical financial information (Continued)

### 28. Financial risk instruments and risk management (Continued)

following amounts. The analysis assumes all variables, in particular interest rates, remain constant. The analysis is performed in the same manner for the comparative periods.

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
South African Rand . . . . .	2,166,192	1,757,218	2,176,085	2,022,846	610,860
US Dollar . . . . .	(64,842)	241,988	48,552	(138,248)	1,225,888
Russian Rouble . . . . .	—	—	(660,819)	(292,064)	(1,032,876)
Dirham . . . . .	—	—	(23,064)	(43,759)	(22,788)
Indian Rupee . . . . .	—	—	—	—	(4,903)
	2,101,350	1,999,206	1,540,754	1,548,775	776,181

A 15 per cent. weakening in the British Pound would have had an opposite effect.

#### Interest rate risk

The Group is exposed to interest rate risk as it borrows and invests excess funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mixture between fixed and floating rate borrowings and placings within the market exposure expectations. The Group also uses interest rate swaps, where deemed necessary to hedge its exposure to floating interest rates.

Interest rates used to discount estimated cash flows where applicable, are based on the bank prime lending rate at reporting date and were as follows:

#### Variable interest rates:

- Loans and borrowings are linked to the Johannesburg Interbank Rate (“JIBAR”) capped at 15%
- Leases 9.5%-15%
- Loans to and from shareholders prime lending rates less 2%

At the reporting date the interest rate profile of the Group’s interest bearing financial instruments were:

#### Variable rate instruments

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Financial assets . . . . .	5,279,504	9,017,246	9,457,875	8,492,218	7,963,238
Financial liabilities . . . . .	(21,919,221)	(14,963,004)	(15,442,995)	(14,154,856)	(13,972,979)
	(16,639,717)	(5,945,758)	(5,985,120)	(5,662,638)	(6,009,741)

## Notes to the historical financial information (Continued)

### 28. Financial risk instruments and risk management (Continued)

#### Cash flow sensitivity analysis:

A change of 100 basis points in interest rates at the reporting date would have (decreased)/increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for all of the periods presented.

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
Interest bearing bank loan	(122,770)	(106,651)	(106,297)	(52,160)	(48,672)
Finance lease obligations	(35,433)	(39,873)	(44,175)	(16,890)	(19,083)
Finance lease receivables	—	—	10,554	—	5,221
Shareholders' loan payable	(41,859)	(3,105)	(3,958)	(1,725)	(2,110)
Cash and cash equivalents	33,664	90,172	84,025	42,461	29,545
Total	<u>(166,398)</u>	<u>(59,457)</u>	<u>(59,851)</u>	<u>(28,314)</u>	<u>(35,099)</u>

#### 28.2 Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables to customers, related parties and employees.

##### Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer as well as the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate.

Management has established a policy of spreading the customer base outside of Africa and into Eastern and Western Europe and India. This is to optimise geographical concentration of credit risk.

The Board of Directors has established parameters, which if these are to be exceeded, prior approval from the Board is required before submission to the potential new customer. These parameters are based on items such as the value of the contract, the type of contract, and location of the contract.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposure and a collective loss component established of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

##### Impairment losses

The ageing and impairment losses thereon at balance sheet date was:

	31 December					
	2007		2008		2009	
	Gross trade receivables	Gross impairment	Gross trade receivables	Gross impairment	Gross trade receivables	Gross impairment
	GBP	GBP	GBP	GBP	GBP	GBP
Group						
Not past due	5,558,260	—	11,365,656	—	16,930,451	—
Past due 0-30 days	2,035,023	—	4,726,277	—	4,708,421	(710,833)
Past due 31-75 days	801,116	—	—	—	590,044	—
Past 75 days	867,058	(384,372)	4,229,078	(294,227)	5,717,964	(3,051,880)
	<u>9,261,457</u>	<u>(384,372)</u>	<u>20,321,011</u>	<u>(294,227)</u>	<u>27,946,880</u>	<u>(3,762,713)</u>

Notes to the historical financial information (Continued)

28. Financial risk instruments and risk management (Continued)

	30 June 2009		30 June 2010	
	Gross trade receivables	Gross impairment	Gross trade receivables	Gross impairment
	GBP	GBP	GBP	GBP
Group				
Not past due . . . . .	13,503,787	—	20,156,115	—
Past due 0-30 days . . . . .	7,391,144	—	8,725,376	—
Past due 31-75 days . . . . .	—	—	7,295,147	—
Past 75 days . . . . .	1,589,063	(309,667)	4,755,976	(318,493)
	<u>22,483,994</u>	<u>(309,667)</u>	<u>40,932,614</u>	<u>(318,493)</u>

Reconciliation of impairment

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
Opening balance . . . . .	—	(384,372)	(294,227)	(294,227)	(3,762,713)
Impairments raised during the year . . . . .	(372,042)	(241,971)	(3,076,262)	—	—
Impairments reversed during the year . . . . .	—	323,007	—	—	3,540,418
Foreign currency translation reserve . . . . .	(12,330)	9,109	(392,224)	(15,440)	(96,198)
Closing balance . . . . .	<u>(384,372)</u>	<u>(294,227)</u>	<u>(3,762,713)</u>	<u>(309,667)</u>	<u>(318,493)</u>

The Group believes that no further impairments are necessary, than those raised as above, in respect of trade receivables. The balance of trade receivables relate to customers that have had a good track record with the Group in the past.

The Group has ceded its trade receivables to ABSA Bank Limited, as security for its guarantee and banking facilities (refer note 21.3).

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	31 December					
	2007		2008		2009	
	Trade receivables	Gross impairment	Trade receivables	Gross impairment	Trade receivables	Gross impairment
Group						
Local operations . . . . .	7,870,039	(384,372)	13,117,172	(294,227)	25,691,802	(3,762,713)
Foreign operations . . . . .	1,391,418	—	7,203,839	—	2,255,078	—
	<u>9,261,457</u>	<u>(384,372)</u>	<u>20,321,011</u>	<u>(294,227)</u>	<u>27,946,880</u>	<u>(3,762,713)</u>

	30 June 2009		30 June 2010	
	Trade receivables	Gross impairment	Trade receivables	Gross impairment
	GBP	GBP	GBP	GBP
Group				
Local operations . . . . .	17,153,162	(309,667)	28,262,436	(318,493)
Foreign operations . . . . .	5,330,832	—	12,670,178	—
	<u>22,483,994</u>	<u>(309,667)</u>	<u>40,932,614</u>	<u>(318,493)</u>

The maximum credit risk exposure by customer type at reporting date was within the mining industry.

## Notes to the historical financial information (Continued)

### 28. Financial risk instruments and risk management (Continued)

#### Loans and other receivables

The Group has provided funding to related parties and employees in the form of loans and finance lease receivables respectively. These loans and other receivables are considered low risk by management as these receivables are mostly secured by the underlying asset in the case of finance lease receivables or repayment of the loans will be made through the proceeds of dividends declared by the Group to its shareholders in the case of loans receivable from shareholders. No allowances for impairment is therefore deemed necessary for these loans.

The maximum exposure of the Group to credit risk relating to loans and other receivables are reflected by the carrying amount of these instruments and summarised below:

	31 December			30 June	
	2007	2008	2009	2009	2010
Loan to shareholder . . . . .	519,373	541,824	628,502	570,257	643,815
Finance lease receivables . . . . .	—	—	1,055,369	—	1,044,155
Loan to fellow subsidiary . . . . .	—	—	—	—	1,010,045
Loans to joint venture partners . . . . .	401,808	349,002	23,776	71,889	53,132
	<u>921,181</u>	<u>890,826</u>	<u>1,707,647</u>	<u>642,146</u>	<u>2,751,147</u>

#### 28.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flow and marketable securities to meet its obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group ensures that it has sufficient cash on hand to meet unexpected operational expenses as they fall due, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group maintains overdraft facilities to cover periods where high volumes of the operational liabilities are expected to fall due.

The following are the contractual maturities of financial liabilities, undiscounted, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than 1 year	1–5 years	More than 5 years
	GBP	GBP	GBP	GBP	GBP
<b>Group</b>					
<b>30 June 2010</b>					
<i>Non-derivative financial instruments</i>					
Interest bearing borrowings—ABSA Bank Limited . . . . .	9,734,395	(11,381,969)	(3,569,077)	(7,812,892)	—
Interest bearing borrowings—Finance lease obligations . . . . .	3,816,533	(4,397,668)	(1,568,756)	(2,828,912)	—
Interest free advances received from clients . . . . .	20,827,497	(20,827,497)	(8,330,999)	(12,496,498)	—
Loan from related party . . . . .	422,051	(422,051)	(422,051)	—	—
Trade and other payables . . . . .	<u>27,797,678</u>	<u>(27,797,678)</u>	<u>(27,797,678)</u>	<u>—</u>	<u>—</u>
<i>Derivative financial liabilities</i>					
Interest rate hedge . . . . .	<u>137,897</u>	<u>(137,897)</u>	<u>(137,897)</u>	<u>—</u>	<u>—</u>

Notes to the historical financial information (Continued)

28. Financial risk instruments and risk management (Continued)

	Carrying amount GBP	Contractual cash flows GBP	Less than 1 year GBP	1–5 years GBP	More than 5 years GBP
<b>30 June 2009 (unaudited)</b>					
<i>Non-derivative financial instruments</i>					
Interest bearing borrowings—ABSA Bank Limited . . . . .	10,431,995	(12,806,488)	(2,724,944)	(9,513,927)	(567,617)
Interest bearing borrowings—Finance lease obligations . .	3,377,903	(3,906,553)	(1,209,196)	(2,697,357)	—
Interest free advances received from clients . . . . .	5,597,220	(5,597,220)	(1,599,206)	(3,998,014)	—
Loan from related party . . . . .	344,957	(344,957)	(344,957)	—	—
Trade and other payables . . . . .	29,263,247	(29,263,247)	(29,263,247)	—	—
<i>Derivative financial liabilities</i>					
Interest rate hedge . . . . .	247,445	(247,445)	(247,445)	—	—
<b>31 December 2009</b>					
<i>Non-derivative financial instruments</i>					
Interest bearing borrowings—ABSA Bank Limited . . . . .	10,629,670	(12,757,001)	(3,352,618)	(9,404,383)	—
Interest bearing borrowings—Finance lease obligations . .	4,417,478	(5,260,613)	(1,638,088)	(3,622,525)	—
Interest free advances received from clients . . . . .	6,739,315	(6,739,315)	(1,892,899)	(4,846,416)	—
Loan from related party . . . . .	395,848	(395,848)	(395,848)	—	—
Trade and other payables . . . . .	30,413,160	(30,413,160)	(30,413,160)	—	—
<i>Derivative financial liabilities</i>					
Interest rate hedge . . . . .	187,355	(187,355)	(187,355)	—	—
<b>31 December 2008</b>					
<i>Non-derivative financial instruments</i>					
Interest bearing borrowings—ABSA Bank Limited . . . . .	10,665,127	(14,663,337)	(2,903,541)	(11,288,826)	(470,970)
Interest bearing borrowings—Finance lease obligations . .	3,987,331	(5,127,408)	(1,319,547)	(3,807,861)	—
Interest free advances received from clients . . . . .	6,530,066	(6,530,065)	(2,071,940)	(4,458,125)	—
Loan from related party . . . . .	310,546	(310,546)	(310,546)	—	—
Trade and other payables . . . . .	23,467,525	(23,467,525)	(23,467,525)	—	—
<i>Derivative financial liabilities</i>					
Interest rate hedge . . . . .	235,107	(235,107)	(33,587)	(167,934)	(33,586)
<b>31 December 2007</b>					
<i>Continuing operations</i>					
Interest bearing borrowings—ABSA Bank Limited . . . . .	12,159,145	(17,660,957)	(3,123,926)	(12,347,277)	(2,189,754)
Interest bearing borrowings—Finance lease obligations . .	3,509,260	(4,610,745)	(1,054,672)	(3,556,073)	—
Trade and other payables . . . . .	9,717,423	(9,717,423)	(9,717,423)	—	—
Bank overdraft . . . . .	1,894,690	(2,075,476)	(2,075,476)	—	—
<i>Discontinued operations</i>					
Liabilities available for sale . . . . .	8,490,191	(8,490,191)	(8,490,191)	—	—

*Fair values*

The fair values of carrying assets and liabilities are substantially identical to the carrying amounts reflected in the statements of financial position.

**29. Related parties**

**29.1 Identification of related parties**

The holding company of Capstone 615 (Proprietary) Limited is International Mineral Resources BV, a company in the Netherlands which at 30 June 2010 holds 54% (30 June 2009: 54%) (31 December 2009: 54%) (31 December 2008: 54%) (31 December 2007: 54%) of the Company's ordinary shares. The ultimate parent company is Summerside Investments Sarl.

The subsidiaries, associates and joint venture companies of the group are listed below:

(a) Wholly owned subsidiaries, directly held

- Rossal 126 (Proprietary) Limited
- Jascoma Investments Limited

## Notes to the historical financial information (Continued)

### 29. Related parties (Continued)

(b) Wholly owned subsidiaries, indirectly held

- Shaft Sinkers (Proprietary) Limited
- Shaft Sinkers Mining (Proprietary) Limited
- Thomas and Pilliner (Proprietary) Limited#
- Shaft Sinkers International (Proprietary) Limited\*
- Mining and Engineering Technical Services (Proprietary) Limited#
- Shaft Sinkers RUS LLC (registered in Russia)
- Shaft Sinkers FZE (registered in Dubai)
- Capstone International FZCO (registered in Dubai)

(c) Partially owned subsidiary, indirectly held

- 70% (2008 and 2007: 70%) (30 June 2010 and 2009: 70%) in Shaft Sinkers Zimbabwe (Private) Limited

(d) Joint venture companies, indirectly held

- Nil% (2008 and 2007: 45%) (30 June 2010 and 2009: 45%) in SMRD Mining Consultants and Contractors (Proprietary) Limited#
- 50% (2008 and 2007: 50%) (30 June 2010 and 2009: 50%) in RSV-Shaft Sinkers International (Proprietary) Limited\*
- 48.6% (2008 and 2007: 48.6%) (30 June 2010 and 2009: 48.6%) in SDM Mining Contractors (Proprietary) Limited

(e) Associate companies

- 25% (2008 and 2007: 25%) (30 June 2010 and 2009: 25%) in Alpha Resources Limited, and its wholly owned subsidiary, Delta Gold Zimbabwe (Private) Limited

The directors of Capstone and other members of the management committee are defined as key management.

The directors' emoluments are disclosed in note 3.

### 29.2 Material party related transactions

#### Transactions with related parties

Related party loans—refer note 23.

Interest paid to and received from related parties—refer note 4.

The above transactions were conducted on an arms length basis.

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\* Dormant companies.

# Companies deregistered during 2009.

Notes to the historical financial information (Continued)

29. Related parties (Continued)

29.3 Transactions with key management personnel

The Group does not provide non-cash benefits to key management. In accordance with the Group policy all employees must retire at age 60, including directors and executive officers, but may apply to the executive committee for re-instatement.

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
Key management compensation comprised:				(unaudited)	
Short-term employee benefits . . . . .	1,409,587	2,158,704	3,478,966	1,162,121	1,381,947

30. Retirement benefit information

The Group has made provision for various retirement funds, covering substantially all permanent employees.

There are four retirement funds, all of which are defined contributions funds, governed by the Pension Funds Act of 1956.

The following contribution to funds was made during the year:

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
Republic of South Africa				(unaudited)	
—Sentinel Mining Industry Retirement Fund . . . . .	1,000,375	2,305,421	3,266,314	1,571,008	2,058,720
—Mine Employees Pension Fund . . . . .	824,511	2,254,909	3,202,403	1,487,896	2,152,722
Zimbabwe					
—Mining Industry Pension Fund . . . . .	555	517	—	—	—
—National Social Security Authority Scheme . . . . .	521	486	—	—	—
	<u>1,825,962</u>	<u>4,561,333</u>	<u>6,468,717</u>	<u>3,058,904</u>	<u>4,211,442</u>

31. Share based payments—The Shaft Sinkers Employee Share Trust Scheme

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP	GBP
Obligation acquired through acquisition of subsidiary . . . . .	1,399,964	—	—	(unaudited)	—
Fair value adjustment through profit or loss of share appreciation rights . . . . .	332,140	—	—	—	—
Settlement of share appreciation rights—share based payment . . . . .	(1,732,104)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The share appreciation rights were granted to the directors and other key management personnel of the Company. The fair value of these share appreciation rights was determined on an annual basis by an independent third party.

