



**SHAFT
SINKERS**



**Shaft Sinkers Holdings plc
2010 Full Year Results Presentation**

April 14th 2011



SHAFT SINKERS

The Team

- **Alon Davidov, CEO**

- Business development for IMR since 2003 and non-executive director of Samancor Chrome since 2005
- Previously FD of Bateman Litwin Kazakhstan
- Responsible for IMR's investment in the Group in 2007 and subsequent strategic oversight / development, has been a director of Shaft Sinkers (Pty) since 2007
- Fluent Russian speaker

- **Rob Schroder, COO**

- Joined Group in 2004 as Commercial General Manager. Became MD of principal operating subsidiary in February 2008
- Previously director of RSI Project Services (mining and heavy engineering) for 3 years
- Formerly partner at Venn and Milford PQS (Quantity Surveyor, specialising in mining and heavy engineering) for 3 years

- **Chris Hall, CFO**

- Joined Group in 2007 as CFO following 3 years as CEO of JSE-listed Excellerate Holdings
- Over 13 years' experience in the oil industry, FD of Total (SA) with 7 years spent in France
- Qualified as a Chartered Accountant and spent 4 years post-qualification with PricewaterhouseCoopers and Ernst & Young



- **Long-term growth**
- **High barriers to entry**
- **Track record of successful projects**
- **Growing global demand for scarce mineral resources**
- **Strong financial performance**
- **Intention to adopt a progressive dividend policy**



- **Maintain and build on existing strategic and technical strengths**
 - Safety record good but regret to report two fatalities – Mr Lekoro (Nov 2010) and Mr Macamo (April 2011)
 - Ownership of and access to strategic plant and equipment
 - Technical skills and design capabilities
 - Retain and attract skilled sinkers
 - Policies and procedures
- **Further expansion into CIS and India**
 - Leverage experience from on-the-ground presence and know-how from current projects
 - Build on established network of contacts / alliances
- **Diversify into additional end-market applications**
 - Current negotiations cover potash, hydropower and nuclear storage infrastructure
- **Review selective infill acquisition opportunities**

