



Developing projects into high-yielding, cash-generative assets



petmin

Annual Review 2009

Vision and Strategy

Vision

Petmin's vision is to continue to develop into an international multi-commodity mining company, focusing on quality cash-producing assets or quality projects that can deliver significant earnings enhancements within a three- to five-year period.

1. Moulding a disciplined and innovative management team by:

Demonstrating entrepreneurial flair at both the corporate and the operational level

Acting at all times with the sense of responsibility and quality of judgement to be expected of owners

2. Developing a culture of discipline throughout the group that applies to:

Risk management

Code of conduct

Thought processes

Stakeholder communication

Safety, health and environmental compliance and performance in order to achieve continual improvements

The execution of all tasks

Adherence to statutory requirements

3. Managing our businesses to ensure sustainable organic growth with a specific focus on:

Cost management

Margin improvement

Cash flow management to ensure sufficient liquidity

Efficient logistics and product distribution channels

Risk management

Return on equity

Innovation

Strategy

Petmin's strategy has six pillars

4. Acquiring value-adding businesses and projects to meet our key investment criteria:

Preferably in one or more of the following commodities – coal, industrial minerals, iron ore, chrome, manganese, base metals and niche commodities

Cash-producing or quality projects that can deliver significant earnings enhancements within a three- to five-year period

Internal rate of return of more than 20%

Quality management in place

Generating a minimum of US\$6 million pre-tax profit per year

Involved in maximising trading opportunities

5. Bringing life to the Mining Charter by:

Embracing the fundamental principles of empowerment at all levels throughout the Group

Ensuring that all mineral rights are converted to new order mineral rights

Making sure Mining Charter Scorecard and Social and Labour Plan commitments are effectively implemented and monitored

Ensuring open dialogue and good relations with the local communities around our operations

6. Improving the Petmin brand and the rating and tradeability of Petmin's shares by:

Ensuring up-to-date, quality information is provided to all shareholders

Developing good relationships with key stakeholders

Being transparent in our reporting

These pillars will continue to underpin Petmin's strategy.

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Corporate profile

Petmin is a multi-commodity mining and processing company and a market leader in the production of quality anthracite and silica. Petmin has been listed on the Johannesburg securities exchange, the JSE Limited, since 1986, and the London Stock Exchange's Alternative Investment Market (AIM) since 2006.

During the period under review, Petmin held two operating assets and a development project – the **SamQuarz** silica mine, the **Somkhele** anthracite mine and a 25% interest in the **Veremo** pig-iron project – as well as a 100% interest in **Petmin Logistics**.

SamQuarz is the largest producer of **high-quality silica** in South Africa with run-of-mine (ROM) production of 1.4 million tonnes a year. Somkhele, which was commissioned in June 2007, is one of the country's largest producers of **high-quality anthracite** for local and export markets. Somkhele has plant capacity of approximately 1.4 million ROM tonnes per year. Petmin Logistics has a contractual agreement with Transnet Port Terminals for the exclusive use of an export facility for 600,000 tonnes a year at Richards Bay Dry Bulk Terminal.

The Group supplies to **blue-chip customers** in the metallurgical and industrial sectors, including Xstrata South Africa (Pty) Ltd, Samancor Limited, ASA Metals, Siltech, Assmang Limited, PFG – a division of PG Group, Consol Limited and Nampak Limited.

Petmin has SAMREC-compliant anthracite **reserves and resources** of 51.2 million tonnes (over Areas 1 to 3, and additional resources of approximately

24 million tonnes confirmed by Snowden Mining Industry Consultants in June 2009), and quartzite reserves of 60 million tonnes. The extent and quality of the Veremo resource will be finalised in the first quarter of 2010.

The Company has a strong balance sheet, with **gearing of only 9.97%**. A cash reserve position of R176 million and undrawn bank facilities of R150 million ensures that Petmin has the financial capacity to meet working capital requirements, to fund its project development pipeline, and to underpin potential acquisitions.

Petmin has an **experienced** corporate and operational **management team** with a track record of making value-enhancing acquisitions and disposals, and of improving the operational efficiencies of the businesses acquired.

The shareholding by **black economic empowerment** (BEE) groups is currently **36%**.

Management and directors currently have a significant shareholding interest in Petmin and are aligned with shareholders' interests. The Group is actively involved in community development through its projects at SamQuarz and Somkhele. At the end of the financial year, the Company employed 652 people (including contractors).

Board of Directors

The Board of Directors comprises Piet Nel* (Chairman), Lebo Mogotsi (Deputy Chairman), Jan du Preez (CEO), Bradley Doig (COO), Bruce Tanner (Financial Director – effective 1 July 2009), Enrico Greyling*, Ian Cockerill*, Alwyn Martin*, Johan Strijdom* and John Taylor*.

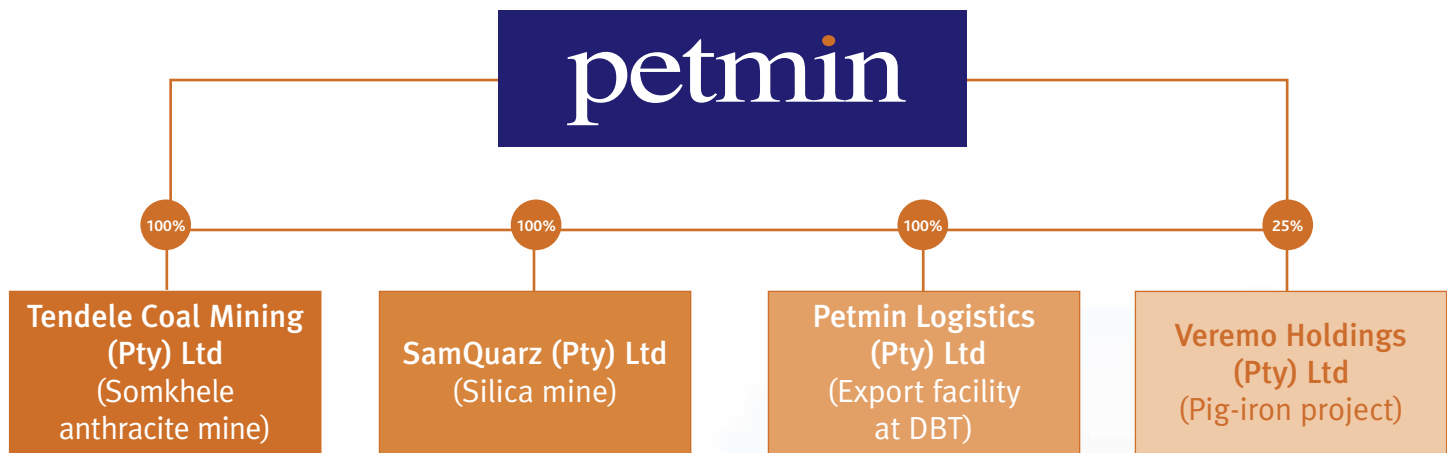
* Non-executive director

JSE: PET

AIM: PTMN

Group structure and key shareholders

Group structure*



* Springlake Holdings disposal effected on 29 June 2009

Key shareholders



Delivering on our strategic promises

What we delivered to June 2009

To mould a disciplined and innovative management team with entrepreneurial flair, at corporate and operational levels

- Restructuring of senior management to ensure effective management of operations and succession planning at both Somkhele and SamQuarz completed as follows:
 - Johan Gloy relocated from SamQuarz to take up position of CEO of Somkhele; worked alongside former incumbent Mark Snelling for six months;
 - Shenaaz Ghanchi promoted to Financial Manager at Somkhele;
 - Andre Knopjies promoted from Plant Manager to General Manager and Ngwedi Mabilo appointed as Mine Manager at SamQuarz;
 - Juanita Allison recruited as Financial Manager at SamQuarz; and
 - Rory Govender relocated from Somkhele to SamQuarz as Engineering Manager.
- At a corporate level, Bruce Tanner appointed as Financial Director of Petmin with effect from 1 July 2009.
- Performance-based incentive schemes continue to be the basis for remunerating management at all Petmin operations, and have instilled a culture of ownership.
- The Executive Committee contracts have been renegotiated for another three years and the team will continue to be remunerated according to performance. Alignment with shareholders is ensured by the executives holding significant equity. They increased their interest by exercising 11.5 million options during the past year.