The Shaft Sinkers Employee Share Trust Scheme was curtailed in June 2007 and the share appreciation rights were settled.

## Notes to the historical financial information (Continued)

### 32. Contingent Liabilities

#### 32.1

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Local contractual performance and/or retention guarantees and payment bonds held by contracted clients and service providers at balance sheet date . . . . .	2,282,820	2,302,676	2,566,511	2,328,666	3,518,920

### 33. Notes to the cash flow statements

#### 33.1 Cash generated by/(utilised in) operating activities before working capital changes

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Profit/(loss) from operations per statements of comprehensive income . . . . .	(1,101,947)	7,544,957	14,343,365	7,697,981	10,310,618
<i>Adjustments for non-cash items included in:</i>					
<b>Continuing operations</b>					
Depreciation of property, plant and equipment and impairment . . . . .	1,662,896	2,946,248	4,042,381	1,548,897	2,994,862
(Profit)/loss on sale of property, plant and equipment . . . .	(33,633)	(148,879)	(386,478)	(53,562)	749,365
Unrealised foreign exchange gain . . . . .	—	(20,730)	—	—	—
Foreign exchange translation differences . . . . .	290,640	(1,463)	—	—	—
Foreign tax credits written off . . . . .	16,460	—	—	—	—
Raising/(reversal) of write down of inventory to net realisable value . . . . .	123,416	(203,256)	73,726	(1,059)	(58)
Raising/(reversal) of impairment of trade receivables . . . .	372,042	—	—	—	—
Contract provision and settlement . . . . .	—	—	5,479,452	—	(3,819,876)
Fair value adjustment of the share-option . . . . .	124,901	—	—	—	—
Fair value movement of financial guarantee provided to subsidiary . . . . .	—	—	—	—	—
Increase in provision for retirement benefit obligation . . . .	73,652	43,498	28,321	13,558	18,818
<b>Discontinued operations</b>					
Reversal of impairment losses on assets held for sale . . . . .	(405,595)	—	—	—	—
Loss on disposal of assets held for sale . . . . .	—	157,618	—	—	—
	<u>1,122,832</u>	<u>10,317,993</u>	<u>23,580,767</u>	<u>9,205,815</u>	<u>10,253,729</u>

#### 33.2 Income taxation paid

	31 December			30 June	
	2007	2008	2009	2009	2010
	GBP	GBP	GBP	GBP (unaudited)	GBP
Amount (payable)/receivable at the beginning of the year/period . . . . .	—	552,258	(1,113,963)	(1,113,963)	(3,482,690)
Amount acquired from business combination . . . . .	(93,582)	—	—	—	—
Prior year adjustment (SA normal taxation) . . . . .	181	(22,653)	411,181	—	42,404
Amount charged to the statement of comprehensive income (normal taxation) . . . . .	(48,412)	(2,956,274)	(7,302,153)	(1,574,140)	(2,282,081)
Amount charged to the statement of comprehensive income (foreign taxation credits written off to profit and loss) . . . .	(16,460)	(2,138)	—	—	—
Amount credited directly to the statement of financial position (foreign withholding taxation credits on trade receivables) . .	63,325	167,276	—	—	—
Amount credited to the income statement (interest on taxes) .	16,571	—	—	—	—
Amount transferred to assets held for sale at the end of the year/period . . . . .	(87,125)	81,178	—	—	—
Amount (receivable)/payable at the end of the year/period . . .	(552,258)	1,113,963	3,482,690	481,984	2,658,318
Foreign currency translation reserve . . . . .	17,716	(162,539)	(399,185)	(23,075)	(86,017)
	<u>(700,044)</u>	<u>(1,228,929)</u>	<u>(4,921,430)</u>	<u>(2,229,194)</u>	<u>(3,150,066)</u>

## Notes to the historical financial information (Continued)

### 33. Notes to the cash flow statements (Continued)

#### 33.3 Investment in business acquired

The cost of the acquisition of subsidiary, Rossal 126 (Proprietary) Limited (formerly known as Shaft Sinkers (Proprietary) Limited) (“Rossal”), was made up as follows:

	<u>31 March 2007</u>
	<b>GBP</b>
Property, plant and equipment . . . . .	24,374,036
Other non-current assets . . . . .	57,588
Inventories . . . . .	1,853,923
Trade and other receivables . . . . .	15,070,957
Short-term loans receivable . . . . .	484,226
Deferred taxation liabilities . . . . .	(3,309,680)
Loans and borrowings . . . . .	(5,344,174)
Trade and other payables . . . . .	(15,956,781)
Bank overdraft assumed . . . . .	<u>(1,835,813)</u>
Fair value of assets and liabilities acquired . . . . .	15,394,282
Goodwill on acquisition of subsidiary . . . . .	<u>1,926,755</u>
Fair value of subsidiary acquired . . . . .	<u><u>17,321,037</u></u>

The purchase consideration was satisfied as follows:

Consideration paid in cash . . . . .	14,976,082
Incremental fair value of share option exercised at date of acquisition . . . . .	<u>2,344,955</u>
	<u><u>17,321,037</u></u>
Consideration paid in cash . . . . .	14,976,082
Overdraft assumed in subsidiary . . . . .	<u>1,835,813</u>
Cash outflow on acquisition of subsidiary . . . . .	<u><u>16,811,895</u></u>

Capstone 615 (Proprietary) Limited (“the Company”) acquired the entire share capital of Rossal during the 2007 financial year. The shares in Rossal were acquired in stages with the first acquisition being made on 31 March 2007. The entire share capital of Rossal was acquired over a two month period. As there was no material impact resulting from this two month difference the acquisition table was presented as if 100% had been acquired on 31 March 2007.

On 31 March 2007 the Company acquired 50% of the issued share capital of Rossal from Amco Investments Limited, 25% of which were acquired through exercising the share option that the Company had held, resulting in the repayment of the loan from Amco Investments Limited as more fully described in note 7. This acquisition brought the Company’s interest in Rossal to 75% and Rossal became a subsidiary of the Group at the conclusion of this transaction.

Rossal is a leading contractor in the field of shaft sinking, contract mining, mine operation, tunnelling and large underground excavations and provides services to local and internationally based mining and civil engineering companies.

The Rossal group’s losses that had been included in the results of the enlarged Group’s loss since date of acquisition amounted to GBP 855,196.

## Notes to the historical financial information (Continued)

### 34. Segmental reporting

#### Information about reportable segments

##### Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions of the Group are geographically different and are managed separately due to the unique challenges and risks that are present when operating in different jurisdictions.

The following describes the Group's operating segments:

Local operations—Contract services provided to clients within the Republic of South Africa

Foreign operations—Contract services provided to client outside of the borders of the Republic of South Africa

Since 2008 the Group's foreign operations were predominantly derived from Russia. Russia accounts for between 60% and 70% of the foreign operations' revenue. Local operations are concentrated around contracts with the major producers in the Platinum Group Metals industry as well as the major gold producers.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Executive Committee. This information is prepared under IFRS and is consistent with the Group's accounting policies. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments taking into consideration the unique risk characteristics of each of these segments.

Other corporate activities comprise activities that do not by definition form part of the operating segments as well as head office activities which could not be assigned to an individual segment. Inter segment transactions are concluded on an arm's length basis.

	Local operations				
	Year-ended			6 months ended	
	2007	2008	2009	2009	2010
External revenues . . . . .	36,240,565	76,411,200	110,058,382	44,904,137	63,332,422
Depreciation and amortisation . . . . .	1,594,766	2,859,331	3,853,342	1,496,983	2,847,772
Finance income . . . . .	1,255,018	53,110	99,845	13	270,978
Finance expense . . . . .	1,057,636	2,418,232	1,893,542	1,063,453	1,150,051
Reportable segment profit before income tax . . . . .	2,851,707	8,032,235	12,779,119	6,610,896	7,568,114
Reportable segment assets . . . . .	43,283,845	52,374,794	68,322,257	57,755,894	60,737,138
Capital expenditure . . . . .	6,365,329	14,299,237	10,753,690	8,006,741	2,247,365
Reportable segment liabilities . . . . .	31,732,876	35,959,824	35,243,972	37,794,713	31,976,925
Contract provision and (settlement) . . . . .	—	—	5,479,452	—	(3,819,876)
	Foreign operations				
	Year-ended			6 months ended	
	2007	2008	2009	2009	2010
External revenues . . . . .	3,786,129	22,797,385	37,806,695	23,609,382	16,676,512
Depreciation and amortisation . . . . .	—	—	149,174	—	107,295
Finance income . . . . .	—	—	—	—	—
Finance expense . . . . .	—	—	10,151	—	3,543
Reportable segment profit before income tax . . . . .	175,066	4,841,138	9,306,394	4,627,716	7,537,492
Reportable segment assets . . . . .	1,918,259	10,203,407	23,333,787	19,570,886	44,042,321
Capital expenditure . . . . .	—	1,326,239	5,343,774	273,180	1,553,626
Reportable segment liabilities . . . . .	860,379	9,861,948	25,781,274	15,512,748	35,349,514
Contract provision and (settlement) . . . . .	—	—	—	—	—

**Notes to the historical financial information (Continued)**

**34. Segmental reporting (Continued)**

	Other corporate activities				
	Year-ended			6 months ended	
	2007	2008	2009	2009	2010
External revenues . . . . .	—	—	—	—	—
Depreciation and amortisation . . . . .	68,130	86,917	39,865	55,796	39,795
Finance income . . . . .	—	—	—	—	—
Finance expense . . . . .	—	—	—	—	—
Reportable segment profit before income tax . . . . .	(4,027,036)	(7,885,862)	(9,624,551)	(4,604,071)	(5,677,604)
Reportable segment assets . . . . .	7,623,621	7,880,034	8,952,056	7,942,122	10,170,109
Capital expenditure . . . . .	64,486	12,209	19,114	1,709	868
Reportable segment liabilities . . . . .	18,997,875	16,021,961	18,330,640	17,962,094	19,185,142
Contract provision and (settlement) . .	—	—	—	—	—
	Total				
	Year-ended			6 months ended	
	2007	2008	2009	2009	2010
External revenues . . . . .	40,026,694	99,208,585	147,865,077	68,513,519	80,008,934
Depreciation and amortisation . . . . .	1,662,896	2,946,248	4,042,381	1,552,779	2,994,862
Finance income . . . . .	1,255,018	53,110	99,845	13	270,978
Finance expense . . . . .	1,057,636	2,418,232	1,903,693	1,063,453	1,153,594
Reportable segment profit before income tax . . . . .	(1,000,263)	4,987,511	12,460,962	6,634,541	9,428,002
Reportable segment assets . . . . .	52,825,725	70,458,235	100,608,100	85,268,902	114,949,568
Capital expenditure . . . . .	6,429,815	15,637,685	16,116,578	8,281,630	3,801,859
Reportable segment liabilities . . . . .	51,591,130	61,843,733	79,355,886	71,269,555	86,511,581
Contract provision and (settlement) .	—	—	5,479,452	—	(3,819,876)

**35. Subsequent events**

**35.1 Disposal of associate**

On 11 October 2010 the Group entered into a sale of shares agreement with Mmakau Mining (Proprietary) Limited whereby the Group disposed of its 25% interest in the shareholding of Alpha Resources Limited as well as the claims that the Group had against Alpha Resources Limited and its wholly owned subsidiary Delta Gold Zimbabwe (Private) Limited for a purchase consideration of GBP 1.8 million (ZAR 20 million).

The purchase consideration was received on 27 October 2010 and the agreement became binding, resulting in the de-recognition of the Group's investment in equity accounted investees at that date.

**35.2 Bank facility**

On 28 October 2010, the Group entered into an agreement with Standard Bank for a new banking facility, which replaced the Group's existing facility with ABSA Bank. Further details of the facility are provided in paragraph 8.2 of Part V of this Prospectus.

## PART X: ADDITIONAL INFORMATION

### 1. Responsibility statements

1.1 The Directors, whose names are set out on page 14 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2. Incorporation and Registration

2.1 The Company was incorporated in the Isle of Man on 6 October 2010 as a company limited by shares with the name Shaft Sinkers Holdings plc with company number 006057V. As at the date of this document, Shaft Sinkers Holdings plc has not yet commenced operations.

2.2 The registered office and principal place of business of the Company is 18 Athol Street, Douglas, Isle of Man IM1 1JA. The telephone number of the Company's principal place of business is +44 (0) 1624 620 711.

2.3 The liability of members of the Company is limited.

2.4 The principal legislation under which the Company operates is the Isle of Man Companies Act 2006 (the "IM Act").

2.5 The Ordinary Shares are in registered form and their ISIN Code is IM00B690ZP24.

2.6 Shaft Sinkers Management Company Limited was incorporated in the Isle of Man on 13 October 2010 as a company limited by shares with the name Shaft Sinkers Management Company Limited with company number 006081V. As at the date of this document, Shaft Sinkers Management Company Limited has not commenced operations.

### 3. Share Capital

3.1 The issued share capital of the Company as at 17 December 2010 (which is the latest practicable date prior to the publication of this Prospectus) was as follows:

<u>Ordinary Shares</u>	<u>Issued (issued fully paid)</u>
Number . . . . .	100
Nominal Value . . . . .	Nil

#### 3.2 *Shaft Sinkers*

(i) On incorporation, Greystone First Nominees Limited subscribed for, and were issued with, 100 Ordinary Shares in the Company, held on trust for IMR.

(ii) On 20 December 2010, IMR entered into the IMR Share Exchange Agreement pursuant to which it agreed to transfer the entire issued share capital of Shaft Sinkers Management Company Limited to the Company (conditional on Admission) in consideration for the issue of 22,819,166 Ordinary Shares in the Company.

(iii) On 20 December 2010, the Directors of the Company passed a resolution approving the allotment and issue of the New Ordinary Shares pursuant to the Placing.

(iv) The application for Admission is in respect of the entire issued and to be issued Ordinary Shares.

#### 3.3 *Capstone*

(i) As at 1 January 2007, Mmakau was the sole shareholder in Capstone, holding 360 ordinary shares of ZAR1 each.

(ii) On 9 November 2007, pursuant to a subscription agreement, IMR subscribed for 540 ordinary shares of ZAR1 each in the capital of Capstone.

(iii) On 12 November 2007, pursuant to a subscription agreement, Holgoun subscribed for 100 ordinary shares of ZAR1 each in the capital of Capstone.

- (iv) Pursuant to an addendum dated 18 March 2008, to the Capstone Shareholders Agreement, (a) IMR agreed to capitalise its loan account with Capstone in consideration for the issue of a further 540 ordinary shares of ZAR1 each, (b) Holgoun agreed to capitalise its loan account number with Capstone in consideration for the further issue of 100 ordinary shares of ZAR1 each and (c) Mmakau agreed to subscribe for a further 360 ordinary shares of ZAR1 each.

#### 4. Subsidiary Undertakings and Investments

- 4.1 As at the date of this Prospectus and prior to Admission, the Company has and will have, no subsidiary undertakings. On Admission, the Company will have the following significant subsidiary undertakings:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of Incorporation</u>	<u>% of ownership interest/voting power</u>
Shaft Sinkers Management Company Limited . . . .	management services and investment holding	Isle of Man	100
Capstone . . . . .	investment holding	South Africa	100
Rossal 126 (Pty) Ltd . . . . .	investment holding	South Africa	100
Capstone International FZCO . . . . .	investment holding	Dubai	10
Shaft Sinkers RUS LLC . . . . .	shaft sinking	Russia	10
Shaft Sinkers Mining (Pty) Ltd . . . . .	mining and shaft sinking	South Africa	100
Shaft Sinkers (Pty) Ltd . . . . .	shaft sinking	South Africa	100
Shaft Sinkers FZE . . . . .	dormant	Dubai	100
Shaft Sinkers Zimbabwe (Pvt) Ltd . . . . .	dormant	Zimbabwe	70
Shaft Sinkers International (Pty) Ltd (Dormant) . . .	dormant	South Africa	100
Thomas & Pilliner (Pty) Ltd . . . . .	deregistered	South Africa	100
Mining and Engineering Technical Services (Pty) Ltd	deregistered	South Africa	100
RSV—Shaft Sinkers International (Pty) Ltd . . . . .	dormant	South Africa	50
SDM Mining Contractors (Pty) Ltd . . . . .	dormant	South Africa	66.6

#### 5. Corporate law in the Isle of Man

- 5.1 The IM Act came into force on 1 November 2006 and introduced a new simplified Isle of Man corporate vehicle (based on the international business company model available in a number of other jurisdictions). The IM Act is largely a standalone piece of legislation and companies incorporated under the IM Act (“**2006 Companies**”) co-exist with present and future companies incorporated under the existing Isle of Man Companies Acts 1931-2004, as amended (“**1931 Companies**”).