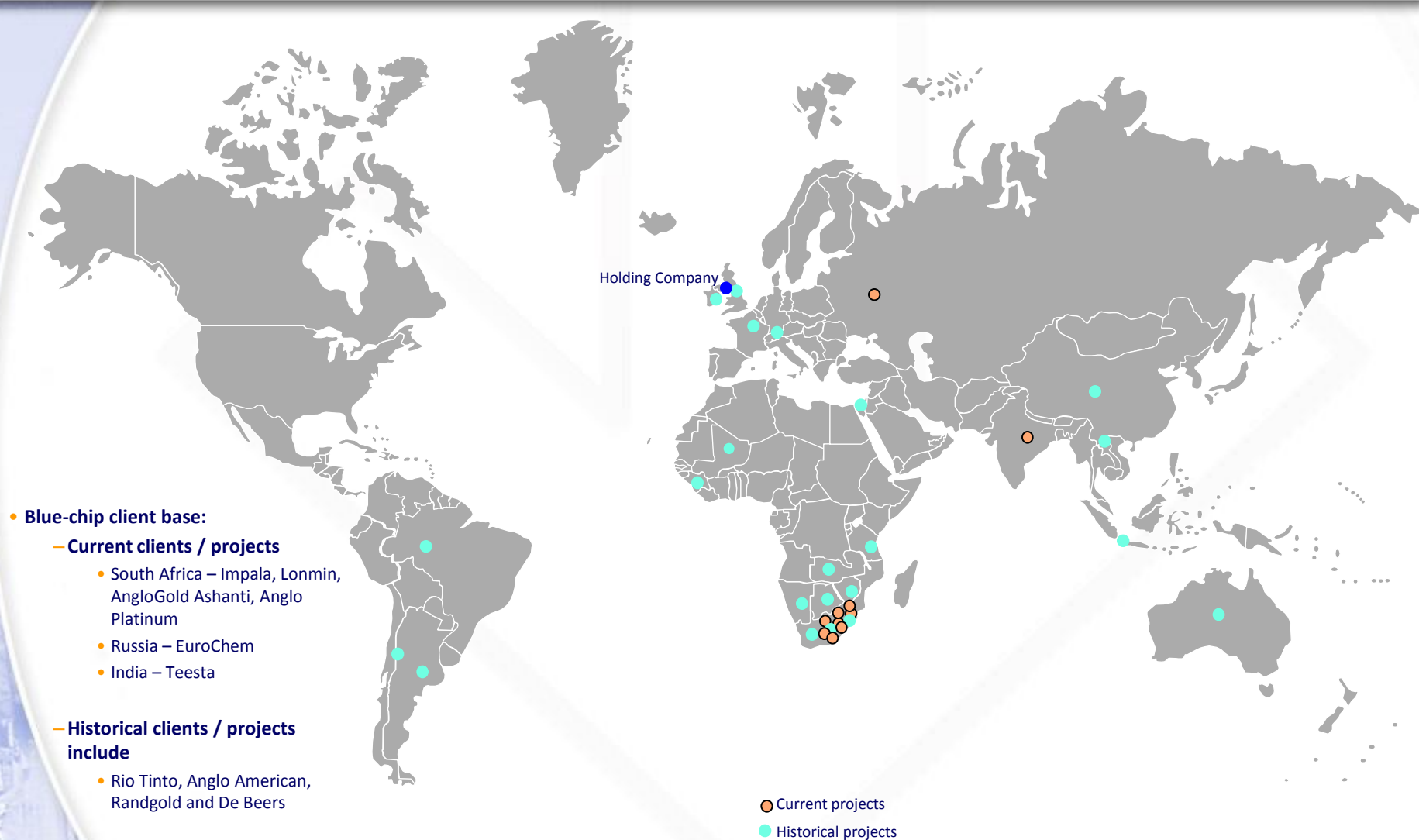


- Premium listing on the Main Market
- Raised £30.6 million and listed on 23 December 2010
- Approximately £24.1 million of proceeds used to buy out 46% South African minority shareholders at see-through IPO price less contribution to costs by them £3.4 million
- Approximately £2 million to recondition winders
- Approximately £1.5 million for future capital projects and working capital



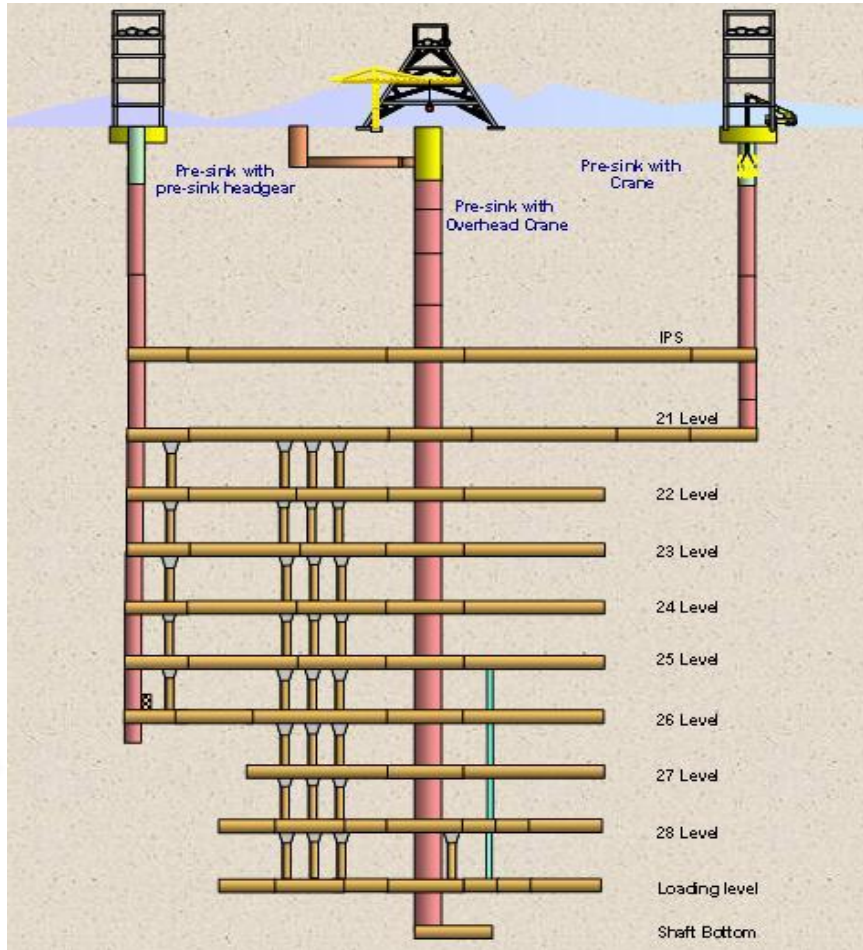
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The Business – *South African heritage expanding internationally*