To develop a culture of disciplined thought, communication, safety and action

- **Risk management:** a comprehensive risk register is updated and risks are managed, monitored and reviewed on a regular basis. Reports are presented to the Board every quarter.
- **Reporting:** financial reporting and other systems have been set up at Somkhele to ensure quality and timeous information; processes are being refined to improve reporting on environmental issues. High-quality reporting and management systems are in place at SamQuarz.
- **Safety:**
 - preliminary results of a NOSA safety audit conducted at SamQuarz showed improvement from 82.99% to 92.28% in 2009, giving the operation a five-star rating;
 - SamQuarz's LTIFR was 0.25 and Somkhele's LTIFR was 0.29;
 - no fatalities occurred at SamQuarz or Somkhele; and
 - internal safety audit processes were conducted at regular intervals.
- **Communication:** channels of communication between Petmin's operations and key stakeholders (employees, contractors, communities and regulators) have improved; regular meetings were held with stakeholders to address issues and strengthen relations.

To manage our businesses to ensure sustainable organic growth, focusing on margin improvements and cash flow management

- Performance improvements have been achieved at all Petmin operations as outlined below.

SamQuarz

- Consistently strong operational and financial performance at SamQuarz with sales volumes and profits maintained despite the global financial crisis:
 - annual production of 1.33 million tonnes of silica and chert (2008: 1.39 million) and sales of 1.5 million tonnes of silica and chert (2008: 1.4 million tonnes); and
 - profit before tax of R48 million compared to R47 million in 2008.
- Continued pursuit of growth opportunities in the construction and foundry industry to supplement sales to the glass manufacturing and metallurgical sectors.
- Completed a SAMREC-compliant exploration programme to delineate the orebody which resulted in proven and probable reserves increasing to approximately 60.64 million tonnes of silica and 11.48 million tonnes of chert, and life of mine in excess of 40 years.
- Capital expenditure focused on ensuring a long-term sustainable mining operation and increasing production capacity in the plant to ensure demand from customers is met.
- Installation of an emergency generator completed in the six months to 31 December 2008.
- Renegotiated a R40-million, four-year-term, asset-based facility with Standard Bank.

Somkhele

- Restructured Tendele Coal Mining (Pty) Ltd to be a direct subsidiary of Petmin Limited post the sale of Springlake Holdings.
- Improved sales prices achieved but demand declined further during the second half of FY09.
- Long-term export agreement shielded Somkhele from the sharp decline in international demand for anthracite during the six months to June 2009.
- Renegotiated long-term export contract – over four years at 200,000 tonnes a year – for the period after 30 June 2009 to accommodate poor international market for anthracite.
- Drilling programme concluded with main focus on delineation of additional reserves and resources. Results were confirmed by Snowden Mining Industry Consultants and resulted in SAMREC-compliant resource of approximately 24 million tonnes being delineated in areas in close proximity to the current plant.
- Completed the construction and erection of a rotary breaker.
- Product stockpiling capacity increased through development of pit-room and construction of workshops and terraces.
- Sufficient pre-stripping of the overburden in the pits completed to ensure that reduced development expenditure does not affect production.
- Key focus on the local market.



- Somkhele well-positioned to take advantage of any increased demand.
- Increased credit facilities with Standard Bank, currently R10 million overdraft and R90-million asset-based facility.

Veremo

- Detailed infill drilling programme under way to determine final ore quality and to differentiate between weathered and massive zones. Updated Competent Person's Report will be published in the first quarter of 2010.
- Evaluating standard pig-iron production processes for comparative purposes.

Springlake

- Sale of Springlake Holdings concluded on 29 June 2009. Global market conditions declined dramatically during delays encountered in meeting all the conditions precedent. Final sale adjusted accordingly with result that the company received proceeds of R85 million – a R79 million consolidated loss on the sale.
- Springlake's increased profits for the financial year mainly due to exceptional sales prices secured on a spot export vessel in the six months to 31 December 2008.

To acquire value-adding businesses that meet our investment criteria

- Petmin acquired the remaining 30% interest in Petmin Logistics from the minority shareholders to bring its holding to 100%. Petmin Logistics has contracted with the South African Port Authorities to provide a dedicated export facility at Richards Bay for a minimum of 600,000 tonnes per year for four years.
- Petmin increased its effective interest in Veremo Minerals (Pty) Ltd, a subsidiary of Veremo Holdings Limited in which the mining of the ore will be conducted, to an effective 34.9% (2008: 25%) economic interest; retains a 25% interest in the remainder of the project.
- Shortly after 30 June 2009, the Group's cash position improved with R85 million received for the sale of Springlake Holdings.
- The Executive Committee (Exco) pursued a number of opportunities in the 12 months to June 2009, but comprehensive due diligence procedures showed that these prospects did not meet the Company's investment criteria.
- Petmin's strong balance sheet and cash reserves as well as current market conditions position the Company well to evaluate other growth opportunities and potential acquisitions.

To improve the rating and tradeability of Petmin's shares

- Our analysis indicates that our institutional shareholder base is stable. Given the tough economic conditions affecting resources companies, this shows institutional confidence in the future of Petmin.

- Institutional and brokers' interest in Petmin has increased as has the number of requests from analysts to cover the Company.
- Investor roadshows well attended and well received; regular visits paid to major shareholders to update them on Petmin's activities; and presentations made at coal conferences to promote Somkhele anthracite.
- The Petmin website continues to be an effective medium for disseminating information to shareholders and other key stakeholders and is a great tool for creating awareness about the Group and its activities. Website information is updated on a regular basis.

To bring life to the Mining Charter by embracing the fundamental principles of empowerment at all levels of our business and to ensure all mining titles required are converted to new order mineral rights

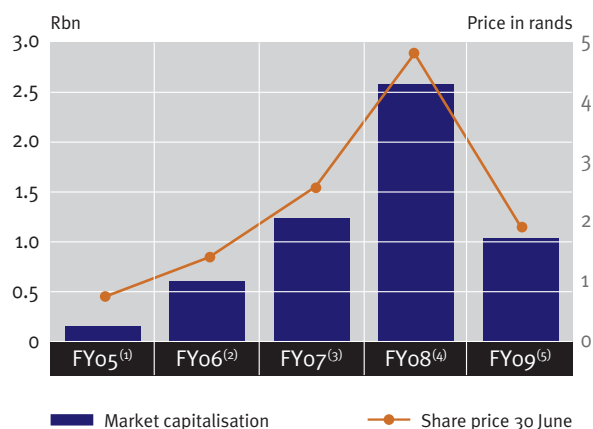
- Petmin was rated fourth-best empowered JSE listed company in the resources sector in the Financial Mail/Empowerdex Top Empowerment Companies Survey 2009.
- BEE equity continually monitored and managed to ensure it is maintained above the 26% Charter requirement. Petmin maintained its BEE shareholding at 36% even in the current tough economic climate when a number of BEE transactions collapsed.
- SamQuarz mining right conversion application was approved in April 2009, and is valid for 30 years.
- Veremo's five renewals of new order prospecting right applications were approved in May 2009.
- Only old order mining right conversion still outstanding is for Areas 2 and 3 at Somkhele; Exco proactively following this up with Department of Mineral Resources to ensure prompt processing of the application.
- Measured against the requirements of the Mining Charter, the Group's performance has improved significantly in the following areas: women in mining, Adult Basic Education and Training, and procurement. Acquiring and developing the right skills sets from the ranks of historically disadvantaged South Africans (HDSAs) for senior management positions at Somkhele remains a challenge, but is being managed.
- BEE certification of SamQuarz and Somkhele operations to comply with supply contracts under way.
- Currently reviewing training programmes at SamQuarz and Somkhele to ensure alignment with Mining Qualifications Authority accreditation requirements.
- Board kept up to date with developments regarding proposed legislative changes and potential impact on the Group.
- Continue to engage with communities through mine community forums.