(a) Key features of a 2006 Company

A 2006 Company is a legal entity in its own right, separate from its members, and will continue in existence until it is dissolved (in the same way as 1931 Companies). Every 2006 Company is required, at all times, to have: (i) a registered agent in the Isle of Man who holds the appropriate licence granted by the Isle of Man Financial Supervision Commission (ensuring that there is a licensed professional on the Isle of Man overseeing the administration of the company); and (ii) a registered office address in the Isle of Man.

(b) Power and capacity

The doctrine of ultra vires does not apply to 2006 Companies. The IM Act expressly states that, notwithstanding any provision to the contrary in a company’s memorandum or articles of association and irrespective of corporate benefit and whether or not it is in the best interests of a company to do so, a company has unlimited capacity to carry on or undertake any business or activity, to do, or to be subject to, any act and to enter into any transaction. Notwithstanding this, the directors of 2006 Companies are still subject to the various duties imposed on directors by common law and statute as well as fiduciary duties (such as the duty to act bona fide in the best interests of the company).

(c) Directors

Unlike a 1931 Company, a 2006 Company is permitted to have a single director which may be an individual or, subject to compliance with certain requirements, a body corporate.

(d) Members

The IM Act contains very few prescriptive rules relating to members’ meetings. Companies are not required to hold annual general meetings and the IM Act allows members’ meetings to be

held at such time and in such places, within or outside the Isle of Man, as the convener of the meeting considers appropriate. However, more prescriptive requirements relating to members' meetings can be included in a company's articles of association.

Subject to contrary provision in the IM Act or in a company's memorandum or articles of association, members exercise their powers by resolutions: (i) passed at a meeting of the members; or (ii) passed as written resolutions. The concept of "ordinary", "special" and "extraordinary" resolutions is not recognised under the IM Act and resolutions passed at a meeting of the members only require the approval of a member or members holding in excess of 50% of the voting rights exercised in relation thereto. However, as permitted under the IM Act, the Articles incorporate the concept of a "special resolution" (requiring the approval of members holding 75% or more of the voting rights exercised in relation thereto) in relation to certain matters.

(e) Shares

The provisions relating to shares and share capital in the IM Act are more relaxed than the equivalent provisions applying to 1931 Companies. The IM Act provides that shares in a company may (without limitation): (i) be convertible, common or ordinary; (ii) be redeemable at the option of the shareholder or the company or either of them; (iii) confer preferential rights to distributions; (iv) confer special, limited or conditional rights, including voting rights; or (v) entitle participation only in certain assets.

(f) Distributions and the solvency test

The IM Act introduces a new definition of "distribution" in relation to a distribution by a 2006 Company of its assets to its members. A "distribution" essentially means the direct or indirect transfer of company assets or the incurring of a debt by a company to or for the benefit of a member and includes the payment of dividends and the redemption, purchase or other acquisition by a company of its own shares.

The IM Act permits the directors of a company to authorise a distribution by the company to its members at such time and of such amount as they think fit if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the Solvency Test.

A company satisfies the "Solvency Test" if: (i) it is able to pay its debts as they become due in the normal course of its business; and (ii) the value of its assets exceeds the value of its liabilities. The Solvency Test replaces the traditional capital maintenance requirements which apply to 1931 Companies. Provided that the Solvency Test has been satisfied, dividends may be paid and shares redeemed or purchased out of any capital or profits of the company.

(g) Accounting records

The accounting requirements imposed on 2006 Companies under the IM Act are less prescriptive than those imposed on 1931 Companies. The IM Act requires a company to keep reliable accounting records which: (i) correctly explain the transactions of the company; (ii) enable the financial position of the company to be determined with reasonable accuracy at any time; and (iii) allow financial statements to be prepared.

In addition, if a company has not prepared financial statements for a continuous period of 18 months or more the IM Act permits any member or a director of the relevant company to demand that financial statements are prepared. Whenever financial statements are prepared by a company incorporated under the IM Act they must generally comply with accounting standards and practices recommended by the International Accounting Standards Board, the Accounting Standards Board, the Financial Accounting Standards Board, the Government Accounting Standards Board of the Federal Accounting Standards Board.

A company incorporated under the IM Act must, if its securities are listed or admitted to trading on a securities market appoint an auditor qualified for appointment in terms of the IM Act.

(h) Offering Documents

The IM Act does not distinguish between public and private companies and (subject to any restrictions in a company's memorandum or articles of association) a 2006 Company can offer its securities to the public.

The IM Act requires the directors of a 2006 Company to ensure that any offering document issued in relation to that company:

- (i) contains all material information relating to the offer or invitation contained therein (A) that the intended recipients would reasonably expect to be included therein in order to enable them to make an informed decision as to whether or not to accept the offer or make the application referred to therein, and (B) of which the directors or proposed directors were aware at the time of issue of the offering document or of which they would have been aware had they made such enquiries as would have been reasonable in all the circumstances; and
- (ii) sets out such information fairly and accurately.

(i) **Statutory Books**

Originals or copies (as appropriate) of various documents, including the constitutional documents, statutory books and accounting records of a 2006 Company, are required to be kept at the office of the 2006 Company's registered agent.

(j) **Squeeze-out Rights**

The IM Act provides that if an offer is made for the issued share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has received acceptances or purchased shares subsequent to the making of the offer amounting (in aggregate) to 90% by value of the shares to which the offer relates. Certain time limits apply.

5.2 The list set out above is intended to be illustrative only and does not purport to be exhaustive or to constitute legal advice. Any Shareholders wishing to obtain further information regarding their rights as a shareholder under Isle of Man law should consult their Isle of Man legal advisers.

## **6. Memorandum and Articles of Association**

6.1 The IM Act provides that the memorandum of association of a company may contain a statement specifying the purposes for which a company is established or the business, activities or transactions which the company is permitted to take or the restrictions (if any) upon such purposes, business, activities or transactions for which the company is established. Any such statement is without prejudice to the provision of the IM Act stating that a company has unlimited capacity to carry on or undertake any business or activity and to do or be subject to any act or to enter into any transaction. The Memorandum expressly states that the Company has unlimited capacity to undertake any business or activity and to do, or to be subject to, any act or to enter into any transaction.

6.2 The Memorandum and Articles may be amended by Special Resolution.

6.3 The articles of association of the Company were adopted by Special Resolution on 20 December 2010 and are conditional on, and take effect from, Admission. The Articles contain provisions, *inter alia*, to the following effect:

### *6.4 Voting*

Shareholders have the right to receive notice of, and to vote at, general meetings of the Company. Each member who is present in person at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person or by proxy has one vote in respect of each share held. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote in addition to any other vote that he may have.

### *6.5 Shares*

#### (a) **Share Capital and Directors' Authority to Allot**

The Ordinary Shares shall rank *pari passu* in all respects and, subject to the IM Act and the remaining provisions of the Articles, the holders of the Ordinary Shares shall be entitled to attend and vote at any general meeting of the Company.

Subject to the provisions of the IM Act, the remaining provisions of the Articles and any Ordinary Resolution, the Directors have the authority to allot and issue (with or without conferring rights of renunciation), offer or otherwise deal with or dispose of, or grant options, warrants or other rights to subscribe for, or to convert any security into, such number of shares as shall be equal to one-third of the number of shares in issue immediately following Admission, which authority shall remain effective until such time as it is varied by Ordinary Resolution, to

such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide.

Nothing in the Articles shall prejudice any allotment of shares or any rights to subscribe for, or to convert any security into shares, made or granted, or pursuant to rights granted, or contracts entered into prior to the coming into effect of the Articles or the grant or settlement of any awards or options to employees, or directors who for the time being are appointed to hold any employment or executive office in accordance with the Articles, pursuant to any Company Share Scheme.

(b) Pre-emption Rights

Subject to the exceptions described in paragraph 6.5(c) and unless the Company shall by Special Resolution otherwise direct, new equity securities in the capital of the Company shall only be allotted wholly for cash, and treasury shares (if permitted under Isle of Man law and in issue) that are equity securities may only be sold wholly for cash, in accordance with the following procedure:

- (i) all equity securities to be allotted wholly for cash and any treasury shares (if permitted under Isle of Man law and in issue) that are equity securities that are being sold wholly for cash (the “**offer equity securities**”) shall prior to issue (or in the case of treasury shares in issue, prior to sale) be offered, on the same or more favourable terms than those offered to other persons, to the members of the Company in proportion to their existing holdings save that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or expedient to deal with any fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, or in relation to the requirements of any regulatory body or stock exchange in, any territory other than the Isle of Man or the United Kingdom (the “**initial offer**”);
- (ii) the initial offer shall be made by written notice (the “**offer notice**”) from the Directors specifying the number and price of the offer equity securities and shall invite each member to state in writing within a period, not being less than 10 Business Days, whether they are willing to accept any offer equity securities and, if so, the maximum number of offer equity securities they are willing to take;
- (iii) at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer equity securities to or amongst the members who shall have notified to the Directors their willingness to take any of the offer equity securities but so that no member shall be obliged to take more than the maximum number of equity securities notified by him; and
- (iv) if any offer equity securities remain unallocated after the initial offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those equity securities to such persons in such manner as they think fit provided that those equity securities shall not be disposed of on terms which are more favourable than the terms of the initial offer.

(c) Exceptions to pre-emption

The pre-emption provisions described in paragraph 6.5(b) shall not apply with respect to any equity securities which may be issued, granted or settled in accordance with a Company Share Scheme or to the issue of equity securities pursuant to the exercise of any such options or awards or which would, apart from any renunciation or assignment of the right to their allotment, be held under a Company Share Scheme.

The pre-emption provisions described in paragraph 6.5(b) shall not apply to the allotment of any equity securities for a consideration other than cash, and, accordingly, the Directors may, subject to the IM Act and the Articles, allot or otherwise dispose of any new equity securities in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit.

In addition, during each Allotment Period the Directors shall be empowered to allot equity securities wholly for cash pursuant to and within the terms of the authority described at paragraph 6.5(a) and to sell treasury shares (if permitted under Isle of Man law and in issue) for cash up to an aggregate number of shares equal to the relevant Non-preemption Amount. Under such power the Company may make offers or agreements which would or might require equity

securities to be allotted after the expiry of the relevant Allotment Period and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

If an allotment of equity securities comprises the grant of a right to subscribe for or to convert securities into ordinary shares, the pre-emption provisions described in paragraph 6.5(b) do not apply in relation to the allotment of shares pursuant to that right, nor do they apply to any allotment of shares pursuant to options or rights granted, or contracts entered into, prior to the Articles coming into effect.

(d) Commission and Brokerage

The Company may pay such brokerages and/or commissions as may be lawful.

(e) Non-recognition of Trusts

Except as expressly stipulated in the Articles, as required by law or as ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any shares upon any trust and the Company shall not be bound by or recognise any interest in any share or in any fractional part of a share except an absolute right of the holder to the entirety of the share.

(f) Variation of Rights

Subject to the IM Act, the special rights attached to any class of shares may (unless otherwise provided in the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of shares representing not less than 75 per cent. of the voting rights attached to the issued shares of the class or with the sanction of a Special Resolution passed at a separate meeting of the holders of such shares. Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or howsoever or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares or the Company permitting, in accordance with the CREST Regulations, the holding of and transfer of title to shares of that or any other class in uncertificated form by means of a relevant system in accordance with the provisions of the IM Act and the Articles).

#### 6.6 *Obligation to Disclose Interests in Shares*

Each member of the Company shall comply with the notification obligations to the Company contained in Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Services Authority as if the Company were a UK issuer for the purposes of such rules.

#### 6.7 *Power to Require Disclosure*

The Directors may serve notice on any member who has not made or, as the case may be, procured the making of a notification required under the relevant provisions identified in paragraph 6.6. The Directors may also serve a notice on any other person appearing to be interested in shares held by that member requiring such person(s) to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors shall specify in such notice.

If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Directors in their absolute discretion may at any time following 14 days from the expiry of the prescribed period serve a disenfranchisement notice on the member. The disenfranchisement notice may direct that in respect of the shares in respect of which the default has occurred (the “default shares”), the member shall not be entitled to be present or to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent of the class of shares concerned the disenfranchisement notice shall additionally direct that dividends on such shares will be withheld by the Company (without interest) and that no transfer of the shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

#### 6.8 *Transfer of and transmission of shares*

The Articles allow for the holding and transfer of shares in uncertificated form.

Any member may transfer all or any of his certificated shares by instrument of transfer in any form which the Board may approve or, in the case of uncertificated shares, without a written instrument in accordance with the CREST Regulations. Any written instrument of transfer shall be executed by or on behalf of the transferor, shall contain the name and business or residential address of the transferee and (in the case of a transfer of a share which is not fully paid up) shall be executed by or on behalf of the transferee.

The Board may in its absolute discretion and without giving any reason refuse to register a transfer of a certificated share unless:

- (a) it is in respect of a share that is fully paid up;
- (b) it is in respect of a share on which the Company has no lien;
- (c) it is in respect of only one class of shares;
- (d) it is in favour of a single transferee or not more than four joint transferees; and
- (e) it is delivered for registration to the Registered Agent or such other person or place as the Board may from time to time determine, accompanied (except in the case where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that such discretion may not be exercised in such a way as to prevent dealings from taking place on an open and proper basis.

#### 6.9 *Registration of an uncertificated share transfer*

The Directors shall register a transfer of title to any share held in uncertificated form in accordance with the CREST Regulations, except that the Directors may refuse (subject to any relevant requirements applicable the investment exchange to which the shares of the Company are admitted) to register any such transfer which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

#### 6.10 *Alteration of capital*

The Company may by Ordinary Resolution in general meeting from time to time:

- (a) consolidate all or any of its shares;
- (b) redenominate all or any of such shares as shares denominated in another currency on such basis as the Board sees fit; or
- (c) sub-divide such shares, or any of them.

Subject to the IM Act and to any rights for the time being attached to any shares, the Company may by Special Resolution reduce its share capital in any way provided that the Directors are satisfied, on reasonable grounds, that the Company will, immediately after such reduction, satisfy the Solvency Test.

#### 6.11 *Purchase of own shares*

Subject to the provisions of the IM Act and to the rights for the time being attached to any shares, the Company may purchase or otherwise acquire its own shares provided that the Company continues to have at least one member at all times. The Company may only purchase or acquire shares issued by the Company:

- (a) pursuant to an offer to all members which, if accepted, would leave the relative rights of the members unaffected and which would afford each member a period of not less than 14 days within which to accept the offer; or
- (b) pursuant to an offer to one or more members to which all members had consented in writing; or
- (c) in the open market pursuant to an offer or offers to one or more members provided that such purchase or acquisition has been authorised by a Special Resolution, save that the Board is authorised to repurchase up to 14.99 per cent of the Ordinary Shares in issue on Admission with

such authority expiring on 30 June 2011 or, if sooner, the end of the Company's annual general meeting in 2011.

The Company can only make a buy-back offer if the Directors pass a resolution stating that in their opinion the offer benefits the remaining members and the terms of the offer are fair and reasonable to the Company and the remaining members. Any such resolution will set out the reason for the Directors' opinion.

The Company may only purchase or otherwise acquire shares pursuant to the buy-back provisions of the Articles if the Directors are satisfied, on reasonable grounds, that the Company will, immediately after the purchase or other acquisition, satisfy the Solvency Test.

Any shares purchased or otherwise acquired by the Company pursuant to the buy-back provisions of the Articles are deemed to be cancelled immediately on acquisition.

#### *6.12 Powers and duties of the Board*

The management and control of the business and the place of effective management of the Company shall be in and from such place in and from the Isle of Man or such other place outside the United Kingdom and South Africa as the Board may determine. Subject to the IM Act, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.