The Business – Vertical shaft sectional layout



- Shafts typically either vertical or declined dependent on depth and cost
- Vertical shafts more economic than decline shafts as depth increases
- Additional associated shafts for waste, ore and ventilation
- Very large scale – typically 16km of development
 - Vertical – 5km
 - Horizontal – 9km
 - Associated – 2km



**SHAFT
SINKERS**

The Business – *Activities*

Shaft sinking



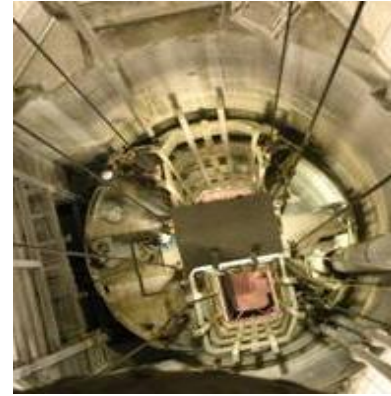
Impala 17, main shaft IPS station

Large underground excavation



*Palabora, storage hall (16x60x20m),
Drakensberg (16x200x45m)*

Shaft infrastructure / maintenance



Black Mountain, equipping of shaft

METS*



** Mining and Engineering Technical
Services – full EPCM solutions*

Underground construction



Hossy, construction

Civil and mining tunnelling



Impala 16 shaft, development level 21

Contract mining



Saffy, stoping

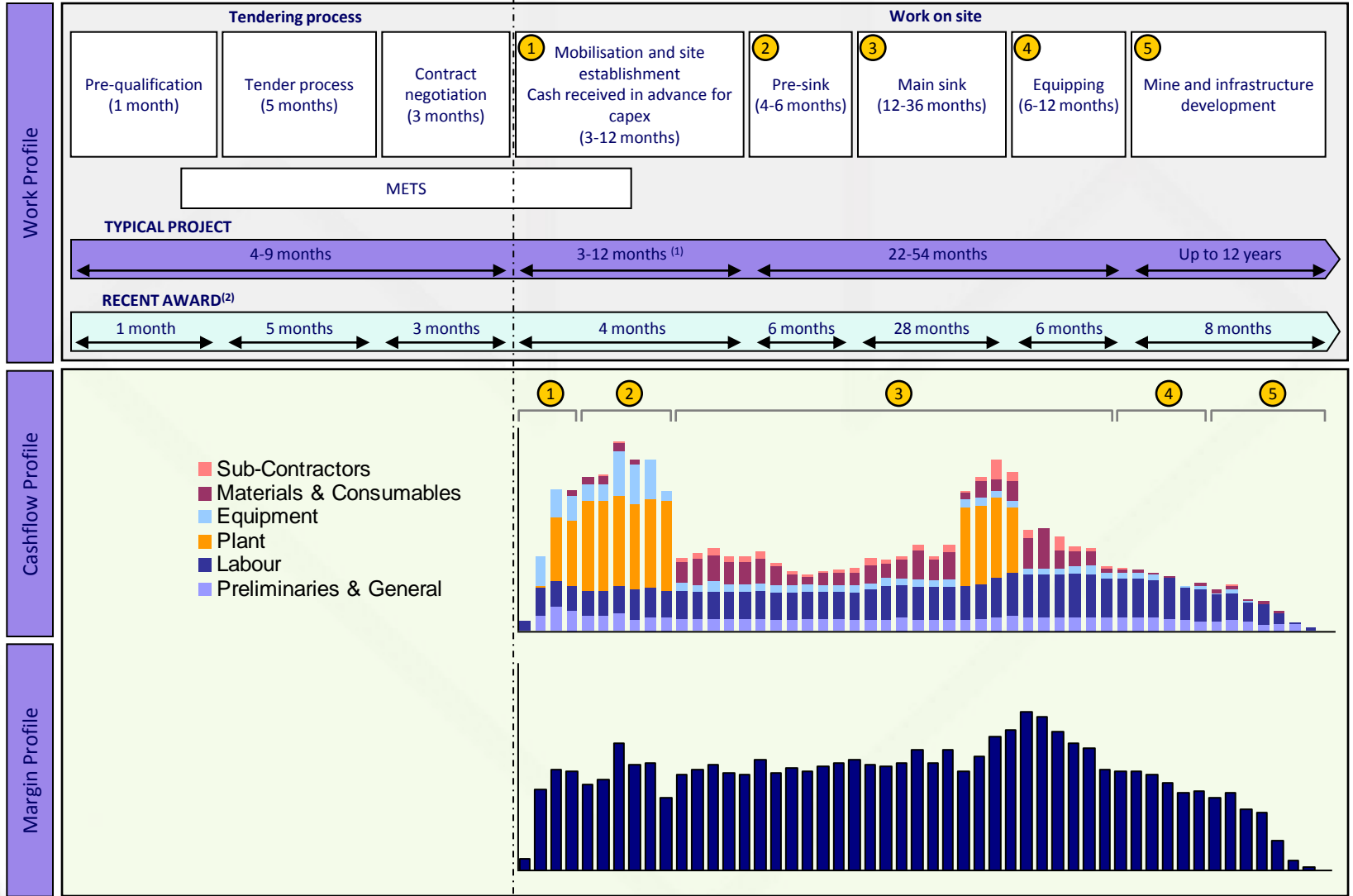
Completed Project



Palabora copper mine



Typical shaft sinking project – *Recently awarded project*



Note:

(1) Significantly shorter time-frame if winders are in stock

(2) Recent award took 18 months of discussions before tendering commenced



- **Alternative contract types:**
 - **Cost Plus**
 - Open book, agreed margin
 - Represents c.35% of order book
 - **Agreed Target Cost**
 - Share gain and pain up to agreed level
 - Represents c.20% of order book
 - **Agreed Rates**