Highlights

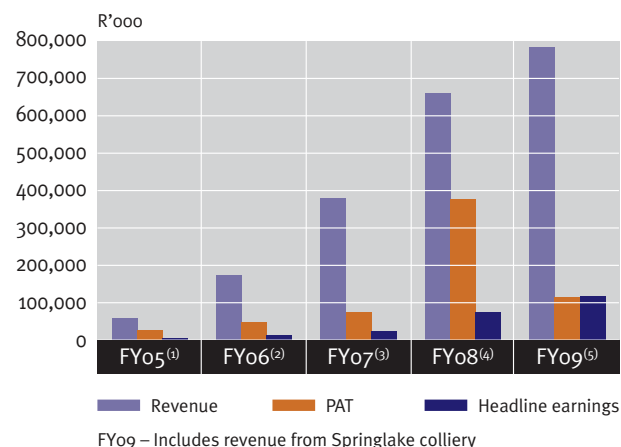
Financial

- **Headline earnings per share increased by 46%** to 22.29 cents despite difficult trading conditions.
- **Profit before tax and separately disclosed items rose by 52%** to R173 million.
- **Revenue went up by 18%** from R667 million to R789 million.
- **Cash resources of R176 million** and undrawn bank facilities of R150 million at 30 June 2009.
- **Net cash flow from operating activities increased by 43%** to R225 million.
- Fully diluted net **asset value per share rose by 11.5%** to 190.14 cents.
- Effective economic **interest in Veremo Minerals (Pty) Ltd increased to 34.9%** (from 25%).
- **Ratio of interest-bearing debt to equity of 9.97%** (2008: 6.99%).

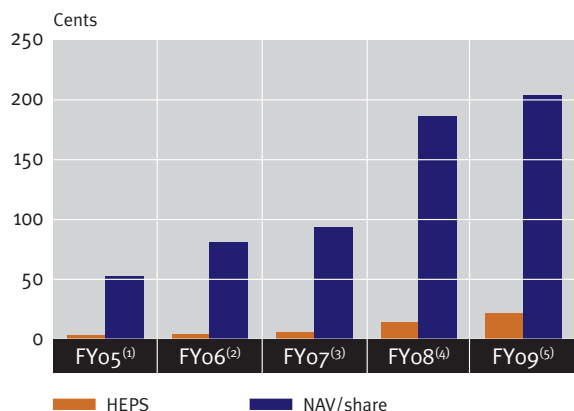
Market capitalisation vs Share price



Revenue vs PAT vs headline earnings



HEPS vs NAV/share

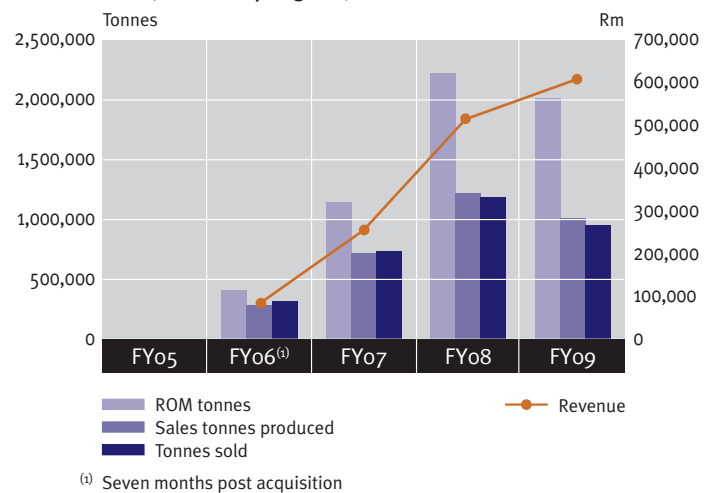


- ⁽¹⁾ Nine months of SamQuarz
- ⁽²⁾ Seven months of Springlake
- ⁽³⁾ One month of Somkhele
- ⁽⁴⁾ Profit on acquisition of 25% of Veremo. No impact on HEPS only EPS
- ⁽⁵⁾ Profit on acquisition of 9.9% of Veremo Minerals. Loss on sale of Springlake. No impact on HEPS only EPS

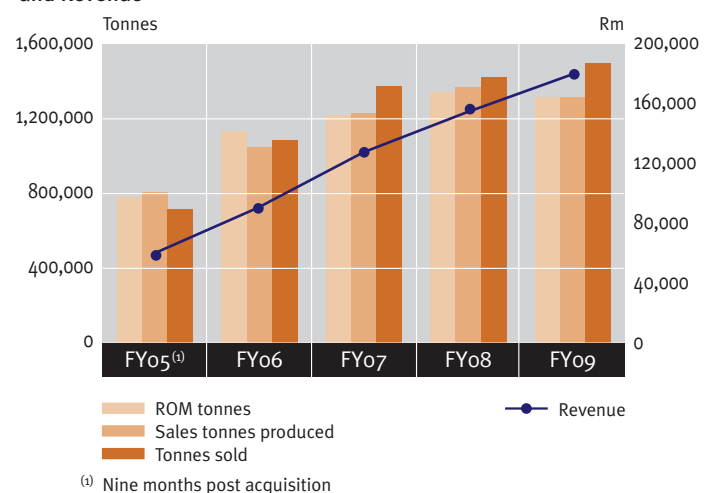
Operational

- Updated SAMREC-compliant Competent Person's Report at **SamQuarz** confirms **proven and probable reserves of 60.64 million tonnes** of quartzite and 11.48 million tonnes of chert, resulting in a life of mine in excess of 40 years.
- SAMREC-compliant exploration programme at **Somkhele yields** an additional **24 million tonnes** of anthracite resources contiguous with current operations.
- **Capital expenditure of R291 million** to secure the long-term sustainability of current mining operations.
- **Successful renewal** of all five new order prospecting rights at **Veremo**.
- Conversion of **mining right at SamQuarz** approved – valid for 30 years.
- **NOSA safety audit awards SamQuarz five-star rating.**
- Remaining **30% of Petmin Logistics acquired** – Petmin now wholly owns the subsidiary and has a dedicated export facility for a minimum 600,000 tonnes of product per year for four years.
- **Petmin ranked fourth** in the JSE Resources Sector in the Financial Mail Empowerdex 2009 Top Empowerment Companies survey.

Anthracite – ROM tonnes, Sales tonnes produced, Tonnes sold and Revenue (includes Springlake)