The Board may from time to time appoint and delegate or entrust to and confer on any Director holding executive office such of its powers, authorities and discretions (with power to sub-delegate) for such time, on such terms and subject to such conditions as it thinks fit, and the Board may from time to time revoke, withdraw, alter or vary all or any of such powers.

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time on such terms and subject to such conditions as it thinks fit to any committee consisting of one or more persons (whether members of the Board or not) provided that any such committee shall only meet and exercise its powers, authorities and discretions from outside the United Kingdom and South Africa.

The Board may by power of attorney or otherwise appoint any company, firm, person or persons (including registrars) to be the agent or attorney of the Company and may delegate to any such agent or attorney or any fluctuating body of persons, whether nominated directly or indirectly by the Directors, any of its powers, authorities and discretions (with power to sub-delegate), in each case for such purposes and for such time, on such terms (including as to remuneration) and subject to such conditions as it thinks fit. The Board may confer such powers either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Board in that respect and may from time to time revoke, withdraw, alter or vary any of such powers.

#### *6.13 Appointment of Directors*

Subject to the Articles, the Company may by Ordinary Resolution appoint a person who is willing to act to be a Director, either to fill a vacancy, or as an addition to the existing Board.

Without prejudice to the power of the Company to appoint any person to be a Director, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles. Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

Unless and until otherwise determined by the Company by Ordinary Resolution, the number of Directors (other than any alternate Directors) shall not be less than two and shall not be greater than twelve.

#### 6.14 Directors' Interests

Subject to the IM Act and provided that a disclosure is made in accordance with the IM Act and the Articles, a Director, notwithstanding his office:

- (a) may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (b) may be a director or officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested, and in any such case on such terms as to remuneration and otherwise as the Board may arrange either in addition to or in lieu of any remuneration otherwise permitted under the Articles; and
- (c) shall not, by reason of his office, be liable to account to the Company for any benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate, and no such contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of any such interest or benefit.
- (d) A Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any contract, arrangement, transaction or proposal whatsoever to which the Company is, or is to be, a party and in which he has (directly or indirectly) an interest which is material (other than by virtue of his interests in shares or debentures or other securities of or otherwise through the Company) or a duty which conflicts with the interests of the Company, unless his duty or interest arises only because the resolution relates to one of the following matters (in which case he shall be entitled to vote and count in the quorum):
  - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (ii) the giving by the Company to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
  - (iii) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
  - (iv) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
  - (v) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in Part 22 of the UK Companies Act 2006) representing one per cent or more of any class of the equity share capital, or the voting rights, in such company;
  - (vi) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - (vii) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors; or
  - (viii) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure.

An interest of a person who is, for any purpose of the IM Act (excluding any such modification thereof not in force when the Articles became binding on the Company), connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director otherwise has. A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place

of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case, each of the Directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

#### *6.15 Remuneration of Directors*

The Directors shall be entitled to receive by way of fees for their services (in addition to fees paid for employment or executive services) such sum as the Board shall from time to time determine, provided that such amount shall not exceed in aggregate £400,000 (four hundred thousand pounds) per annum or such greater sum as the Company shall from time to time determine by Ordinary Resolution. Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or in default of such determination, equally. The Directors shall also be entitled to be paid all reasonable out of pocket expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

A Director may hold any other office or place of profit under the Company in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Board may determine. Any salary or remuneration payable may be either a fixed sum of money or as otherwise determined by the Board and may be in addition to or in lieu of any fee paid to him as a Director.

If by way of arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration as the Board may from time to time determine.

#### *6.16 Retirement and Removal of Directors*

At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. Subject to the provisions of the IM Act, the Directors to retire by rotation shall include (so far as is necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall (subject as aforesaid) be those of the other Directors subject to retirement by rotation who have been longest in office since their last appointment or re-appointment, but, as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director who retires (whether by rotation or otherwise) shall be eligible for re-election and may, if willing to act, be re-appointed. The Directors to retire on each occasion (both as to numbers and identity) shall be determined by the composition of the Directors at the date of the notice convening the annual general meeting and no Director shall be required to retire or be relieved from retiring or be retired by reason of any change in the number or identity of the Directors after the date of the notice but before the close of the meeting. If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy created by his retirement, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is expressly resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost or if the retiring Director has given notice in writing to the Company that he is unwilling to be re-elected or where the default in filling the vacancy is due to the moving of a resolution in contravention of the Articles.

The Company may by Ordinary Resolution passed at a meeting called for such purpose or by written resolution consented to by members holding at least 75 per cent of the voting rights in relation thereto, remove any Director before the expiration of his period of office and may by Ordinary Resolution appoint another person who is willing to act as a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire by rotation, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director. In default of such appointment the vacancy arising upon the removal of a Director from office may be filled by a casual vacancy.

The Directors may also remove a Director from office and appoint another in his place.

### 6.17 Dividends

The Company may, by a resolution of the Directors, declare and pay a dividend to members at such times and of such amounts as the Directors think fit if the Directors are satisfied, on reasonable grounds, that the Company will, immediately after payment of the dividend, satisfy the Solvency Test.

The Board may by resolution declare and pay such interim dividends (including any dividend payable at a fixed rate) at such times and in such amounts as the Directors think fit if the Directors are satisfied, on reasonable grounds, that the Company will, immediately after payment of the dividend, satisfy the Solvency Test.

The Board may, at its discretion, make provisions to enable such member as the Board shall from time to time determine to receive dividends duly declared in a currency or currencies other than pounds sterling.

Unless otherwise specified in the rights attaching to a share, no dividend or other amount payable to any shareholder shall bear interest against the Company.

All dividends shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared, or at such other date as the Company by Ordinary Resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.

All unclaimed dividends and other amounts payable as aforesaid and unclaimed for 12 months after having become repayable may be invested or otherwise made use of for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 5 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto by post are returned to the Company undelivered or left uncashed on two consecutive occasions the Company shall not be obliged to send any further dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for that purpose.

The Board may with the prior authority of an Ordinary Resolution and subject to such conditions as the Board may determine, provided that the Company has sufficient shares authorised for issue to give effect to it, offer to any holders of shares the right to receive shares of that class credited as fully paid, in whole or in part in stead of cash in respect of the whole or some part (to be determined by the Board) of any dividend specified by the resolution.

The Company in general meeting may, on the recommendation of the Board, by Ordinary Resolution direct that payment of any dividend declared by the Board may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid up shares or debentures of any other company or in any one or more of such ways.

Subject to the Articles, the Board may, with the authority of an Ordinary Resolution, resolve to capitalise any profits of the Company not required for paying a preferential dividend.

### 6.18 Notices

The Company may give any notice, document or information to a member, either personally or by sending it by post or other delivery service in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by any other means authorised in writing by the member concerned or, by sending it in electronic form to an address for the time being notified to the Company by the member or making it available on a website. Notices, documents or information shall be treated as being validly sent or supplied by the Company to a person if made available on a website, provided that:

- (a) the person has agreed or, by virtue of not responding within the period of 28 days beginning with the date on which the Company's request was sent (whether or not all or part of such 28 days period took place prior to the Articles coming into effect), is taken to have agreed, to being sent or supplied with notices, documents or information in such manner; and

- (b) a notification is sent to the person in a manner for the time being agreed between the Company and the person (and if no such manner has been agreed then by letter), notifying him of:
  - (i) the publication of that notice, document or information on the website;
  - (ii) the address of the website; and
  - (iii) the place on the website where the document, notice or information can be accessed and how it can be accessed.

Any notice, document or information shall be treated as being validly sent or supplied by the Company if it is sent by electronic mail to a person, provided that that person has agreed to being sent or supplied with notices, documents or information in such manner and has provided the Company with an electronic mail address for that purpose.

If on at least two consecutive occasions the Company has attempted to send notices, documents or information in electronic form to an address for the time being notified to the Company by a member for that purpose (other than a notice of general meeting or annual general meeting) but the Company is aware that there has been a failure of delivery of such notice, document or information, then the Company shall thereafter send notices, documents or information through the post to such member at his registered address or his address for the service of notices by post. If on three consecutive occasions notices (other than a notice of general meeting or annual general meeting) or other documents (other than documents in relation to uncashed dividends) or information (other than information in relation to uncashed dividends) have been sent through the post to any member at his registered address or his address for the service of notices but have been returned undelivered, such member shall not thereafter be entitled to receive notices or other documents or information from the Company until he shall have communicated with the Company and supplied in writing a new registered address or address for the service of notices or, if the Board in its absolute discretion permits, an address to which notices, documents or information may be sent in electronic form.

Any notice to be given by the Company to the members or any of them and not otherwise provided for by the Articles shall be sufficiently given if given by advertisement in at least one leading daily national newspaper published in the United Kingdom.

#### 6.19 *Distribution of assets on a winding up*

The Board shall have the power in the name of and on behalf of the Company to present a petition to the court for the Company to be wound up.

If the Company should be wound up the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is subject to the rights attached to any shares which may be issued on any special terms and conditions.

If the Company is wound up the liquidator may, with the sanction of an Ordinary Resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 222 of the Isle of Man Companies Act 1931. The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

A resolution sanctioning a transfer or sale to another company duly passed pursuant to section 222 of the Isle of Man Companies Act 1931 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

## 6.20 *Borrowing*

Subject to the IM Act, the Directors may exercise all and any powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. These borrowing powers are restricted to a sum equal to two times the Adjusted Capital and Reserves (as defined in the Articles).

## 6.21 *Meetings*

Subject to the provisions of the IM Act, annual general meetings shall be held at such time and place as the Board may determine; however at least one annual general meeting shall be held in each calendar year and not more than 15 months shall pass from one annual general meeting to the next.

The Board may convene a general meeting other than an annual general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 67(2) of the IM Act) no business shall be transacted except that stated by the requisition or proposed by the Board.

An annual general meeting shall be convened by not less than 21 clear days' notice in writing and a general meeting other than an extraordinary general meeting shall be convened by not less than 14 clear days' notice in writing. The accidental omission to send a notice of meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy, to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

Any person (whether a member of the Company or not) may be appointed to act as a proxy. Deposit of an instrument of proxy shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment of it. The Board shall at the expense of the Company send by post or otherwise forms of appointment of proxy (reply-paid or otherwise) with the notice convening any general meeting to members entitled to vote at the meeting.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum. If within 15 minutes (or such longer interval not exceeding one hour as the chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such time and place as the chairman (or, in default, the Board) may determine. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved.

The Board may, for the purpose of facilitating shareholder attendance at a general meeting, or controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements in place or make new arrangements thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting, direct that the meeting shall be held at a place specified in the notice at which the Chairman shall preside (the "Principal Place") and make arrangements for simultaneous attendance and participation at satellite meeting places or by way of any other electronic means by members otherwise entitled to attend the general meeting, but excluded from the Principal Place, or who wish to attend at satellite meeting places or other places at which persons are participating by way of any other electronic means, provided that persons attending at the Principal Place and at satellite meeting places or other places at which persons are participating by way of any other electronic means shall be able to see, hear and be seen and heard by, persons attending at the Principal Place and at such other places, by any means. Such arrangements for simultaneous

attendance at any of such other places may include arrangements for facilitating shareholder attendance at a general meeting or controlling the level of attendance in any manner at any of such other places, provided that they shall operate so that any members and proxies excluded from attending at the Principal Place are able to attend at one of the satellite meeting places or other places at which persons are participating by way of any other electronic means. For the purposes of all other provisions of the Articles any such meeting shall be treated as taking place and being held at the Principal Place.

If it appears to the chairman that the meeting place specified in the notice convening the meeting is inadequate to accommodate all members entitled and wishing to attend, the meeting shall nevertheless be duly constituted and its proceedings valid provided that the chairman is satisfied that adequate facilities are available to ensure that any member who is unable to be accommodated is nonetheless able to participate in the business for which the meeting has been convened and to hear and see all persons present who speak (whether by the use of microphones, loud-speakers, audio-visual communications equipment or otherwise), whether in the meeting place or elsewhere, and to be heard and seen by all other persons so present in the same manner.

At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded in accordance with the Articles.

## 7. Property, Plant and Equipment

7.1 On Admission the Group's material existing tangible fixed assets will be as set out below:

<u>Location</u>	<u>Assets</u>	<u>Ownership basis</u>
Yard at Randfontein . . . . .	Winder—K.H.—FULTON 2000 HP 6600 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—K.H.—FH & B 2400 HP 3300 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—DOUBLE DRUM WINDER	100 per cent. owned
Yard at Randfontein . . . . .	Winder—DOUBLE DRUM WINDER 8FT	100 per cent. owned
Yard at Randfontein . . . . .	Winder—DOUBLE DRUM WINDER 12FT	100 per cent. owned
Yard at Randfontein . . . . .	Winder—K.H.—FH & B 800 HP 2200 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—HOLMAN 150 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—VECOR 600 HP 6600 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—VECOR 600 HP 6600 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—BLAIR 200 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—BLAIR 250 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—BLAIR 200 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—BLAIR 200 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—BLAIR 200 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—BLAIR 200 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—VECOR 200 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.—FULTON 200 HP 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—S.H.— AUSTRAL 75 KW 500 V	100 per cent. owned

<u>Location</u>	<u>Assets</u>	<u>Ownership basis</u>
Yard at Randfontein . . . . .	Winder—366CM DIA/ DOUBLE DRUM/224KW	100 per cent. owned
Yard at Randfontein . . . . .	Winder—STAGE WINDER 368 KW	100 per cent. owned
Yard at Randfontein . . . . .	Winder—K.H.—FH & B 800 HP 2200	100 per cent. owned
Yard at Randfontein . . . . .	Winder—K.H.—HP V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—SINGLE DRUM 150 KW V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—FULTON P.K.S/ D 100 KW WINDER	100 per cent. owned
Yard at Randfontein . . . . .	Winder—SINGLE DRUM 56 KW 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—SINGLE DRUM 56 KW 500 V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—SINGLE DRUM 150 KW V	100 per cent. owned
Yard at Randfontein . . . . .	Winder—DOUBLE DRUM WINDER 6FT	100 per cent. owned
Yard at Randfontein . . . . .	Winder—DOUBLE DRUM WINDER 6FT	100 per cent. owned
Yard at Randfontein . . . . .	Winder—DOUBLE DRUM WINDER 12FT	100 per cent. owned
Yard at Randfontein . . . . .	Winder—SINGLE DRUM WINDER 8FT	100 per cent. owned
Yard at Randfontein . . . . .	Winder—SINGLE DRUM WINDER 8FT	100 per cent. owned
Portion 6 of Erf 53 Eastgate Township Gauteng (Centex Office Park) <sup>(1)</sup> . . . . .	Land and buildings	Freehold
Portion 305 of the Farm Scheerpoort number 477 Gauteng (Casa d’Vliet) <sup>(2)</sup> . . . . .	Land and buildings	Freehold

(1) This property is subject to a mortgage bond for an amount of ZAR50,000,000 or any lesser amount that may from time to time be owing, together with interest, in favour of Standard Bank.

(2) This property is subject to a mortgage bond for an amount of ZAR50,000,000 or any lesser amount that may from time to time be owing, together with interest, in favour of Standard Bank.

7.2 Neither the Company nor the Group uses its tangible fixed assets for any activities that may give rise to environmental liabilities. They do not own or lease any mining properties but act as a contractor when carrying out work on the mining sites. Accordingly, as a general rule, compliance with environmental matters lies with those companies who hold the rights to the mines and not with the Company or the Group. However, as liabilities may be imposed within the contracts, the Company and Group have ensured it has all the up-to-date environmental permits, licences and authorisations necessary to conduct their business.

## **8. Directors’, Senior Managers and other relevant interests in the share capital of the Company**

8.1 The Directors, the Senior Managers, their functions within the Company and their biographies are set out in Part II of this Prospectus.

8.2 Each of the Directors and the Senior Managers can be contacted at the Company’s principal place of business at 18 Athol Street, Douglas, Isle of Man IM1 1JA.