 - Based on bill of quantities
 - Represents c.45% of order book



- **Revenue up 24% to £183.1 million (2009: £147.9 million)**
- **Profit Before Tax up 34% to £16.7 million (2009: £12.5 million)**
- **Committed £488m order book over the next 4 years**
- **Award of Styldrift contract**
- **Extension of Moab contract**
- **Strong cash position with net cash of £11.1 million**
- **Intention to pay dividend later this year**



- Income Statement

£'000	Year ended 31 December			
	2007	2008	2009	2010
Revenue	40,027	99,209	147,865	183,127
Gross profit	334	12,090	26,548	29,183
<i>GP Margin</i>	<i>0.8%</i>	<i>12.2%</i>	<i>18.0%</i>	<i>15.9%</i>
Net operating income / (expense)	(1,311)	(4,545)	(6,726)	(15,007)
Contract provision and settlement	-	-	(5,479)	3,820
Profit / (loss) from operations	(1,102)	7,545	14,343	17,996
Profit / (loss) before income tax	(1,000)	4,988	12,461	16,709
Total comprehensive income	(934)	3,946	12,638	17,639

- Revenue increased 36.9% pa compound over 2008 – 2010



Revenue / PBT – by geography⁽¹⁾

%	Years to 31 December			
	2007	2008	2009	2010
Revenue				
South Africa	91%	77%	74%	81%
Rest of the World	9%	23%	26%	19%
	100%	100%	100%	100%

£'000	Years to 31 December			
	2007	2008	2009	2010
Profit before tax - South Africa	2,852	8,032	12,780	11,877
Profit before tax – RoW	175	4,841	9,306	13,722
Profit before tax - Other corporate activities	(4,027)	(7,885)	(9,625)	(8,890)
Profit before income tax	(1,000)	4,988	12,461	16,709