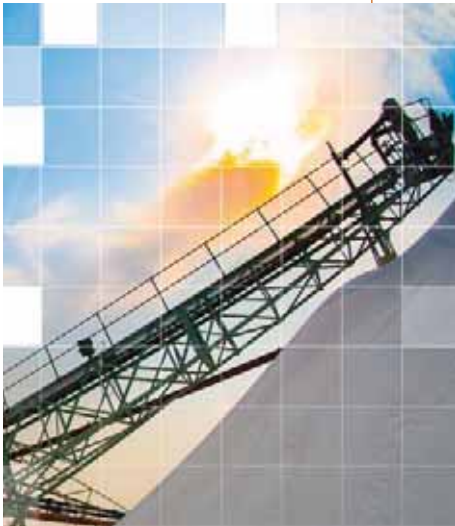
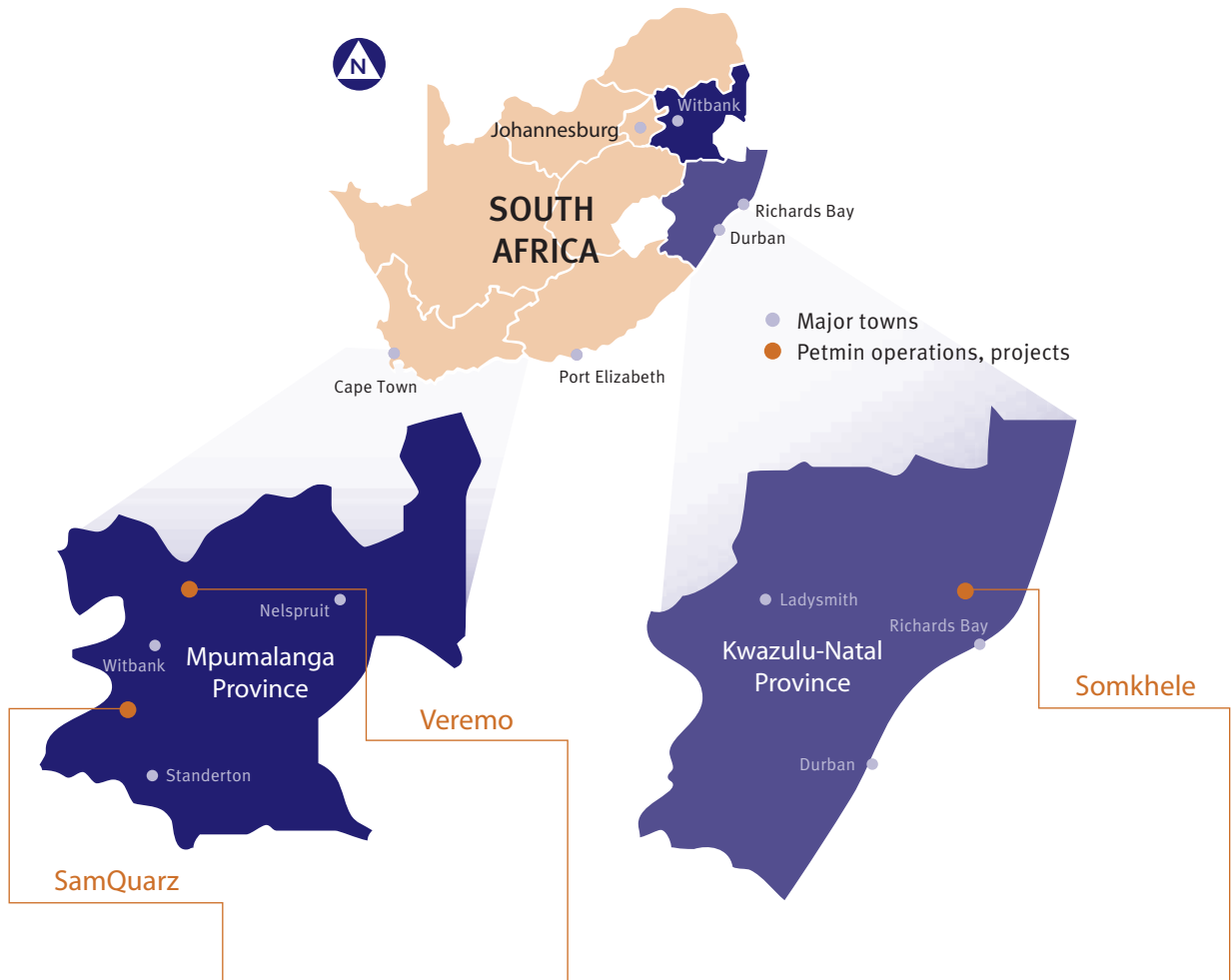
SamQuarz – ROM tonnes, Sales tonnes produced, Tonnes sold and Revenue



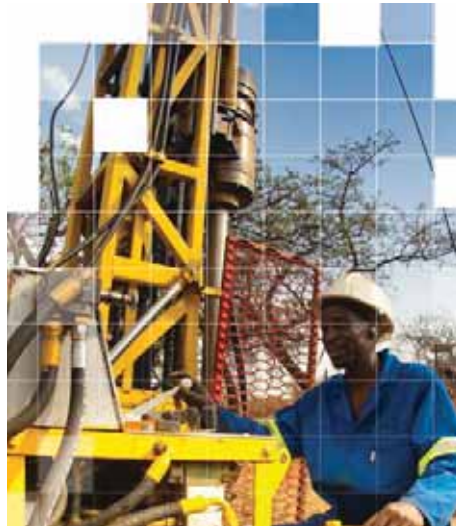
Capital expenditure (in millions)



Key assets



SamQuarz silica mine



Veremo pig-iron project



Somkhele anthracite mine



SamQuarz

Date of acquisition:	September 2004; in operation since 1955
Location:	10km east of Delmas, Mpumalanga Province
Type of operation:	Open pit
Commodity:	High-quality silica and chert
Reserves and Resources:	Quality deposit with 60.63 million tonnes of proven and probable reserves of quartzite and 11.48 million tonnes of chert (updated October 2008)
Current production level:	1.33 million ROM tonnes a year
Plant nominal capacity:	Silica plant – 1.5 million ROM tonnes; chert plant – approximately 0.75 million ROM tonnes
Mining rights status:	New order mining right conversion approved and valid for 30 years
Total number of employees:	251 (including contractors)
Current markets:	Metallurgical, glass and construction industries in South Africa
Competitive advantage:	High-quality deposit/resource; long life of mine (LOM) – over 40 years; technologically advanced processing plant; close proximity of mine to key customers on long-term offtake agreements
Capital expenditure FY09:	R16.33 million

Key assets (continued)



Somkhele

Date of acquisition:	November 2005 in pre-feasibility stage
Location:	85km north-east of Richards Bay, KwaZulu-Natal Province
Commodity:	High-quality anthracite
Reserves and Resources:	24 million tonnes of proved and probable reserves in Areas 1 and 2. Additional resources of 24 million tonnes delineated and verified by Snowden Mining Industry Consultants in June 2009. Coal reserves and resources underlain by four coal seams
Extent of orebody:	23,000ha of land under exploration in Areas 4 and 5; current mining operation located in Areas 1, 2 and 3, covering 1,400ha
Cost of developing mine and plant to date:	R672.7 million
Date of commissioning:	June 2007
Type of operation:	Open pit
Current production level:	1.1 million ROM tonnes a year
Plant nominal capacity:	1.4 million tonnes a year, bulk mining
Mining rights status:	New order mining right over Area 1; new order prospecting right over Areas 4 and 5. Awaiting approval of conversion of old order mining right over Areas 2 and 3
Total number of employees:	375 (including contractors)
Current markets:	Global metallurgical industry
Competitive advantage:	Anthracite products with low phosphorus and sulphur contaminants, and very high vitrinite content; proximity to Richards Bay (85km); 600,000 tonnes dedicated export facility secured at Richards Bay Dry Bulk Terminal; 23,000 ha of land under exploration
Capital expenditure FY09:	R263.41 million



Veremo

Project description:	Potential pig-iron project
Orebody:	Titaniferous magnetite ore outcropping on surface
Date of acquisition:	May 2008
Shareholding in Veremo and key partner:	25% Petmin, 75% Framework Investments Limited (100% subsidiary of Kermas Limited); Petmin's effective economic interest in Veremo Minerals (Pty) Ltd is 34.9%
Location:	Eastern Bushveld, near Stoffberg, Mpumalanga Province
Type of project:	Development project
Commodity:	Magnetite with 42% iron and 14% titanium dioxide
Reserves and Resources:	Resource is currently being verified by consultants; updated statement to be released in first quarter of 2010
Extent of prospecting area:	Five contiguous farms covering 2,989ha of land. Renewal of prospecting rights approved in May 2009
Project status:	Comprehensive exploration programme undertaken: initially drilled 90 holes equating to 6,000m. Additional 40 holes, equating to about 1,000m of triple core drilling, commissioned. Average depth per drill hole, 32m; 306 trenches and 15 pits excavated
Planned production date:	2013-14
Anticipated cost of development:	US\$300 million
Infrastructure and logistics:	Well situated, close to existing power and rail infrastructure; water supply in close proximity

Chairman's letter



Dear shareholder

This has undoubtedly been a tough year. The global economic recession had a severe impact on the mining sector and presented us with a number of challenges. Demand for commodities dropped significantly, triggering a sharp decline in prices and large cutbacks in production. The global credit squeeze limited the ability of mining companies to access debt and equity markets to fund ongoing operations and new projects.