8.3 As at 17 December 2010 (the latest practicable business day prior to the date of this Prospectus), insofar as known to the Company, the interests of the Directors and the Senior Managers, their immediate families and those of any connected person (within the meaning of the provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director or Senior Manager whether or not held through another

party, in the share capital of the Company together with any options in respect of such capital were as follows:

<u>Director</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Issued Share Capital</u>	<u>Options</u>
Amre Youness .....	—	—	—
Alon Davidov .....	—	—	—
Rob Schroder .....	—	—	—
Chris Hall .....	—	—	—
Stephen Oke .....	—	—	—
Ian Watson .....	—	—	—
Roger Williams .....	—	—	—

  

<u>Senior Manager</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Issued Share Capital</u>	<u>Options</u>
Salmon van der Wath .....	—	—	—
Tomasz Pietrzak .....	—	—	—

8.4 Immediately following Admission, the interests of the Directors and the Senior Managers, their immediate families and those of any connected person (within the meaning of the provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director or Senior Manager whether or not held through another party, in the share capital of the Company together with any share awards in respect of such capital, will be as follows:

<u>Director</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Issued Share Capital</u>	<u>Number of Ordinary Shares under share awards</u>
Amre Youness .....	—	—	—
Alon Davidov .....	—	—	750,000
Rob Schroder .....	—	—	750,000
Chris Hall .....	—	—	750,000
Stephen Oke .....	—	—	—
Ian Watson .....	—	—	—
Roger Williams .....	—	—	—

  

<u>Senior Manager</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Issued Share Capital</u>	<u>Number of Ordinary Shares under share awards</u>
Salmon van der Wath .....	—	—	—
Tomasz Pietrzak .....	—	—	—

8.5 Save as disclosed in Part VII and Part X of this Prospectus:

- no Director or Senior Manager (nor any of their connected persons within the Disclosure and Transparency Rules) has any interests, whether beneficial or non-beneficial, in the issued share capital of the Company;
- the Directors are not aware of any person interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company (being a notifiable interest pursuant to section 793 of the UK Companies Act);
- the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company;
- no Director has had any interest, direct or indirect, in any assets which, within the period of 2 years immediately preceding the date of this Prospectus, have been or which are proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries or the Group; and
- there are no loans or guarantees outstanding which have been granted or provided by the Company or any of its subsidiaries or the Group to or for the benefit of any of the Directors.

8.6 The terms of the Directors' service contracts and letters of appointment are summarised below:

<u>Names</u>	<u>Notice period</u>	<u>Current salary/ fees</u>
<b>Executive Directors</b>		
Alon Davidov . . . . .	6-12 months	ZAR2,396,387
Rob Schroder . . . . .	6-12 months	ZAR2,396,387
Chris Hall . . . . .	6-12 months	ZAR1,985,693
<b>Non-Executive Directors</b>		
Amre Youness . . . . .	6 months	£90,000
Stephen Oke . . . . .	6 months	£75,000
Roger Williams . . . . .	6 months	£60,000
Ian Watson . . . . .	6 months	£60,000

8.7 The Directors have entered into the following service agreements and letters of appointment with the Company and Group:

- (a) a service agreement dated 20 December 2010 between (1) Shaft Sinkers (Pty) and (2) Alon Davidov. Mr. Davidov is employed as the Chief Executive Officer of the Company. Mr. Davidov's appointment is terminable by either party giving to the other no less than 6 months' notice in writing. Mr. Davidov's annual salary is ZAR2,396,387 per annum. Mr. Davidov is entitled to receive a cash bonus of up to 90 per cent. of his annual salary calculated in accordance with terms set out by the Board. He is entitled to participate in benefits offered to directors and senior employees (including share option schemes, life assurance, long term disability insurance, accident insurance, private medical insurance and directors' and officers' liability insurance). The Company may at any time terminate Mr. Davidov's employment by paying him in lieu of his notice. Mr. Davidov is subject to restrictive covenants which seek to prevent him from soliciting customers or employees and/or competing with the Company's business for six months following termination of his employment;
- (b) a service agreement dated 20 December 2010 between (1) Shaft Sinkers (Pty) and Rob Schroder. Mr. Schroder is employed as the Chief Operating Officer of the Company. Mr. Schroder's appointment is terminable by either party giving to the other no less than 6 months' notice in writing. Mr. Schroder's annual salary is ZAR2,396,387 per annum. Mr. Schroder is entitled to receive a cash bonus of up to 90 per cent. of his annual salary calculated in accordance with terms set out by the Board. He is entitled to participate in benefits offered to directors and senior employees (including share option schemes, life assurance, long term disability insurance, accident insurance, private medical insurance and directors' and officers' liability insurance). The Company may at any time terminate Mr. Schroder's employment by paying him in lieu of his notice. Mr. Schroder is subject to restrictive covenants which seek to prevent him from soliciting customers or employees and/or competing with the Company's business for six months following termination of his employment;
- (c) a service agreement dated 20 December 2010 between (1) Shaft Sinkers (Pty) and Chris Hall. Mr. Hall is employed as the Chief Financial Officer of the Company. Mr. Hall's appointment is terminable by either party giving to the other no less than 6 months' notice in writing. Mr. Hall's annual salary is ZAR1,985,693 per annum. Mr. Hall is entitled to receive a cash bonus of up to 90 per cent. of his annual salary calculated in accordance with terms set out by the Board. He is entitled to participate in benefits offered to directors and senior employees (including share option schemes, life assurance, long term disability insurance, accident insurance, private medical insurance and directors' and officers' liability insurance). The Company may at any time terminate Mr. Hall's employment by paying him in lieu of his notice. Mr. Hall is subject to restrictive covenants which seek to prevent him from soliciting customers or employees and/or competing with the Company's business for six months following termination of his employment;
- (d) Amre Youness entered into a letter of appointment with the Company dated 20 December 2010, which is subject to termination upon written notice of no less than six months. The appointment is to expire on the third anniversary of Admission. Pursuant to the letter of appointment, he is entitled to an annual fee of £90,000;
- (e) Stephen Oke entered into a letter of appointment with the Company dated 20 December 2010, which is subject to termination upon written notice of no less than six months. The appointment

is to expire on the third anniversary of Admission. Pursuant to the letter of appointment, he is entitled to an annual fee of £75,000;

(f) Ian Watson entered into a letter of appointment with the Company dated 20 December 2010, which is subject to termination upon written notice of no less than six months. The appointment is to expire on the third anniversary of Admission. Pursuant to the letter of appointment, he is entitled to an annual fee of £60,000;

(g) Roger Williams entered into a letter of appointment with the Company dated 20 December 2010, which is subject to termination upon written notice of no less than six months. The appointment is to expire on the third anniversary of Admission. Pursuant to the letter of appointment, he is entitled to an annual fee of £60,000.

8.8 Other than as described in paragraph 8.7 of this Part X, no service contract of any of the Directors has been entered into or amended in the last six months.

8.9 The Directors and Senior Managers have not held any directorships of any company (other than companies in the Group and companies which are subsidiaries of companies of which the Director is or was also a director) or partnerships within the last five years, except as set forth below:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships</u>
Amre Youness . . . .	TMC Financial Creative Realty Partner LLC IMR Management Services Limited Cunico Resources NV Samancor Chrome Holdings (Pty) Limited Hybrid Capital Managements LLC Feni Industries AD IMR SA Ferronikeli BV Millenium Promise	Luansha Copper Mines plc Chambishi Metals plc Data.org.inc
Alon Davidov . . . .	International Mineral Resources SA (Pty) Ltd Batho Barena Investment Holdings (Pty) Ltd Samancor Holdings South Africa (Pty) Ltd Samancor Chrome Ltd Umsebenzi Mining (Pty) Ltd Mozambique Natural Mineral Resources Corporation (Ltd)	Bateman Kazakhstan Oil and Gas (Pty) Ltd
Rob Schroder . . . .	Jascoma Investments Limited	Compucost Services (Pty) Ltd Venn & Milford Incorporated Robert Schroder Incorporated
Chris Hall . . . . .	Portion 9 in Tate Lonehill Shelffrank Eighty Three (Pty) Limited	Alpine Caterfoods (Pty) LTD Autoclenz (Pty) LTD Casi Interpark (Pty) LTD Creative Tension Software Solutions (Pty) LTD Defacto Investments 56 (Pty) LTD Excellcater (Pty) LTD Excelle-Logistics (Pty) LTD Excelle-Pak (Pty) LTD Excelle-Serv (Pty) LTD Excelle-Trade (Pty) LTD Excellerate Holdings LTD Excellerate Industrial Corporation (Pty) LTD

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships</u>
		Excellerate Investment Holdings (Pty) LTD Excellerate Property Holdings (Pty) LTD Excellooffice (Pty) LTD Excellshell 2 (Pty) LTD Excellshell 3 (Pty) LTD Excellshell 4 (Pty) LTD Excellshell 6 (Pty) LTD Excellshell 8 (Pty) LTD Excellshell 1 (Pty) LTD Excelltrade (Pty) LTD Ferrengi Household Products (Pty) LTD Foodserv (Pty) LTD Foodserv Alpine (Pty) LTD Foodserv Solutions (Pty) LTD Front Door Parking Environment Management (Pty) LTD Goldenmarc (Pty) LTD Interpark (South Africa) (Pty) LTD IP Parking (Pty) LTD Katanga Catering Services (Pty) LTD Katanga Facilities Management (Pty) LTD Katanga IT (Pty) LTD Katanga Office Services (Pty) LTD Katanga Parking Services (Pty) LTD Katanga Property Care (Pty) LTD Katanga X Holdings (Pty) LTD Levingers Dry Cleaners (Pty) LTD Louis Smiedt (Pty) LTD NU-Africa Comm Trading (Pty) LTD Omnipark (Pty) LTD Securipark (Pty) LTD Siyuvela Facilities Services (Pty) LTD Space Management Systems (Pty) LTD Sterikleen (Pty) LTD Sunkist Manufacturing (Pty) LTD Supagard (Pty) LTD Taormina Mining (Pty) LTD Tecino Trading 14 (Pty) LTD The Clean Care Group (Pty) LTD Zanmet Trading 7 (Pty) LTD Hypertrade (Pty) LTD
Stephen Oke . . . . .	International Ferro Metals Limited African Mining & Exploration PLC BSG Resources Limited DB Petroleum Limited Ridgway Mining Limited	Kazakhgold Group Limited Luanshya Copper Mines plc Chambishi Metals plc Nikanor plc Katanga Mining Limited
Ian Watson . . . . .	Galaxy Gold Mining Limited Broadway Home Owners Association	International Ferro Metals Limited Platmin Limited
Roger Williams . . .	Wilbrist Properties Limited Unicastle Limited	Baku Steel (Isle of Man) Ltd Feni Industries AD Macedonia

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships</u>
		Newco Ferronikeli LLC Kosovo Bateman Engineering NV Netherlands Bateman Litwin NV (NL) Litwin Europe Middle East and Africa BV (NL) Aventall International Inc (BVI) Randgold Resources Holdings Ltd Randgold Resources Ltd Société des mines de Morila SA Société des mines de Loulou SA AECI Ltd Chemical Services Ltd African Explosives Limited Heartland Properties Ltd Heartland Leasing Ltd AECI Captive Insurance Co. Ltd AEL Holdco Ltd Chemrish Services (Pty) Ltd AECI Shelfco No 1 (Pty) Ltd Kynock Limited Kynochem (Pty) Ltd Packaging Coatings SA (Pty) Ltd SANS Fibres (Pty) Ltd
Salmon van der Wath . . . . .	—	—
Tomasz Pietrzak . . .	Caribbean Beach Club (Limited)	Eureka Gold Mine Limited

8.10 In the five years preceding the date of this Prospectus, none of the Directors or the Senior Managers have:

- (a) received any convictions in relation to fraudulent offences;
- (b) been declared bankrupt or entered into any individual voluntary arrangement;
- (c) been a director with an executive function of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (d) been a partner in a partnership at the time of, or within 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) had any of his assets the subject of any receivership or has been a partner of a partnership at the time of, or within 12 months preceding, any assets thereof being the subject of a receivership; or
- (f) been subject to any public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies) or has ever been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

8.11 Save as disclosed below, there are no conflicts of interest between any duties the Directors or Senior Managers may have to the Company and their private interests and/or other duties they may have:

- (i) Amre Youness is the Chief Executive Officer of IMR. As disclosed in Part VII of this document, IMR has entered into the Relationship Agreement with the Company in order to regulate the ongoing relationship between IMR and the Group with a view to ensuring that the Group is capable of carrying on its business independently of IMR, and that transactions and relationships between the Group and IMR are at arm's length and on a normal commercial basis.

## 9. Remuneration and Benefits

- 9.1 The aggregate emoluments paid to the Directors and Senior Managers for the year ended 31 December 2009 (including salaries, fees, bonus payments, any other contingent or deferred compensation and benefits in kind) from the Company and members of the Group were as follows:

<u>Directors</u>	<u>ZAR</u>
Amre Youness .....	120,000
Alon Davidov .....	859,825
Rob Schroder .....	4,807,804
Chris Hall .....	3,606,875
Stephen Oke .....	nil
Ian Watson .....	nil
Roger Williams .....	nil
<u>Senior Managers</u>	
Salmon van der Wath <sup>(1)</sup> .....	141,290
Tomasz Pietrzak .....	3,277,460
<b>Total</b> .....	<b><u>12,813,254</u></b>

Note:

- (1) Salmon van der Wath commenced employment with the Group on 1 December 2009.

In respect of the year ended 31 December 2009, the Group set aside or accrued ZAR19,267 to provide pension, retirement or similar benefits for the following Directors and Senior Managers:

- 9.2 In addition, pursuant to the payment of the IPO Bonus, the following Directors and Senior Managers will receive the following two cash payments, the first to be received six months following Admission and the second to be received 1 year following Admission (conditional in each such case on continued employment by the Group at that date):

<u>Directors</u>	<u>6 months following Admission ZAR</u>	<u>1 year following Admission ZAR</u>
Alon Davidov .....	1,785,308	1,785,308
Rob Schroder .....	1,785,308	1,785,308
Chris Hall .....	1,479,342	1,479,342
<u>Senior Managers</u>		
Salmon van der Wath .....	783,234	783,234
Tomasz Pietrzak .....	887,626	887,626
<b>Total</b> .....	<b><u>6,720,818</u></b>	<b><u>6,720,818</u></b>

## 10. Major Shareholders

- 10.1 As at the date of this Prospectus, and in addition to the interests of certain Directors, as set out in paragraph 8 above, the Company is aware of the following persons who, directly or indirectly, currently and/or will have following Admission (assuming all of the New Ordinary Shares are subscribed for) an interest in 3 per cent. or more of the Company's issued ordinary share capital:

<u>Shareholder</u>	<u>Prior to Admission</u>		<u>Following Admission</u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of Issued Share Capital</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Issued Share Capital</u>
International Mineral Resources BV .....	100	100 per cent.	22,819,266	48.0 per cent.
Henderson Global Investors (AMP) .....	—	—	4,607,000	9.7 per cent.
JP Morgan Asset Management .....	—	—	4,189,000	8.8 per cent.
Artemis Investment Management .....	—	—	2,766,000	5.8 per cent.
Och-Ziff .....	—	—	2,258,000	4.8 per cent.
Aviva Investors .....	—	—	1,976,000	4.2 per cent.
Ignis Asset Management .....	—	—	1,580,500	3.3 per cent.

Save for the shareholdings detailed above, the Company is not aware of any person who will directly or indirectly be interested in 3 per cent. or more of the share capital immediately following Admission.

Save as disclosed in this Part X, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

10.2 None of the Company's major shareholders, or persons interested (directly or indirectly) in 3 per cent. or more of the Company's issued share capital have or will have different voting rights attached to the Ordinary Shares they hold in the Company.

10.3 As far as the Company is aware, as at 17 December 2010 (being the last practicable date prior to the publication of this Prospectus) there are no arrangements the operation of which may at a later date result in a change of control of the Company.

## **11. Litigation and Arbitration Proceedings**

11.1 Save as set out at paragraph 11.2 below, neither the Company nor any member of the Group is engaged in or, so far as the Company is aware, has pending or threatened against it, any governmental, legal or arbitration proceedings which may have, or have had during the recent past (covering the twelve months preceding the date of this Prospectus), a significant effect on the Company's and/or the Group's financial position or profitability.

11.2 Shaft Sinkers (Pty) commenced an action against Kalagadi Manganese in 2009 for payments owing for construction work carried out by it on the establishment of a mine. The dispute between Shaft Sinkers (Pty) and Kalagadi Manganese was settled out of court in April 2010. Under the settlement agreement, which has been fully implemented, Kalagadi Manganese agreed to pay Shaft Sinkers (Pty) ZAR 38,792,529 and agreed to take delivery of certain plant items in full and final settlement of the dispute.