Note:

(1) Results for Capstone, the former holding company of the Group. Figures converted at average exchange rates. Results for underlying Shaft Sinkers business consolidated from 1 April 2007

- Statement of financial position

£'000	31 December			
	2007	2008	2009	2010
Non-current assets	26,406	41,080	56,395	64,063
Working capital				
Receivables	9,093	20,235	29,426	51,306
Advances from clients	0	(6,530)	(6,739)	(19,347)
Deferred revenue	(6,540)	(12,403)	(21,014)	(23,419)
Inventory	1,234	3,231	7,246	8,312
Payables	(9,812)	(23,703)	(30,601)	(39,423)
	(6,024)	(19,170)	(21,682)	(22,571)
Other				
Current tax	552	(1,114)	(3,483)	(2,914)
Related party loans	402	349	24	549
Sundry	(3,462)	(3,131)	(1,228)	(3,737)
	(2,508)	(3,896)	(4,687)	(6,102)
Capital employed	17,874	18,014	30,026	35,390
Financed by:				
Equity	1,235	8,615	21,252	46,510
Borrowings				
Debt	21,919	14,963	15,443	24,440
Cash	(5,280)	(5,564)	(6,670)	(35,560)
	16,640	9,399	8,773	(11,120)
Total	17,874	18,014	30,026	35,390

- Efficient working capital business

- Project capex pre-funded by client advances



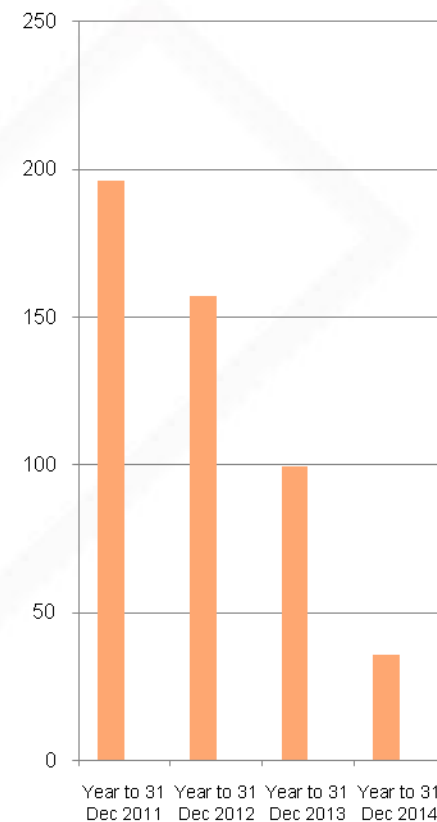
- Cash Flow

£'000	Year ended 31 December			
	2007	2008	2009	2010
Profit / (Loss) from operations	(1,102)	7,545	14,343	17,996
Depreciation	1,663	2,946	4,042	7,181
Contract provision and settlement	0	0	5,479	(3,820)
Changes in working capital				
Balance sheet movement	N/M	13,146	2,512	4,861
Non-cash items / other	N/M	(2,788)	(5,854)	7,307
	8,280	10,358	(3,342)	2,446
Tax paid	(700)	(1,229)	(4,921)	(4,918)
Other	749	(2,351)	(2,090)	(4,869)
Net operating cash flow pre project capex	8,890	17,269	13,511	14,016
PPE capex	(1,753)	(15,625)	(15,143)	(12,094)
Net operating cash flow after project capex	7,137	1,644	(1,632)	1,922
Other capex	(64)	(12)	(19)	(38)
Proceeds on disposal of PPE	108	3,040	3,093	6,578
Investment in acquired business	(16,812)	0	0	0
Other	(1,387)	1,671	(1,027)	1,633
Net proceeds received on issuing of share capital after listing expenses paid in cash	0	0	0	7,598
Other cash flow from financing	14,561	(1,435)	(2,365)	6,344
Net change in cash	3,542	4,908	(1,949)	24,037
Exchange differences	118	436	1,335	3,120
Cash B/F	14	3,674	9,017	8,403
Cash C/F	3,674	9,017	8,403	35,560