However, by remaining focused on our long-term strategy, we have not only weathered the storm, but are on a sound financial and operational footing, well-positioned for future growth as the demand for commodities improves.

Strong financial performance

Our financial results for the year ended 30 June 2009 were strong despite difficult trading conditions, with a 52% increase in sustainable profit before tax of R173 million. Headline earnings per share (HEPS) were up by 46% to 22.29 cents (2008: 15.31 cents), and revenue increased by 18% to R789 million (2008: R667 million).

This robust performance was primarily as a result of tight cost controls at our operations, and record sales prices achieved at Somkhele for the long-term export contracts secured in the latter part of the year.

Our strong balance sheet and cash position enabled us to conclude exploration programmes and capitalise our operations appropriately during a challenging economic environment. We spent R291 million on capital projects, mainly on exploration and mine development to expand Somkhele and SamQuarz. We intend to invest another R51 million in capital expenditure in the year ending June 2010.

At 30 June 2009, Petmin had cash reserves of R176 million and undrawn bank facilities of another R150 million. Net cash flow from operating activities rose by 43% to R225 million. Our gearing at year-end was a conservative 9.97%.

We managed to cushion the effects of a severe drop in demand for anthracite from our flagship operation Somkhele. The crash in financial markets resulted in a significant decrease in the demand for steel (our product is used as a reductant in the steel and ferrochrome making processes). Our main export market, which is Brazil, cut production of iron ore, pig-iron and iron pellets by 70% almost overnight. The South African ferrochrome producers mothballed more than 90% of their



capacity. In June 2008 Somkhele had secured a four-year offtake agreement with an international trading company for 1 million tonnes spread evenly over four years at an average price of US\$119 per tonne.

As demand for commodities started to decline sharply during the first half of 2009, counterparty risk emerged as a leading risk facing many mining companies that had entered into long-term off-take agreements. This risk was more prevalent in the iron-ore industry, mainly because of steel producers defaulting on raw materials agreements because they were locked in at high prices. Tough market conditions resulted in the market price for anthracite dropping below US\$50.

We scaled down production at Somkhele in line with lower demand for anthracite. We also delayed construction of the second washing plant. Equally important was our ability to maintain adequate liquidity and guarantee access to credit facilities.

We believe that this strategy has served us well, allowing us to emerge from the tribulations of the past year in a strong position compared with other junior mining companies.

With regard to current operations, we aim to elevate our substantial inferred and indicated resources to proven resources at Somkhele, which is well-placed to increase production to meet an increase in demand. Improving market conditions will make it more favourable for us to conclude acquisitions that satisfy our stated investment criteria.

Corporate activity

Petmin increased its effective economic interest in Veremo Minerals (Pty) Ltd to 34.9% from 25%, and took over the role of overseeing the exploration programme. Solid progress has been made on the feasibility study of the project, with a further drilling programme using triple-tube

drilling of 1,000 metres being commissioned. We expect an updated Competent Person's Report to be released by the first half of 2010.

Petmin now holds 100% of Petmin Logistics following the acquisition of the 30% that was held by minority shareholders. Petmin Logistics has contracted with the South African Port Authorities to provide a dedicated export facility at Richards Bay for a minimum of 600,000 tonnes per year for four years.

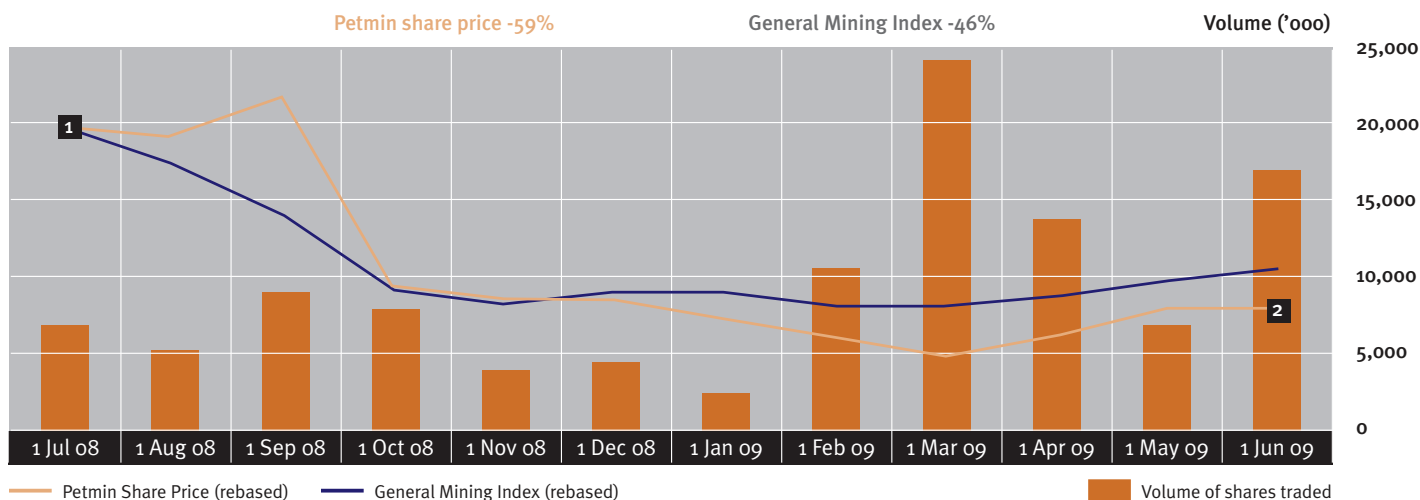
We successfully disposed of Springlake Holdings (Pty) Ltd (Springlake) which had become a non-core asset. The conclusion of the sale was protracted mainly because of significant delays with Section 11 Ministerial approval during which period there was a dramatic change in market conditions and sentiments turned negative. The sale was finalised on 29 June 2009, at an adjusted sale/purchase consideration of R85 million resulting in an IFRS accounting loss of R79 million.

During the past year we have been actively pursuing several major deals, hence our trading under cautionary for the greater part of the year. Our efforts have been frustrated by a combination of tough market conditions, unrealistic valuations and the heavy debt burdens of prospective acquisition targets. With the market starting to recover, we are confident that as large mining companies continue to dispose of non-core assets, there will be a number of acquisition opportunities for us to consider.

Prospects and strategic focus going forward

The global market crisis highlighted our strengths and weaknesses. This resulted in the management team reviewing our core strategy, which was formulated in 2004 and is outlined at the beginning of this report.

Petmin share price vs General Mining Index – (1 July 2008 – 30 June 2009)



1 Petmin share price 470c, 1 July 2008 | 2 Petmin share price 195c, 30 June 2009

Chairman's letter (continued)



We remain committed to this strategy's key elements of investing in the right management, acquiring quality, cash producing assets or near-cash assets with large deposits, ensuring tight management of costs and protecting cash flows of existing operations while optimising revenue, and embracing and living the spirit of the Mining Charter.

However, we have decided to harness our strengths and reduce our business risk going forward. In essence we will investigate major opportunities to increase the size of Petmin significantly and to this end we are in the process of developing a strategy called 'the business of tomorrow' that will expand and diversify our asset base both in terms of commodity type and geographical location.

This process is now well under way and we hope to report results during the course of the forthcoming financial year.

Black economic empowerment support

Dark Capital (Pty) Ltd (Dark Capital) has been the leading black economic empowerment (BEE) entity in Petmin since 2004. The stake was acquired during 2004 at the same time when Petmin made its first acquisition and acquired SamQuarz. Subsequent to this, Dark Capital continued to acquire Petmin shares and, during November 2007, acquired an additional 99 million shares from the New Africa Mining Fund at R2.20 per share. Currently it has approximately 150 million

shares in Petmin, representing approximately 26% of the fully diluted equity in Petmin.