## **12. Material Contracts**

12.1 The following contracts are all the material contracts (except for contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this Prospectus by the Company and members of the Group and the contracts (except for contracts entered into in the ordinary course of business) entered into at any time by the Company and members of the Group which contain provisions under which the Company and any member of the Group has an obligation or entitlement which is or may be material to the Company and the Group as at the date of this Prospectus:

### *(a) IMR Share Exchange Agreement*

On 20 December 2010, the Company entered into an agreement with IMR pursuant to which IMR agreed to transfer its shareholding in Capstone to the Company through the transfer of Shaft Sinkers Management to the Company in consideration for the issue to it of 22,819,166 Ordinary Shares in the Company. This agreement is conditional on Admission.

### *(b) Relationship Agreement*

On 20 December 2010 the Company entered into an agreement with IMR regulating their future relationship. Details of the agreement are set out in paragraph 2 of Part VII of this Prospectus.

### *(c) Lock-in agreement*

On 20 December 2010, the Company, Arbuthnot and IMR entered into a lock-in agreement pursuant to which IMR agreed not to dispose of its Ordinary Shares, or any interest in or right to them, before the first anniversary of Admission subject to various exceptions. Such exceptions include a disposal with the consent of each of the Company and Arbuthnot; a disposal pursuant to an acceptance of a takeover offer for the Company, any offer by the Company to purchase its own shares which is made on identical terms to the holders of all of the shares of the same class or pursuant to a scheme of arrangement or liquidation (or equivalent) under the IM Act; or a disposal to an affiliate of IMR provided that such affiliate agrees by deed to be bound by the terms of the Lock-in agreement and agrees to become a party to the Relationship Agreement (for so long as the Relationship Agreement remains in effect and has not been terminated). IMR has also agreed that prior to any disposal to any affiliate following the expiry of the lock-in period, and for so long as the Relationship Agreement remains in effect, and has not been terminated, it will procure that the affiliate first agrees in writing to become a party to, and be bound by the terms of the Relationship Agreement.

*(d) Placing Agreement*

Under the Placing Agreement dated 20 December 2010 between the Company, each Director, IMR and Arbuthnot:

- (i) Arbuthnot has agreed to use its reasonable endeavours to procure persons to subscribe for the New Ordinary Shares at the Placing Price;
- (ii) the Company has agreed to pay to Arbuthnot, in consideration for its services in connection with the Placing and Admission (a) a commission equal to 4.0 per cent. of the Placing Price multiplied by the number of New Ordinary Shares issued by the Company as part of the Placing and (b) a corporate finance fee of £250,000 (£125,000 of which has already been settled by the Company);
- (iii) the Company and each of the Executive Directors have given certain warranties, which are customary for a transaction of this nature, to Arbuthnot, and an indemnity in customary form to Arbuthnot and each of its affiliates in respect of certain liabilities that may arise out of, or in connection with the Placing and Admission;
- (iv) each of the Non-executive Directors has given certain warranties to Arbuthnot in so far as they relate to information about that director;
- (v) Arbuthnot's obligations are conditional on Admission occurring by 8.00 a.m. on 23 December 2010 (or such later date as the Company and Arbuthnot may agree, being not later than 10.00 a.m. on 24 December 2010) and on the fulfilment, or waiver by Arbuthnot, of certain procedural and other customary conditions;
- (vi) Arbuthnot have the right to terminate the Placing Agreement prior to Admission in certain circumstances, including, amongst other things, for certain force majeure events or material adverse changes relating to the Group and in the event of any breach, in the opinion of Arbuthnot, by the Company or any Director of any of their respective obligations or warranties. If the Placing Agreement is terminated, the Placing will not proceed and no shares will be issued under the Placing; and
- (vii) Arbuthnot has undertaken to remit sufficient of the Placing Proceeds as directed by the Company to satisfy the consideration due to the Minority Shareholders pursuant to the Capstone Acquisition.

*(e) Capstone Acquisition*

On 24 November 2010, IMR, Mmakau Mining and Holgoun entered into a sale and purchase agreement pursuant to which IMR agreed to purchase the 720 ordinary shares in Capstone held by Mmakau Mining and the 200 ordinary shares in Capstone held by Holgoun from Mmakau Mining and Holgoun respectively. Pursuant to the provisions of a formula included in the Capstone Acquisition Agreement, the total consideration payable is the South African Rand equivalent of approximately £24.1 million, of which 78.26087 per cent. is payable to Mmakau Mining and 21.73913 per cent. is payable to Holgoun.

IMR have agreed to act as purchaser under the Capstone Acquisition Agreement at the request of the Minority Shareholders. IMR will be facilitating the transaction by agreeing to purchase the shares of the Minority Shareholders and then ceding all its rights in favour of Shaft Sinkers Management, as described below. IMR will not be receiving any fees or commission for its role in the Capstone Acquisition Agreement, the cession agreement or the IMR Exchange Agreement. The total consideration payable by Shaft Sinkers Management will be the same as that which IMR is obliged to pay under the Capstone Acquisition Agreement.

The Capstone Acquisition Agreement is conditional on (i) IMR providing notice to the Minority Shareholders that Shaft Sinkers has applied for Admission, that the UKLA has approved this prospectus, that the Placing Agreement has been executed, that IMR has received notice of such approval as may be necessary being granted by an "authorised dealer" (as defined in the Excon Regulations) and confirmation that IMR has entered into the IMR Share Exchange Agreement, and (ii) Admission.

IMR has provided the notice referred to above to the Minority Shareholders today.

IMR has also entered into a cession agreement with Shaft Sinkers Management, pursuant to which it has, in accordance with the provisions of the Capstone Acquisition Agreement, ceded all of its rights and/or interests under such agreement to Shaft Sinkers Management thereby enabling Shaft Sinkers Management to acquire the shareholdings of Mmakau Mining and Holgoun in Capstone as if had been the acquiring party under the Capstone Acquisition Agreement.

In addition, IMR and/or Shaft Sinkers Management have agreed to pledge the shares acquired pursuant to the Capstone Acquisition Agreement back to the Minority Shareholders pending payment being received in respect of such shares at which point the pledge will terminate. The pledge will take effect on Admission and will entitle the Minority Shareholders to direct the voting rights applicable to such shares until such time as the pledge is terminated.

Pursuant to the terms of the Placing Agreement (as referred to above), Arbuthnot have undertaken to remit sufficient of the Placing Proceeds as directed by the Company to satisfy the consideration due to the Minority Shareholders pursuant to the Capstone Acquisition.

As such, the Group will own the entire issued share capital of Capstone on Admission.

*(f) New Facilities Agreement*

On 28 October 2010, Shaft Sinkers (Pty), Rossal and Capstone entered into an agreement with Standard Bank (the “New Facilities Agreement”) pursuant to which Standard Bank agreed to provide:

- (i) a senior amortising facility of ZAR150,000,000 with a maturity date of thirty six months from the date of drawdown at a rate of 2.20 per cent. plus JIBAR;
- (ii) a senior bullet facility of ZAR50,000,000 with a maturity date of thirty six months from the date of drawdown at a rate of 2.50 per cent. plus JIBAR;
- (iii) a mezzanine facility of ZAR50,000,000 with a maturity date of forty eight months from the date of drawdown at a rate of 6.75 per cent. plus JIBAR,
- (iv) an on-demand general short term banking facility of ZAR80,000,000 subject to annual review at a rate of JIBAR less 1.00 per cent.; and
- (v) an on-demand performance guarantee of ZAR100,000,000 subject to annual review at a rate of 0.091 per cent. plus JIBAR, (i), (ii), (iii), (iv) and (v) together, the “New Facilities”.

The agreement provides for the following repayments:

- (i) twelve consecutive instalments in respect of the senior amortising facility;
- (ii) in respect of the senior bullet facility, repayment of the capital sum within three years of the date of advance; and
- (iii) in respect of the mezzanine facility, repayment of the capital sum within four years of the date of the first advance.

On 13 December 2010 Shaft Sinkers (Pty) drew down ZAR 250 million under the above facilities. These funds are intended to be used to repay the term loan from ABSA Bank.

The facilities from Standard Bank are secured by guarantees from each of Capstone, Rossal and Shaft Sinkers (Pty) of each other’s obligations under the agreement; a cession of bank accounts held by Shaft Sinkers (Pty); a cession of lease and instalment sale agreements and debtors; a cession by Shaft Sinkers (Pty) of its share investments; a special notarial bond over the movable assets of Shaft Sinkers (Pty) identified by Standard Bank; a general notarial bond over all movable assets of Shaft Sinkers (Pty); and a mortgage bond over all land and buildings of Shaft Sinkers (Pty).

*12.2 Related Party arrangements*

Save as set out below or as disclosed in note 29 of the Historical Financial Information in Part VIII of this document, there are no related party transactions that were entered into by the Company or members of the Group during the three years and six-month period ended 30 June

2010 and during the period between 1 July 2010 and 17 December 2010 (the latest practicable date prior to the publication of this document):

**(i) Loans from the Group to shareholders**

**(a) Loan Agreement between Rossal and Mmakau Mining dated 3 May 2005**

By an agreement dated 17 March 2005, Rossal and Mmakau acquired the entire issued share capital in Alpha Resources and claims against Alpha Resources, from Placer Dome South Africa (Proprietary) Limited. Under the acquisition agreement, Rossal was to acquire 25 per cent. of the shares and Mmakau 75 per cent. In terms of the loan agreement between Rossal and Mmakau dated 3 May 2005, Rossal lent and advanced the ZAR equivalent of US \$150,000 to Mmakau to enable Mmakau to fund its portion of the purchase price under the acquisition agreement.

Mmakau pledged its shares in and claims against Alpha Resources as security for the proper and timely payment and performance in full of all its obligations to Rossal under this loan agreement.

Under the Agreement for the Sale of Alpha Resources described in (ii)(a) below, this loan was repaid on 27 October 2010.

**(b) Loan from Capstone to Mmakau**

Under an Agreement dated 14 March 2008, Capstone lent Mmakau ZAR 6,004,925. As at 29 October 2010 the amount of this loan stood at ZAR 6,004,925. Under the Loan Repayment Agreement described in paragraph (iv)(b) below, this loan is to be repaid following Admission by deduction from the purchase consideration receivable by Mmakau for its shares in Capstone.

**(c) Loan from Shaft Sinkers (Pty) to IMR SA**

On 8 February 2010 and 8 June 2010 Shaft Sinkers (Pty) entered into three loan agreements with International Mineral Resources South Africa (Pty) Ltd ("IMR SA"), a wholly owned subsidiary of IMR, pursuant to which it lent amounts aggregating ZAR 11,363,900 to IMR SA. These loans were unsecured and repayable on demand. Two loans aggregating ZAR 6,363,900 bore interest at the prime rate quoted by ABSA Bank from time to time while the remaining loan of ZAR 5,000,000 bore interest at the prime rate plus 1 per cent. per annum. On 27 October 2010 these loans were partially repaid and the outstanding balance reduced to ZAR 4,302,269.

**(ii) Disposals by the Group to shareholders**

**(a) Sale of Alpha Resources Limited**

By an agreement dated 11 October 2010, Shaftsinkers (Pty) disposed of its entire 25% interest in Alpha Resources by selling it to Mmakau Mining for a total consideration of ZAR 20 million.

**(iii) Loans from shareholders to the Group**

**(a) Loan Agreement between IMR, Capstone (as borrower) and Mmakau Mining dated 22 March 2007**

IMR agreed to lend and advance the aggregate maximum amount which may be drawn down by Capstone, being ZAR214,150,000. A total amount of ZAR214,000,000 had been drawn down by Capstone by November 2007. This loan has now been repaid or capitalized save for an outstanding balance of ZAR4,990,428. Capstone has applied to the South African Reserve Bank for approval to repay this loan together with interest thereon. The loan bears interest at the prime rate from time to time quoted by ABSA Bank Limited.

**(b) Capstone Shareholders Agreement dated 8 November 2007**

Pursuant to the terms of the shareholders agreement entered into by Capstone, Mmakau, IMR and Holgoun, IMR and Holgoun established shareholder loan accounts

with Capstone. IMR had a shareholder loan account in the amount of ZAR40,500,000 and Holgoun had a loan account of ZAR5,999,900. In an addendum to the shareholders agreement, dated 18 March 2008, both loan accounts were capitalised and IMR received an additional 540 shares in Capstone, with Holgoun receiving an additional 100 shares. The shares were issued at par plus premium (and included interest on the loan accounts). Mmakau subscribed for an additional 360 shares at the par value thereof concurrently to ensure its percentage shareholding in Capstone remained unchanged.

**(iv) Financing Arrangements**

**(a) Agreement between Shaft Sinkers (Pty), Mmakau Mining, Sayora Minerals (Pty) Ltd (“Sayora”) and Hernic dated May 2010**

In March 2009, Shaft Sinkers Mining (Pty) Ltd, an indirect wholly-owned subsidiary of Capstone, was awarded a contract by Hernic to sink shafts at the Bokfontein mine. The contract had an estimated value of ZAR 660 million. Under an agreement entered into between Shaft Sinkers Mining (Pty) Ltd, Mmakau, Sayora (a subsidiary of Mmakau) and Hernic dated 25 May 2010, Shaft Sinkers Mining (Pty) Ltd agreed to participate in a financing arrangement under which it would lend Mmakau a designated amount (currently 1.8 per cent. but capable of rising to 2.5 per cent.) of each contract payment received by Shaft Sinkers Mining (Pty) Ltd from Hernic.

The loan to Mmakau was to bear interest at a rate equal to the prime interest rate as quoted by ABSA. The loan was to be repayable out of, and secured against, Mmakau’s share of future dividends from Capstone and was also to be also repayable earlier in certain circumstances.

As at 29 October 2010 Shaft Sinkers Mining (Pty) Ltd had lent Mmakau ZAR 80,070 under this arrangement. Under the Loan Repayment Agreement described in paragraph (b) below, this loan together with interest thereon is to be repaid following Admission by deduction from the purchase consideration receivable by Mmakau for its shares in Capstone.

**(b) Loan Repayment Agreement between IMR, Capstone, Shaft Sinkers Mining (Pty) Ltd, Mmakau and Holgoun dated 24 November 2010**

Under the terms of this agreement Mmakau Mining has agreed that, out of the purchase consideration receivable by it for the sale of its shares in Capstone, it will repay (i) the loan from Capstone described in paragraph 12.2(i)(a) above and (ii) the loan from Shaft Sinkers Mining (Pty) Ltd described in paragraph (a) above together with interest thereon.

**(v) Other arrangements**

The Group has engaged the wife of Chris Hall, the Company’s Finance Director, to provide conveyancing services to the Group on the acquisition of a property at a fee which is prescribed by South African Law but which is not expected to exceed ZAR 50,000.

### **13. Employee Incentives**

#### **13.1 Long Term Incentive Plan (the “LTIP”)**

**(a) Operation of the LTIP**

The Remuneration Committee will supervise the operation of the LTIP.

**(b) Eligibility**

The Remuneration Committee will use its discretion in nominating participants in the LTIP, who will be restricted to senior executive management of the Group. The initial proposed participants have been identified by the Remuneration Committee (see paragraph (d) below).

**(c) Nature of Awards**

Participants will receive awards over a number of ordinary shares of the Company (“Awards”). At the Remuneration Committee’s discretion, satisfaction of vested Awards may only occur at the

end of the “vesting period” (as described below) and will be effected through the issue by the Company to the participant of new Ordinary Shares, the transfer of existing Ordinary Shares to the participant by an employee share trust (“EST”) or the settlement by the Company or EST of the value of the vested Awards in cash.

Awards are not transferable.

Benefits under the LTIP are not pensionable.

(d) *Initial Awards*

The first set of Awards will be made to Alon Davidov, Chris Hall and Rob Schroder. It is proposed that these Directors will receive Awards over a total of 2,250,000 Ordinary Shares (out of a total of 2,500,000 Ordinary Shares subject to Awards under the LTIP) on Admission. The Remuneration Committee will determine the allocation and offer of Awards over the balance of 250,000 Ordinary Shares, which will be reserved for allocation to new executives who are given key roles in the Group. These may be existing employees or new recruits, but it is not presently expected that further Awards will be made to the participants named above. There are no specific individual limits on the number of Ordinary Shares which may form part of an Award for any one executive.