Company & Project ⁽⁷⁾	Contract Type	Shaft Type	Future revenue value ⁽²⁾ (£m)	Award date	Contractual end date ⁽¹⁾
Lonmin – Hossy ⁽⁶⁾	Cost Plus	<i>Decline & Development</i>	24.7	2008	2011
Anglo Gold Ashanti – Moab	Agreed Target Cost	<i>Development</i>	50.3	2006	2014
Lonmin – Karee 3	Rates	<i>Decline & Development</i>	9.6	2007	2011
Impala 16 – 2 shafts	Rates	<i>Vertical</i>	10.1	2005	2012
EuroChem – Volgakaly	Cost Plus	<i>Vertical</i>	118.9	2008	2012
Teesta – Hydro electric 2 shafts	Rates ⁽³⁾	<i>Vertical</i>	5.3	2008	2011
Kalagadi	Rental	<i>N/A</i>	1.7	2010	2012
Impala 16 – Development	Rates	<i>Development</i>	32.9	2010	2012
Lonmin – Karee 3 Ore Resource Development	Rates	<i>Decline & Development</i>	11.6	2009	2013
Hernic FerroChrome	Cost Plus	<i>Decline & Development</i>	28.5	2008	2014
Anglo Platinum / Royal Bafokeng Resources ⁽⁴⁾ – Styldrift	Rates	<i>Vertical</i>	97.7	2010	2014
Impala 17 – 3 shafts	Rates	<i>Vertical</i>	49.2	2007	2014
Lonmin – Saffy ⁽⁶⁾	Agreed Target Cost	<i>Decline & Development</i>	47.7	2009	2013
Total			488.2		

Analysis of Order Book by period





- **A leader in a highly specialised and growing market**
- **Mitigated risk profile**
- **High barriers to entry**
- **Visibility and long-term growth**
- **Experienced management**
- **Intended progressive dividend policy**

Appendices

1. Health and Safety Considerations
2. Black Economic Empowerment
3. Board of Directors



1. Health and Safety Considerations

Issue	Considerations and risk mitigation
Employee numbers ⁽¹⁾	<ul style="list-style-type: none">• Skilled 1,243• Semi Skilled 5,701• Total 6,944
Health	<ul style="list-style-type: none">• Employees covered by Rand Mutual Fund (RMF)• All injuries occurring on job covered by RMF• All prospective employees undergo medical and other assessments• Annual medicals for site based employees
HIV / Aids	<ul style="list-style-type: none">• Regular HIV initiatives and teach ins for workforce
Safety	<ul style="list-style-type: none">• Highlights to date<ul style="list-style-type: none">– 1 fatality in 2010, another in April 2011– 3 million South African fatality free shifts achieved as at 13 July 2010– 1 million fatality free shifts across the Group achieved in September 2010



2. Black Economic Empowerment

- Black Economic Empowerment (“BEE”) promotes the accelerated integration of Historically Disadvantaged South Africans (HDSAs) into the South African economy
- In April 2004, the Broad Based Black Economic Empowerment Act (“BEE Act”) came into effect, and established the legislative framework for the promotion of BEE
- The main mechanisms introduced in the BEE Act to ensure that these socio-economic strategies are implemented are:
 - Codes of Good Practice (“Codes”)
 - Transformation Charters
- In September 2010, the 2010 Mining Charter was published.
 - The Directors understand that 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
- Shaft Sinkers (Pty) is seeking to rely on its previous BEE transactions in order to enable it to retain its status as a “BEE entity”
- In the event that Shaft Sinkers (Pty) is no longer considered a “BEE entity”, 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
- 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, and will, if appropriate and/or required by customers, seek to partner with BEE entities on a project-by-project basis, or as appropriate



3. Board of Directors

Board of Directors

The Board of Directors of the Company consists 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 Nonexecutive 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. worked for IMR in its business development function (2003 to 2010) but has, since Admission, no longer been 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, Senior 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 AECL Limited and BSG Resources Limited, a private company, both involved in the mining industry. He is a UK citizen.