It is common practice in empowerment transactions for the beneficiary company to assist and facilitate the BEE entity's investment, particularly in the mining sector where BEE equity participation is central to securing mining title.

To date, Petmin has not assisted Dark Capital with any acquisition of Petmin shares. Due to the current funding structure of Dark Capital and the recent collapse of the global share markets, which has had a severe impact on Petmin's share price, Dark Capital has come under increasing pressure from its funders. This may have a negative effect on the size of the BEE shareholding in Petmin, and thus also on the Company's business model. Operating as it does in the mining sector, Petmin depends on its BEE status being above 26%. Without the required BEE shareholding, we could put the approval of our outstanding prospecting rights, renewal of prospecting rights and granting of new order mining right applications at Somkhele in jeopardy.

In order to ensure that Petmin has a sustainable, well-funded BEE shareholder, the Company has reached an agreement with Standard Bank of South Africa Limited and Dark Capital on the terms reflected in the Notice of annual general meeting to shareholders, and will require approval by special resolution at the annual general meeting of the Company in January 2010.

Sustainable development

We recognise that the environment and social impacts of our mining operations require significant executive and operational management focus. During the past year, we actively engaged interested and affected parties and supported the communities around our operations. Priority was given to providing employment opportunities and skills training to local communities. By year end, approximately 80% of our employees (including contractors) at both Somkhele and SamQuarz were from the areas surrounding our mines. For the coming year, our community development projects will focus on building mobile clinics, training centres, related infrastructure and supporting enterprise development in the surrounding areas.

Our safety record for the year ending June 2009 had no fatalities and very few reportable injuries at both SamQuarz and Somkhele. We are committed to maintaining the highest safety standards at all of our operations through frequent training and regular and clear communication at all levels of our operations. In the future, we will strive for an injury free working environment for our employees.

Board and management changes

We would like to congratulate Bruce Tanner on his appointment as Financial Director of Petmin with effect from 1 July 2009.

During the past year, major restructuring of our operational management team was undertaken in line with our growth strategy. Johan Gloy was appointed Chief Executive Officer of Somkhele with effect from 1 July 2009 and Shenaaz Ghanchi, Financial Manager. At SamQuarz, Ngwedi Mabilo was appointed as Mine Manager and Andre Knopjes as General Manager. Juanita Allison was recruited as the new Financial Manager.

Dawie Warmenhoven resigned from the Board with effect from 28 February 2009. We are grateful for his efforts in building Petmin, particularly his invaluable contribution during the Company's formative years.

Acknowledgments

We extend our gratitude and thanks to all the directors of the company for their contribution during the year and wish to thank the management team and all the employees for their commitment, strategic focus and contribution in delivering this strong performance. Indeed the entire Petmin team worked very hard in difficult circumstances during the past year to grow the Company and position it well for the future.

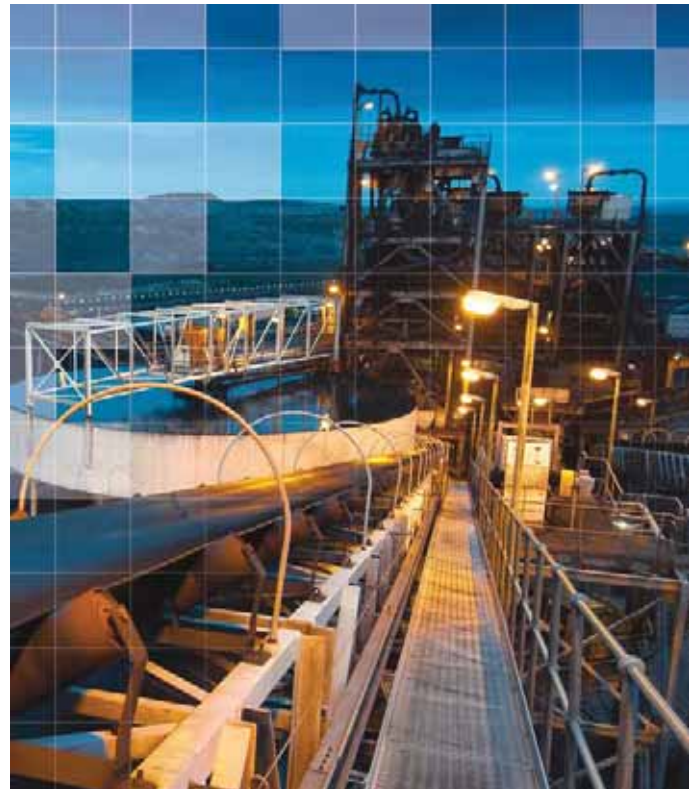
Piet Nel
Chairman

Lebo Mogotsi
Deputy Chairman



Directors' review of operations – Somkhele

Somkhele is an open-pit anthracite mine, with a high-quality, 15-metre thick seam deposit, located about 85 kilometres from Richards Bay in KwaZulu-Natal Province. Production began in June 2007. Somkhele's product is low in phosphorus, sulphur and calcium, which makes it a viable reductant for the titanium and ferrochrome industries in South Africa, and suitable for the pelletising and sintering of iron ore. The mine has mining rights over Areas 1, 2 and 3, covering 1,400 hectares, and new order prospecting rights over Areas 4 and 5, amounting to approximately 23,000 hectares.



Operational and Financial review

Somkhele produced 1.1 million run-of-mine (ROM) tonnes and sold 481,638 tonnes of anthracite in the financial year ending 30 June 2009. The 4.8% decrease in tonnes sold compared with the previous year was as a result of a significant decline in the international market for metallurgical coal, and the South African ferrochrome industry reducing production levels in the six months to June 2009. Somkhele's long-term export agreement meant that it was largely shielded from the reduction in international demand.

Open-pit, 'truck and shovel' mining methods are employed at Somkhele in a series of mini-pits, utilising a combination of pre-stripping and localised roll-over where bulking factors and final void requirements permit.

A total of 206,356 tonnes of anthracite were mined from Pit A in the year under review during which the final planned depth of 80 metres was reached. Feed to the washing plant was augmented with anthracite from Pits B, D and E, which is treated as one mining section. The average strip ratio over the life of Pit A is 2.45 and for Pit B-E, 1.64.

Sufficient pre-stripping of the overburden in the pits was undertaken during the year to ensure that development expenditure can remain at reduced levels in the year ahead, without causing a decrease in production. The start of extraction of coal from Area 1 has been delayed, pending a visible and sustainable increase in market demand.

A maximum vertical highwall of 30 metres is planned after extraction of coal with the final highwall sloped at 45° above this level. Detailed rock

mechanics studies have been carried out and have concluded that the hanging-wall strata are competent and dominated by massive sandstones. The rock quality designation (RQD) values are available for the cores and these indicate, in general, that there is 80% to 98% of good to excellent rock quality. However, given the tectonic setting and the magnitude of intrusives and faulting, a conservative approach to slope stability is being adopted. Concern centres on the orientation and frequency of defined planes of weakness, including intersecting faults and slicken sided shears in the highwall. On exposure of the highwall at the start of each pit, detailed mapping of the strata is carried out and a rock mechanics specialist engaged to assist in the field with the study and assessment of conditions.

Somkhele – Key performance indicators

		FY09	FY08
Total ROM production	Mt	1.1	1.1
ROM tonnes washed	Mt	1.1	1.1
Plant yield ⁽¹⁾	%	42	46
Saleable tonnes produced	t	454,188	506,121
Tonnes sold	t	451,081	494,602
Sales revenue	Rm	343.5	219.8
Profit before tax	Rm	94.2	72.3
Profit after tax	Rm	65.6	51.5
Capital expenditure	Rm	263.4	179.8

⁽¹⁾ Bulk mining

The highwall slope is benched when excess waste is removed from the excavation to enable roll-over to proceed. The practical depth for roll-over is a function of bulking and void space in the cut. Somkhele uses the services of an independent rock mechanical engineer to advise on highwall stability and the safe design of pits.