No Awards may be made in close periods and Awards must be made in compliance with the Company’s share dealing code and the Listing Rules.

(e) *LTIP limits*

The LTIP may operate over Ordinary Shares issued by the Company or Ordinary Shares purchased by the EST trustee in the market. The total number of Ordinary Shares issued under the LTIP on any date of issue, when aggregated with the number of Ordinary Shares issued or issuable under any other share scheme for senior employees of the Group in any rolling ten year period, may not exceed five per cent. of the Company’s issued Ordinary Shares.

The maximum number of shares over which Awards may be made is 2,500,000 Ordinary Shares. If an Award is forfeited or becomes incapable of vesting, the Ordinary Shares subject to that Award may not be reallocated for future Awards.

(f) *Vesting and performance conditions*

For the purposes of the LTIP, the “**vesting period**” relates to the period commencing on Admission and ending on the date falling 30 days after the announcement of the Company’s audited results for the year ending 31 December 2013.

Participants will not be able to realise any value until their Awards vest.

Vesting of participants’ Awards will be subject to (i) achievement of certain performance conditions and (ii) remaining in employment with the Group or being a Good Leaver (see paragraph (g) below).

The performance conditions to be applied to the first set of Awards to be awarded will be measured in stages over the vesting period and will be linked to:

- growth in earnings per share of the Company (“EPS”); and
- growth in the Company’s share price.

*EPS:* In respect of the financial year ending 31 December 2011 and for each of the financial years ending 31 December 2012 and 31 December 2013, the Company will need to achieve growth in EPS of at least 20 per cent. per annum in comparison to the previous financial year for the relevant proportion of Awards to be capable of vesting in full. Should the Company only achieve between 10-20 per cent. per annum growth in EPS in the financial year under measurement, between 50-100 per cent. of the relevant proportion of Awards will be capable of vesting on a straight line basis between those two growth points. Should the Company not achieve at least 10 per cent. per annum growth in EPS in the financial year under measurement, none of the relevant proportion of Awards will be capable of vesting. If, however, over the full vesting period the Company has achieved a compound average growth in EPS of 20 per cent. per annum despite not having achieved that growth rate in any particular financial year, then the EPS

performance criteria shall be deemed to have been achieved and Awards shall be capable of vesting in full.

*Share Price:* In respect of the financial year ending 31 December 2011 and for each of the financial years ending 31 December 2012 and 31 December 2013, the Company will need to achieve a growth in its share price of at least 26 per cent. per annum for the relevant proportion of Awards to be capable of vesting in full. The base share price for the financial year ending 31 December 2011 shall be the Placing Price and thereafter any increase shall be measured by reference to the average of the Company's closing share prices for the 30 days following the announcement of the Company's audited results for each financial year. Should the Company only achieve between 13-26 per cent. per annum growth in its share price in the financial year under measurement, between 50-100 per cent. of the relevant proportion of Awards will be capable of vesting on a straight line basis between those two growth points. Should the Company not achieve at least 13 per cent. per annum growth in share price in the financial year under measurement, none of the relevant proportion of Awards will be capable of vesting. If, however, the average of the Company's closing share prices over the 30 days following announcement of the Company's audited results for the year ending 31 December 2013 is 100 per cent. or more above the Placing Price, despite not having achieved a 26 per cent. growth in its share price in any particular year, then the share price performance criteria shall be deemed to have been achieved and Awards shall be capable of vesting in full.

Each Award will be split into three equal annual tranches. Within each annual tranche, vesting of 50 per cent. of that tranche will be subject to the EPS performance criteria and 50 per cent. to the share price performance criteria. The Remuneration Committee will determine whether and to what extent the applicable performance conditions have been satisfied shortly after the announcement of the Company's audited results for each of the years ending 31 December 2011, 31 December 2012 and 31 December 2013 respectively, and vesting will then be subject only to continuing employment with the Group until the end of the vesting period (and, if applicable, to total EPS or share price growth over the full vesting period as described above).

In the event of a takeover or winding up of the Company, vesting may accelerate at the discretion of the Remuneration Committee.

The Remuneration Committee will set the same or more challenging conditions in relation to any subsequent Awards.

*(g) Leaving employment*

If a participant leaves employment because of death, ill-health, injury or disability, redundancy, retirement or in other circumstances approved by the Remuneration Committee (a "**Good Leaver**"), the participant will retain some or all of his Award based upon the time elapsed from around the date of grant of the Award to the date of cessation of employment and the extent to which the Remuneration Committee determines that the relevant performance criteria have been met at that point.

If a participant ceases to be an employee in circumstances where he is not a Good Leaver, or is made bankrupt, he will forfeit his Award.

In all cases, unvested Awards will lapse.

*(h) Dividend equivalents*

To the extent that the EPS and share price performance criteria have been satisfied and subject to remaining in employment with the Group, participants will be entitled for the remainder of the vesting period to receive cash amounts equal to the dividends that would otherwise have been payable if the Ordinary Shares had been issued or transferred to such participant on satisfaction of the relevant performance criteria.

*(i) Variation of capital*

On a variation of the capital of the Company, or in the event of payment of a special dividend or similar event, the Remuneration Committee may make such adjustment as it considers appropriate to the number and class of shares subject to Awards and to the maximum number of Ordinary Shares which may be subject to Awards.

(j) *Alterations to LTIP*

The Remuneration Committee may, at any time, amend the LTIP in any respect provided that the prior approval of the Company in general meeting is obtained for amendments to the provisions of the LTIP relating to eligibility, the overall limits on the issue of new shares, the maximum entitlement for any participant and the basis for determining that entitlement where such changes are to the material advantage of participants. Shareholder approval is not, however, required for minor amendments to benefit the administration of the LTIP, to take account of changes in legislation or to obtain or maintain favourable taxation or regulatory treatment for participants or for any member of the Group.

**14. Insurance**

The Group maintains various types of insurance cover against fire, plant damage, public liability, domestic buildings and contents, accounts receivable, theft, accidental damage, goods in transit, motor, directors' and officers liability and other risks subject in each case to certain limits and policy terms. Injuries to employees are primarily covered by the State Fund for Workman's Compensation and are further insured by the Group through Rand Mutual Fund. The Group does not insure for environmental risks; these are generally covered by its customers.

**15. Working Capital**

In the opinion of the Company, having regard to the available bank facilities, the Company and the Group have sufficient working capital for its/their present requirements, that is, for at least the next twelve months from the date of publication of this Prospectus.

**16. No Significant Change**

There has been no significant change in the financial or trading position of the Group since 30 June 2010, the date to which the financial information in Part IX has been prepared.

**17. Research, development and technology**

17.1 The Company and Group are currently not dependent to any material extent on patents, licences or new manufacturing processes.

**18. Consents**

18.1 KPMG is a member of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the inclusion of its Accountants' Report on the Company in Part IX of this Prospectus and its report on the unaudited pro-forma statement of net assets in Part VIII of this Prospectus in the form and context in which they appear and has authorised the contents of those Parts of this Prospectus for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

18.2 Arbuthnot Securities has given and has not withdrawn its written consent to the inclusion in this document of its name and references thereto in the forms and contexts in which it appears.

**19. Taxation**

The information below, which is of a general nature only and which relates only to UK and Isle of Man taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK (except where indicated). It does not constitute legal or tax advice and applies only to persons who hold Ordinary Shares as an investment, who are the beneficial owners of Ordinary Shares and who do not alone (or together with connected persons) hold more than ten per cent. of any particular class of share in the Company. The statements may not apply to certain classes of Shareholders such as dealers in securities. It is based on existing law and practice and is subject to subsequent changes thereto. All Shareholders and prospective investors should consult their professional advisers without delay.

## 19.1 Isle of Man

### *General*

In principle, taxes which are charged in the Isle of Man by the Isle of Man Government include:

- (a) indirect taxes in the form of value added tax, customs and excise duties and vehicle license duty; and
- (b) direct tax in the form of income tax which is chargeable upon income arising or accruing from sources in the Isle of Man or income arising or accruing from sources outside the Isle of Man that belong to persons residing in the Isle of Man. No capital gains tax is charged in the Isle of Man.

### *The Company*

The Company is resident for taxation purposes in the Isle of Man by virtue of incorporation. With effect from 6 April 2006 the Isle of Man introduced a zero rate of tax for all companies except those which derive their income from banking business or land and property in the Isle of Man or who elect to pay income tax at a rate of 10% (“the zero/10 regime”). The Company falls into none of the 10% categories at present and therefore is potentially able to qualify for the zero rate regime.

Notwithstanding the zero rate of corporate tax applicable to the Company, there are measures in place to ensure that Isle of Man resident shareholders are subject to Isle of Man income tax on their share of undistributed corporate profits. The “Attribution Regime for Individuals” requires shareholders resident in the Isle of Man to pay a charge based on their proportionate interest in undistributed profits where the company in which they hold shares does not meet certain minimum distributions targets. However, upon Admission, the Company will obtain the benefit of an exemption from this regime that is afforded to companies whose shares are traded on a recognised stock exchange.

Shareholders resident in the Isle of Man should seek separate advice if they are in any doubt as to how they might be affected by these rules.

An Isle of Man company has no requirement to make any deduction or withholding of tax on dividends paid to Shareholders resident outside of the Isle of Man. Any dividends paid from income subject to tax at 10% will carry a 10% tax credit. This tax credit will not be refundable where the recipient is a non Isle of Man resident company or individual. Therefore UK resident shareholders will not incur any liability to Isle of Man non-resident income tax in relation to Ordinary Shares held by them and the Company will not become liable to make any withholding on payments made to a non-resident of the Isle of Man.

## 19.2 United Kingdom

### *The Company*

On the basis that the Company is incorporated in the Isle of Man and the Directors conduct the affairs of the Company so that central management and control of the Company is not exercised in the UK and so that the Company has no permanent establishment or real property in the UK, it should not be subject to UK corporation tax on its income and gains.

### *UK Resident Shareholders*

#### (a) Taxation of Dividends on Ordinary Shares

UK resident individual holders of new Ordinary Shares may, depending on their circumstances, be taxable on the total of the dividend and the related notional tax credit (“gross dividend”), which will be regarded as the top slice of the individual’s income subject to tax at the individual’s highest marginal rate.

The notional tax credit on dividends is one-ninth of the dividend paid (or 10% of the aggregate of the dividend and the tax credit). For individuals, the income tax rates on dividend income are such that basic rate taxpayers will have no further tax liability on a dividend receipt. Higher rate taxpayers pay tax on dividends at 32.5% so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability on the gross amount resulting in an effective rate of tax of 25% on the net dividend received.

Additional rate taxpayers pay tax on dividends at a rate of 42.5%. Where an additional rate taxpayer receives a dividend of £90, they would have a further £32.50 liability resulting in an effective rate of tax of 36.1% on the net dividend received.

Dividends received by UK companies are likely to be exempt from taxation. However there are detailed conditions to be met depending upon various factors including (but not limited to) the size of the recipient company, the nature and size of their shareholding, and the profits out of which the dividends are paid in order for this exemption to apply.

UK companies should seek separate advice on this point from their professional advisers.

#### (b) Taxation of Capital Gains

Any gains on disposals by UK resident or ordinarily resident holders of the Ordinary Shares or holders of the Ordinary Shares who carry on a trade in the UK through a permanent establishment with which their investment in the Company is connected may, depending on their individual circumstances, give rise to a liability to United Kingdom taxation on capital gains.

Individuals who are basic rate taxpayers are currently subject to tax on their chargeable gains at a flat rate of 18 per cent. and individuals who are higher or additional rate taxpayers are currently subject to tax on their chargeable gains at a flat rate of 28%. No indexation allowance will be available but such Shareholders may be entitled to an annual exemption from capital gains (this is £10,100 for the year 2010/2011).

UK resident companies within the charge to corporation tax on chargeable gains will be subject to corporation tax on their gains and may benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the Retail Prices Index. Indexation allowance cannot be used to create or increase a loss.

#### (c) Stamp Duty and Stamp Duty Reserve Tax

As the Company is not incorporated in the UK and the register of Shareholders will at all times be kept offshore, no SDRT will be payable on an agreement to transfer Ordinary Shares. No stamp duty is payable in the Isle of Man on the transfer of shares in an Isle of Man company.

Instruments transferring Ordinary Shares will not be within the scope of UK Stamp Duty provided that no such instrument is executed within, or in certain cases brought into, the UK and any instrument of transfer which is executed outside the UK does not relate to any property situated, or to any matter or thing done or to be done, in the UK.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult their own professional adviser.

The attention of UK Shareholders who hold more than 10 per cent. or more of the Ordinary Shares of the Company is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 which provides that, if the Company would be regarded as a close company if it were resident in the UK, capital gains realised by the Company will be attributed to such UK resident or ordinarily resident Shareholders.

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25% of the Ordinary Shares should note the provisions of the controlled foreign companies legislation contained in sections 747 to 756 of the Income and Corporation Taxes Act 1988. The UK Government is currently examining options to reform this legislation. UK corporate Shareholders are therefore advised to consult their independent professional tax advisers as to the implications of any future changes.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2, Part 13 of the Income Tax Act 2007 which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

The attention of UK residents and domiciled investors is drawn to Part 15 of the Corporation Tax Act 2010 and section 684 of the Income Tax Act 2007 under which HMRC may seek to cancel tax advantages from certain transactions in securities.

## **20. CREST**

20.1 Any shares in the Company may be issued, held, registered, converted, transferred or otherwise dealt with in an uncertificated form in accordance with the CREST Regulations and practices instituted by the operator of the relevant system. Any provisions of the Articles shall not apply to any uncertificated shares to the extent that such provisions are inconsistent with:

- (a) the holding of shares in uncertificated form;
- (b) the transfer of the title of shares by means of relevant system; or
- (c) any provision of the CREST Regulations.

20.2 Subject to the CREST Regulations and facilities and requirements of the relevant system, the Board may, in its absolute discretion, determine the manner in which conversion of certificated shares into uncertificated shares may be made.

20.3 The Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

## **21. UK City Code on Takeovers and Mergers**

21.1 From Admission, as an Isle of Man company with securities admitted to trading on a regulated market in the UK, the Company will be subject to the City Code.

21.2 Rule 9.1 (“Rule 9”) of the City Code stipulates that where any person acquires an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30 per cent. or more of the voting rights of a company subject to the City Code, that person or group of persons is normally obligated to make a general offer to all holders of any class of equity share capital, whether voting or non voting, and also to the holders of any other class of transferable securities carrying voting rights. Any such offer (a “Rule 9 Offer”) must, in respect of each class of share capital involved, be in cash or accompanied by a full cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for any interest in shares of that class during the 12 months prior to the announcement of the offer. For the purposes of the City Code, a person will be treated as being interested in securities of a company if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities. Examples of interests in securities are set out in the City Code.

21.3 Rule 9 also provides that where any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, that person must normally make a Rule 9 Offer on the same basis as is set out above.

21.4 If, following Admission, any shareholder either alone or together with any person or persons acting in concert with it acquires an interest in Ordinary Shares so as to become interested in 30 per cent. or more of the Ordinary Shares in issue, then any such shareholder (and its concert parties) would normally be required to make a Rule 9 Offer. In addition, if any shareholder is acting in concert with any other shareholder (s) and they are, together, interested in 30 per cent. or more of the issued Ordinary Shares but do not hold more than 50 per cent. of the issued Ordinary shares, and following Admission any of them acquires any additional interests in Ordinary Shares, such shareholders would normally be required to make a Rule 9 Offer. If any shareholder is acting in concert with any other shareholder(s) and they are, together, interested in more than 50 per cent. of the issued Ordinary Shares, then following Admission they would normally be free, acting together, to acquire additional individual interests in Ordinary Shares (up to maximum individual holdings of 30%) without being required to make a Rule 9 Offer.

## **22. Auditors**

KPMG Audit LLC of Heritage Court, 41 Athol Street, Douglas, Isle of Man, IM99 1HN, a member of the Institute of Chartered Accountants of England, are the auditors of the Company.