During the 2010 financial year, the mine will implement a Datamine planning model. This computerised tool will assist with the following:

- determining mining sequence;
- a short-term, monthly planning system and a long-term system for five-year and life-of-mine plans;
- generating sequential advances from face position to face position and comparing those with the blocked mineral resource in the model;
- coal proximate analyses for model blocks;
- identifying the quality of the areas to be mined and assisting with future blending requirements; and
- enabling Somkhele to optimise mine planning and mining costs.

Coal preparation plant

Somkhele's existing coal preparation plant has a throughput capacity of 1.4 million tonnes of ROM coal a year. The actual throughput of ROM tonnes washed during the year was 1.1 million tonnes – 78% of design capacity.

A rotary breaker was installed in the primary crushing circuit during the year to ensure better feed control to the washing plant, with the added advantage of removing a percentage of the rock dilution contained in ROM feed. The rotary breaker was still being optimised at year-end and it is expected that it will only be fully utilised once the second washing plant is built.

The plant yield ended the year at 42%. This is directly related to the quality of the ROM feed and meeting different specifications in terms of the products sold. Management is constantly striving to achieve an optimal balance between local and export markets. Whereas a 15% ash product is required for the local market, an 18% ash product is sold to the export market.

Capital expenditure

Capital expenditure for the year was R263 million. Apart from pre-stripping of the open-pits at a cost of R86.4 million, the main items were the delineation of additional resources, the construction of a rotary breaker, mine development, and the construction of workshops and terraces for product stockpiles. The rate of spending was, however, reduced in the second half of the financial year in order to preserve cash, and due to the decrease in demand for anthracite experienced in the first half of the year.

The capital expenditure budget for the 2010 financial year will revert to normal levels – at R29 million – with Phase 1 of Somkhele's development now complete. The focus of the spend will be on developing the Luhlanga and Kwa Qubuka strike areas, completion of development of Area 1 prior to mining, and a new weighbridge.

Exploration programme

Somkhele has one of the largest open-pit anthracite reserves in South Africa, with a further 23,000 hectares under exploration. The exploration programme conducted by the mine in the year under review concentrated on the Luhlanga, Kwaqubuka and Emalehlene coal deposits because of their proximity to Area 2 where mining is currently taking place.

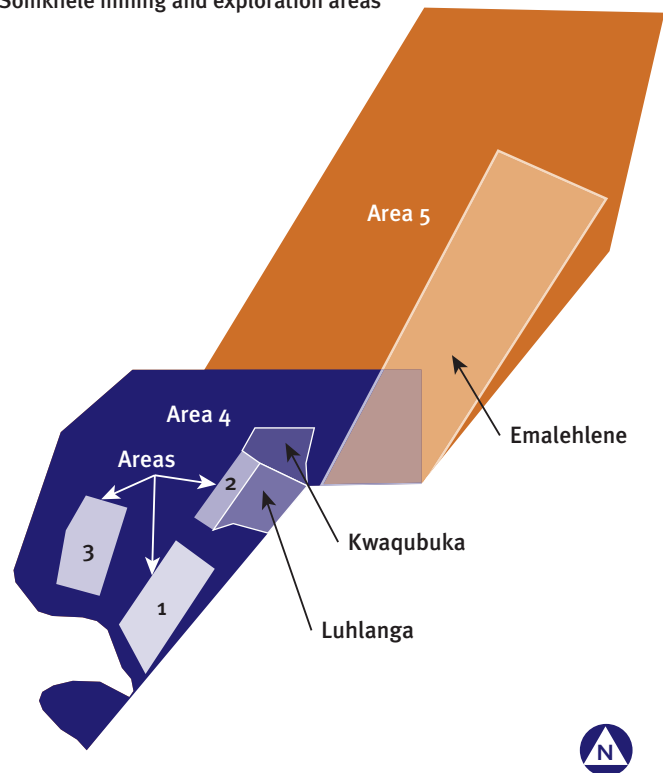
The mine conducted an accelerated exploration drilling programme which was completed in June 2009 in accordance with the guidelines of the SAMREC Code and verified by Snowden Mining Industry Consultants in their report dated June 2009.

The drilling programme resulted in 24 million tonnes of resources being delineated as follows:

- 11.9 million tonnes of measured resources in the Luhlanga area;
- 3.4 million tonnes of indicated resources in the Luhlanga area;
- 0.2 million tonnes of inferred resources in the Luhlanga area; and
- an additional 8.5 million tonnes of inferred resources in the Kwaqubuka and Emalahlene areas, all of which are contiguous with current operations. (See pages 38 and 39 of the report for the annual reserve/resource statement for further details).

At current rates of production, we expect the life of mine at Somkhele to be in excess of 40 years.

Somkhele mining and exploration areas



Directors' review of operations – Somkhele

(continued)

Safety, Health and Environment

Safety and health

Somkhele strives for excellence in the management of safety and health. The mine complies with all applicable safety and health legislation and ensures that tasks are performed in a safe manner and adhere to the mine's safety policy.

The management of occupational safety and health at Somkhele draws on programmes devised by the National Occupational Safety Association (NOSA) and International Risk Management Consultants IRCA.

Systems to monitor the implementation and effectiveness of safety are in place and monthly, quarterly and annual audits are conducted to measure compliance and to highlight any shortcomings.

As was the case during Somkhele's first year of operation (FY08), there were no fatalities at this mine in FY09. A single lost-time accident was reported during the current financial year giving the operation a Lost Time Injury Frequency Rate (LTIFR) of 0.29 per 200,000 hours worked compared with 0.17 in FY08. Health and safety training and awareness campaigns continue to be actively managed by the mine.

A number of geotechnical audits were performed during the year to ensure that the mine continues to manage highwall safety appropriately.

There were no significant risks identified and all employees received training on the identification of risks and hazards associated with highwalls and slope stability. Day-to-day monitoring is an integral part of the daily inspections carried out by the responsible supervisors and safety representatives.

The main occupational health risks faced by employees are noise and dust. Four occupational health and safety audits were carried out on employees working in hazardous areas. All risks were reviewed and systems further optimised to ensure the health and safety of all workers. The results of these audits were submitted to the Department of Mineral Resources (DMR) and frequent follow-ups are carried out to ensure compliance. To date, there have been no reportable occupational diseases identified at Somkhele.

All the necessary risk assessments and procedures were revised during the year to minimise and control occupational and safety hazards. All employees were made aware of these risks and, where needed, additional training was conducted.

All accidents and potentially serious incidents were investigated and the results communicated to all employees. The involvement of employees in assisting with the identification of basic causes is encouraged and the awareness of potential hazards forms part of daily operational activities. All matters regarding health and safety are communicated on three levels. There are daily meetings held before the start of each shift,

weekly supervisors' meetings and monthly managers' meetings. All concerns raised are acted upon and documented.

Environment

Somkhele ensures that mining is carried out in compliance with all applicable environmental legislation and in accordance with our approved Environmental Management Programme (EMP).

Management of the environment within which we operate is a priority for Somkhele management, ensuring that mining activities are carried out in a responsible manner. Regular audits were conducted during the past financial year to ensure compliance.

Various environmental programmes have been put in place, including dust suppression and monitoring systems, rehabilitation through topsoil replacement, re-seeding of reshaped areas to prevent soil erosion, and removal of alien invasive vegetation.

Amendments to the approved EMP were submitted to the DMR and performance assessment reports for our mining and exploration activities were conducted. Remedial programmes are at various stages of development and implementation.

All applications for water licences have been submitted to the Department of Water and Environmental Affairs (DWEA) for approval.

The mine will continue to conduct environmental monitoring of our activities to minimise the mine's impact on the local community and on the environment.

Market overview

The relationship between demand and price for Somkhele's products continues to be directly associated with industry conditions affecting ferrochrome, ferromanganese, ferrotitanium and iron ore producers.

All of these commodities are, in turn, driven by steel production and demand coupled with the availability of quality reductants on a global level. The reductants in these processes are generally prioritised by carbon content and impurity levels, such as the sulphur and phosphorus content.