### **23. Miscellaneous**

23.1 Each new Ordinary Share to be issued under the Placing will be issued at a price of 124p.

23.2 The maximum total costs and estimated expenses of or incidental to the preparation of this Prospectus, the Placing and Admission (including issue costs, commissions, registration fees, professional fees, IPO bonus and the cost of printing and distribution) are estimated to amount to approximately £6.4 million. Of these total aggregate expenses, the Minority Shareholders have agreed to pay £3.4 million with the Company agreeing to pay the remainder. Net proceeds accruing to the Company from the Placing, after settling fees, commissions and expenses, are expected to amount to approximately £3.5 million. The new Ordinary Shares will, when issued, be in registered form and certificated form unless requested by Shareholders to be uncertificated form.

23.3 The Company's financial year-end is 31 December.

23.4 Where information in this Prospectus has been sourced from a third party it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third party sources have been used they have been referenced accordingly in this Prospectus.

### **24. Publication of Document**

Copies of this Prospectus will be available free of charge at the offices of Jones Day, 21 Tudor Street, London EC4Y 0DJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date one month after the date of Admission.

### **25. Documents Available for Inspection**

Copies of the following documents may be inspected at the Registered Office of the Company and at the office of Jones Day, 21 Tudor Street, London EC4Y 0DJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus until one month after the date of Admission:

- (a) the Memorandum of Association and Articles of Association of the Company;
- (b) the service contracts and letters of appointment referred to in paragraph 8 of Part X of this Prospectus;
- (c) the report set out in Part IX of this Prospectus;
- (d) the consent letters referred to in paragraph 18 of Part X of this Prospectus;
- (e) this document.

Dated 20 December 2010

## PART XI: DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context requires otherwise:

<b>“2010 Mining Charter”</b>	the amended Charter for the South African Mining Industry published in September 2010 by the Department of Mineral Resources;
<b>“ABSA Bank”</b>	Absa Bank Limited;
<b>“Admission”</b>	the admission of the Ordinary Shares, issued and to be issued pursuant to the IMR Share Exchange and the Placing, to the premium segment of the Official List and to trading on the London Stock Exchange’s market for listed securities;
<b>“Allotment Period”</b>	(i) the period from the date of the coming into effect of the Articles until 30 June 2011 or, if sooner, the end of the Company’s annual general meeting in 2011, or (ii) any other period specified as such by the Relevant Special Resolution;
<b>“Alpha Resources”</b>	Alpha Resources Limited;
<b>“Anglo Gold Ashanti”</b>	Anglo Gold Ashanti Limited;
<b>“Anglo Platinum”</b>	Anglo American Platinum Limited;
<b>“Aquarius Platinum”</b>	Aquarius Platinum Limited;
<b>“Arbuthnot” or “Arbuthnot Securities”</b>	Arbuthnot Securities Limited;
<b>“Articles”</b>	the articles of association of the Company;
<b>“BEE”</b>	Black Economic Empowerment;
<b>“Board”</b>	the board of directors of the Company;
<b>“Business Day”</b>	a day other than: (i) a Saturday; (ii) a Sunday or (iii) a day on which the major clearing banks are not open for business in London;
<b>“Capstone”</b>	Capstone 615 (Pty) Ltd;
<b>“Capstone Acquisition”</b>	the acquisition by IMR, of the Capstone Minority Shares pursuant to the Capstone Acquisition Agreement;
<b>“Capstone Minority Shares”</b>	the shares held by the Minority Shareholders in Capstone prior to the publication of this document;
<b>“Capstone Shareholders Agreement”</b>	the agreement between Capstone, IMR, Mmakau and Holgoun dated 8 November 2007, as described in paragraph 12 of Part X of this document;
<b>“Capstone Acquisition Agreement”</b>	the agreement dated 24 November 2010 between IMR, Mmakau and Holgoun, as described in paragraph 12 of Part X of this document;
<b>“CIS”</b>	Commonwealth of Independent States;
<b>“City Code”</b>	The UK City Code on Takeovers and Mergers published by the Takeover Panel;
<b>“Companies Act”</b>	the UK Companies Act 2006;
<b>“Company” or “Shaft Sinkers”</b>	Shaft Sinkers Holdings plc;
<b>“Company Share Scheme”</b>	any scheme or arrangement for encouraging or facilitating the holding of shares in or debentures of the Company by or for the benefit of: (i) the directors, bona fide employees or former employees, and consultants of the Company, any subsidiary of

	the Company, or the Company's holding company or any subsidiary of the Company's holding company, or (ii) the spouses, civil partners, surviving spouses, surviving civil partners, minor children or step-children of such directors, employees or former employees, and consultants;
<b>“CREST”</b>	the system for trading shares in uncertificated form;
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2006 (SD 743/06 of the Isle of Man), as amended from time to time;
<b>“Directors”</b>	the directors of the Company, whose names are set out in page 14 of this document;
<b>“Disclosure and Transparency Rules”</b>	the rules relating to the disclosure of information made in accordance with section 73A(3) of the FSMA;
<b>“EBITDA”</b>	earnings before interest, tax, depreciation and amortisation;
<b>“EEA State”</b>	a state in the European Economic Area;
<b>“Enlarged Ordinary Share Capital”</b>	the total issued share capital of the Company immediately following Admission;
<b>“equity security”</b>	a share in the equity share capital of the Company or a right to subscribe for, or to convert securities into shares in the equity share capital of the Company;
<b>“equity share capital”</b>	the issued share capital of a company excluding any part thereof which carries no right to participate beyond a specified amount in a dividend, distribution or return of capital;
<b>“EST”</b>	Shaft Sinkers Group Employees' Share Trust;
<b>“EU”</b>	European Union;
<b>“Euro”</b>	the lawful currency of the member states of the EU that have adopted the single currency;
<b>“EuroChem”</b>	OJSC MHK EuroChem;
<b>“European Directive”</b>	the directive of the European Parliament and of the Council of the European Union 2003/71/EC;
<b>“Excon Regulations”</b>	the Exchange Control regulations promulgated in terms of section 9(i) of the South African Currency and Exchanges Act No. 9 of 1933;
<b>“FIDIC”</b>	International Federation of Consulting Engineers;
<b>“Financial Services Authority” or “FSA”</b>	the UK Financial Services Authority;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“Grinaker”</b>	Grinaker-LTA, a member of the Aveng Limited group of companies;
<b>“Group”</b>	prior to Admission, Capstone and its subsidiary undertakings and immediately following Admission, the Company and its subsidiary undertakings;
<b>“Harmony Gold Mining”</b>	Harmony Gold Mining Co. Ltd;
<b>“HDSA”</b>	Historically Disadvantaged South Africans;
<b>“Hernic Ferrochrome”</b>	Hernic Ferrochrome (Pty) Ltd;
<b>“Holgoun”</b>	HolGoun Engineering (Pty) Ltd;
<b>“IFRS”</b>	International Financial Reporting Standards;

<b>“IM Act”</b>	the Isle of Man Companies Act 2006;
<b>“Impala Platinum”</b>	Impala Platinum (Pty) Ltd;
<b>“IMR”</b>	International Mineral Resources BV;
<b>“IMR SA”</b>	International Mineral Resources South Africa (Pty) Ltd;
<b>“IMR Share Exchange”</b>	the issue to IMR of 22,819,166 Ordinary Shares in the Company in consideration for the acquisition of its holding of 1080 ordinary shares in the capital of Capstone;
<b>“IMR Share Exchange Agreement”</b>	the agreement dated 20 December 2010 between IMR and the Company, as described in paragraph 12.1(a) of Part X of this document;
<b>“International Ferro Metals”</b>	International Ferro Metals Limited;
<b>“IPO Bonus”</b>	the cash bonus of an aggregate of ZAR 44,499,967 comprising ZAR 13,441,638 paid to the Executive Directors and the Senior Managers and ZAR 31,058,329 paid to other employees of the Group;
<b>“JIBAR”</b>	Johannesburg Interbank Agreed Rate;
<b>“JSE”</b>	Johannesburg Stock Exchange;
<b>“Kalagadi Manganese”</b>	Kalagadi Manganese (Pty) Ltd;
<b>“Listing Rules”</b>	the listing rules made by the Financial Services Authority;
<b>“London Stock Exchange”</b>	London Stock Exchange Plc;
<b>“Lonmin”</b>	Lonmin Plc;
<b>“LTIP”</b>	the Company’s long term incentive plan adopted on 20 December 2010, as more particularly described in paragraph 13 of Part X of this document;
<b>“Memorandum”</b>	the memorandum of association of the Company;
<b>“METS”</b>	Mining & Engineering Technical Services, a division of the Group;
<b>“MHSA”</b>	the South African Mine Health and Safety Act 1996;
<b>“Minority Shareholders”</b>	Mmakau Mining and Holgoun;
<b>“Mmakau” or “Mmakau Mining”</b>	Mmakau Mining (Pty) Ltd;
<b>“Model Code”</b>	the model code on directors’ dealings in securities, as set out in the appendix to chapter 9 of the Listing Rules;
<b>“Murray &amp; Roberts”</b>	Murray & Roberts Holdings Limited;
<b>“Murray &amp; Roberts Cementation”</b>	Murray & Roberts Cementation Limited;
<b>“New Facilities Agreement”</b>	the agreement between Shaft Sinkers (Pty) and Standard Bank, as described in paragraph in 12.1(f) of Part X of this Prospectus;
<b>“New Ordinary Shares”</b>	the New Ordinary Shares to be issued pursuant to the Placing;
<b>“Non pre-emption Amount”</b>	means such number of equity securities as shall be equal to 5% of the number of Ordinary Shares in issue immediately following Admission for the first Allotment Period and for any subsequent Allotment Period means the amount specified as such by the Relevant Special Resolution;
<b>“NUM”</b>	National Union of Mineworkers South Africa;
<b>“Official List”</b>	the Official List of the UK Listing Authority;

<b>“Ordinary Resolution”</b>	unless otherwise specified means a resolution of the Company in general meeting passed by a simple majority of votes cast at that meeting;
<b>“Ordinary Shares”</b>	ordinary shares in the capital of the Company which have no par value;
<b>“Placees”</b>	the persons with whom the Placing has been made;
<b>“Placing”</b>	the placing by Arbuthnot Securities of the New Ordinary Shares at the Placing Price pursuant to the Placing Agreement and as described in this document;
<b>“Placing Agreement”</b>	the conditional agreement dated 20 December 2010 between the Company and Arbuthnot Securities relating to the Placing, as described in paragraph 12.1(d) of Part X of this document;
<b>“Placing Price”</b>	124p;
<b>“Placing Proceeds”</b>	the total amount of the net proceeds raised pursuant to the Placing after deductions for fees and commissions;
<b>“Prospectus Rules”</b>	the prospectus rules brought into effect on 1 July 2005 and made by the Financial Services Authority pursuant to FSMA;
<b>“Randgold Resources”</b>	Randgold Resources Limited;
<b>“Redpath”</b>	Redpath Canada Limited;
<b>“Relevant Special Resolution”</b>	at any time, the most recently passed Special Resolution renewing or further renewing the pre-emption disapplication authority described in paragraph 6.5 of Part X of this document;
<b>“RIS”</b>	a regulatory information service provided by the London Stock Exchange for the distribution to the public of announcements and included within the list maintained at the London Stock Exchange’s website;
<b>“Rossal”</b>	Rossal No. 126 (Pty) Limited;
<b>“Roubles”</b>	the lawful currency for the time being of the Russian Federation;
<b>“Royal Bafokeng Resources”</b>	Royal Bafokeng Resources Limited;
<b>“Rupees”</b>	the lawful currency for the time being of the Republic of India;
<b>“Shaft Sinkers Management”</b>	Shaft Sinkers Management Company Limited;
<b>“Shaft Sinkers (Pty)”</b>	Shaft Sinkers (Pty) Limited, the Group’s principal operating subsidiary;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“SHEQT”</b>	Safety, Health, Environment, Quality and Training;
<b>“Solvency Test”</b>	the solvency test referred to in section 49 of the IM Act, which the Company satisfies if it is able to pay its debts as they become due in the normal course of the Company’s business and the value of its assets exceeds the value of its liabilities;
<b>“Special Resolution”</b>	a resolution of the Company in general meeting passed by a majority of three-fourths of the votes cast at that meeting;
<b>“Standard Bank”</b>	The Standard Bank of South Africa Limited;
<b>“Sterling” or “£”</b>	the lawful currency for the time being of the United Kingdom;
<b>“Takeover Panel”</b>	the Panel on Takeovers and Mergers;
<b>“Teesta”</b>	Teesta Urja Limited;
<b>“Thyssen Schachtbau”</b>	Thyssen Schachtbau GmbH;

<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“UK Act”</b>	the United Kingdom Companies Act 2006;
<b>“UKLA” or “UK Listing Authority”</b>	the FSA acting in its capacity as the competent authority for the purposes of Part VII of FSMA;
<b>“Ultimate Shareholders”</b>	Patokh Chodiev, Alijan Ibragimov and Alexander Machkevitch;
<b>“US Dollar” or “\$”</b>	the lawful currency for the time being of the United States of America;
<b>“ZAR” or “Rand”</b>	the lawful currency for the time being of the Republic of South Africa.

## PART XII: GLOSSARY

The following terms apply throughout this Prospectus, unless the context requires otherwise:

<b>“bank”</b>	the datum level or elevation from which the shaft is sunk;
<b>“bill of quantities”</b>	a schedule of items or activities against which quantities are stated. Monetary reimbursement rates are then applied to the quantities completed to determine the revenue;
<b>“box cut”</b>	a large excavation through soft earth excavated down to solid rock to found the collar on;
<b>“bunton”</b>	a cross member or steel section required for structural purposes for when a shaft is equipped with a conveyance (skip or cage) to guide it quickly and safely through the shaft;
<b>“cactus grab”</b>	loading equipment, either 20 or 30 cubic foot, pneumatically operated to remove the waste from the shaft bottom into the kibble;
<b>“cage”</b>	a conveyance designed for the shaft to transport employees and materials;
<b>“cementation”</b>	the process of injecting cementitious grout down a hole to seal off water or gas;
<b>“collar”</b>	a reinforced concrete structure designed to provide a solid footing for the sinking and excavation of the shaft;
<b>“cover hole”</b>	a hole drilled 42 metres in length in a spiral fan pattern to detect the presence of water or gas;
<b>“CSR”</b>	Corporate Social Responsibility;
<b>“dam”</b>	a temporary sinking water storage facility created in the rock for the pumping of water to surface which is generally re-cycled;
<b>“drill boom”</b>	the arm of the jumbo to which the drill machine is attached;
<b>“ECIC”</b>	Export Credit Insurance Corporation;
<b>“EPCM”</b>	Engineering, Procurement, Construction, Management;
<b>“EXCO”</b>	Executive Committee of the Group;
<b>“haulage”</b>	an access tunnel excavated at certain levels to access the ore body;
<b>“headgear”</b>	a steel or concrete structure constructed to facilitate the transfer of men, material and rock from underground as well as the housing of the equipment and safety devices used for sinking and production;
<b>“jumbo”</b>	hydraulic mechanical drilling equipment;
<b>“kibble”</b>	a large steel bucket used for conveying men materials and waste while in sinking mode;
<b>“learnership”</b>	a full time training program for an employee that is recognised by the MQA;
<b>“loader”</b>	a mechanical loading device with a bucket for picking up rock;
<b>“Master Sinker”</b>	an experienced operator in the sinking of vertical shafts;
<b>“MBL”</b>	Master of Business Leadership;
<b>“ore pass”</b>	a small diameter shaft or hole between levels for transporting ore;
<b>“PGM”</b>	platinum group metals;
<b>“pre-sink”</b>	the sinking of a shaft to a depth suitable to install the stage and sinking equipment and to commence the main sink (generally between 60 to 90 metres);
<b>“resin grout”</b>	a mixture of chemicals or resins used to seal off any water while sinking or supporting a shaft;

<b>“section 13 qualification”</b>	Fully Certificated Engineer in terms of South African Mines & Health Act;
<b>“settler”</b>	a vertical dam created underground for re-circulating the water generated through operations for production in a shaft;
<b>“skip”</b>	a specially constructed vessel for the transportation of ore or rock from underground to surface for processing;
<b>“stage”</b>	a 5 or 6 level working platform which is suspended in the shaft during sinking operations to ensure concurrent work can be undertaken;
<b>“winder”</b>	a mechanical and electrical piece of equipment to which the rope or cable is attached; used to lower and raise the conveyances and kibles during production and sinking.