Somkhele, because of its carbon content together with low phosphorus and sulphur levels, has a unique application as a replacement for coke and has become more attractive than coke given its competitiveness in terms of price.

To assist in understanding the relationship between coke and anthracite in terms of characteristics, pricing, efficiencies and applications, a table comparing the two commodities is provided opposite.

Anthracite offers a cost-effective alternative to coke and char as a reductant in blast furnaces and smelters, provided that it contains low contaminant levels of sulphur and phosphorus.

Export market

The primary export market for South African anthracite is Brazil where the product is used in the country's steel mills. This market for sized anthracite was depressed for most of the second half of the financial year ending 2009, with major customers running down significant stockpiles.

During the period under review large inventories of anthracite were still evident at consumer stockyards abroad and in South Africa, as well as at load and dispatch ports in Europe. Some price stability is expected once these stocks are reduced to normal levels. However, this is only expected to occur in the first half of calendar 2010. In these market conditions, buyers have been renegotiating existing contracts or seeking a blended price going forward on greater tonnages.

Somkhele's long-term export contract was renegotiated for the period after 30 June 2009 to accommodate the reduced short-term demand in the international market for anthracite. The terms have been amended to 200,000 tonnes per year at an average price of \$119 per tonne over the remaining four years (starting on 1 January 2010 and ending on 31 December 2013).

Given the volatility of the rand and the need to protect our cash flows and earnings, we adopted a hedging strategy which resulted in an average exchange rate of R9.09 to the dollar during the period under review. At 30 June 2009 we had \$5,814,000 in outstanding hedges and are constantly monitoring the exchange rate to ensure we enhance revenue without taking any unnecessary risks. (See note 21.1 in the annual financial statements).

Market comparison

	Coke	Anthracite
Description⁽¹⁾	Coke is reductant of choice in these processes: <ul style="list-style-type: none"> • current carrier ('coke bed'); and • closed furnaces (without combustion of off-gas on bed surface) because they cannot handle volatiles. Therefore only coke and char are used. 	Anthracite is a carbon-rich, high-quality coal with several fields of use, most commonly: <ul style="list-style-type: none"> • as a carbon feedstock (reductant) in several metallurgical applications such as submerged arc furnaces, sinter-beds and pulverised fuel; • as a smokeless fuel for domestic heating and similar processes, typically in urban areas where pollution restrictions apply; • as pulverised fuel for power generation in older coal-burning utilities, especially in Europe; and • in the manufacture of carbon-rich products, such as Soderberg electrodes and carbon blocks.
Pricing	Chinese monthly export pricing used as basis for much of world's coke trade.	Large variation in mechanisms and basis, depending on whether domestic or export sizing; specifications; delivery points etc.
Market transparency	Sufficient to produce monthly reference price series.	Annual transparent – coke is used as reference point. MAPI index has now been developed with base reference as API4 adjusted for quality ⁽²⁾ .
Quality used as price reference	12%–12.5% ash; 30mm–90mm sizing	Large variation, invariably sized according to customer specification.
World annual output (2007)	544 million tonnes	Estimated at 170 to 180 million tonnes (excluding Australian semi-anthracite).
World exports (2007)	33 million tonnes (13 countries)	50 million tonnes (six countries)
Exporters to world markets	China, Poland, Columbia, CIS, Japan, others.	CIS (Russia, Ukraine) for Europe, Vietnam, North Korea for Asia, South Africa, China.
Demand characteristics	Typically, coke is the most expensive option but not easy to replace. Substitution options often partial.	Anthracite is typically one of a number of options. Local availability often a key factor in its usage.
Applications	Iron-making (mainly captive), foundry iron, some base metals smelting, calcium carbide, ferroalloys (manganese, chrome), soda ash, sugar, stone wool (needing foundry coke).	Iron ore pelletising and sintering; PCI for the blast furnace, Electric Arc Furnace steelmaking; calcining for electrode manufacture; ferroalloys (mainly sintering), ilmenite smelting; soda ash; sugar; filtration. Cement, power generation – mainly in the Far East (China, Korea, Vietnam).

⁽¹⁾ Petmin; ⁽²⁾ Energy Publishing

Source: Resource-Net – March 2009

Directors' review of operations – Somkhele

(continued)



Inland market

The consumption of anthracite by ferrochrome producers – Somkhele's primary customer base – was seriously affected by the global economic downturn, and these producers were operating at less than 20% capacity for the second half of the financial year under review.

In order to manage our market risk more appropriately, a local pricing formula has been devised and medium-term offtake agreements have been introduced to enhance visibility of earnings.

To ensure clarity with regard to anthracite prices, which had previously been determined by private treaty, the industry has formulated an independent pricing mechanism.

The MAPI pricing index is now an effective anthracite pricing mechanism which is published internationally by Energy Publishing (Pty) Ltd on weekly basis.

Logistics

Petmin acquired the remaining 30% interest in Petmin Logistics from the minority shareholders in the first half of the financial year under review, and now holds a 100% interest in the company. Petmin Logistics has contracted with the South African Port Authorities to provide a dedicated export facility at Richards Bay for a minimum of 600,000 tonnes per year for four years.

Mineral rights

The application for the renewal of prospecting rights over Areas 4 and 5 has been lodged with the DMR in KwaZulu-Natal. The conversion of the mining right for Area 2 is still outstanding. Progress on the status of these applications is being monitored by management.

Employment

At 30 June 2009, the mine employed approximately 375 people, comprising full-time employees and contractors. Labour is currently sourced mainly from the local community with almost 80% of employees recruited from the Mpukunyoni wards in the Hlabisa district of KwaZulu-Natal.

The mine will continue to seek ways to improve its relationship with the local community and employees through employment, training and skills development, literacy and numeracy training, and development of small, medium and micro enterprises in the area.

Outlook

Indications in the second half of 2009 are that the South African local ferrochrome and other metallurgical producers as well as the Brazilian iron producers are substantially increasing production levels by returning mothballed smelters to production. Somkhele is well-placed to increase production levels to meet the increased demand and we are contemplating a number of medium-term offtake agreements from 2010, which will significantly enhance the mine's visibility of earnings.

Operationally, the mine has implemented a project to optimise process efficiencies in the washing plant. This is geared at improving both overall yields and general product specifications. Mine planning processes will be further optimised with the implementation of DataMine-based modelling. This will specifically assist to optimise mining from different pits.

Directors' review of operations – SamQuarz



SamQuarz, which began production in 1955, is an opencast silica operation, situated 10 kilometres east of Delmas in Mpumalanga Province. It is the largest producer and supplier of silica to the glass and metallurgical industries in South Africa.

Operational and Financial review

The performance of SamQuarz was consistently good for the year ended 30 June 2009, despite a 3.92% reduction in the ROM tonnes produced. Tonnes sold increased by 5.09% and revenue by 16.36%.

During the period under review the world suffered a dramatic economic slowdown which had a significant effect on the mining and metals industries. SamQuarz is a key supplier of silica to the local ferro-metal industries which drastically reduced production during the period. Tonnage shortfalls in this market were to some extent made up by growth in the local construction industry during the first six months of the financial year. However, this momentum tailed off towards the end of the financial year with the construction sector becoming extremely competitive. Demand remained steady from the glass manufacturers.

SamQuarz concentrated on cost management and a comprehensive maintenance programme to ensure operational efficiency. Recoveries in sand products for the manufacture of glass improved as a result of tighter operational control throughout the plant.

SamQuarz – Key performance indicators

		FY09	FY08
Sales revenue	Rm	180.80	153.03
Production (ROM)	Mt	1.33	1.39
Sales	Mt	1.51	1.44
Profit before tax	Rm	47.7	46.7
Net profit after tax	Rm	34.7	33.1

Capital expenditure

Capital expenditure (capex) for the year amounted to R16.33 million, and was focused on increasing production capacity both in the open pit and the plant to ensure that customers' demands could be met. The breakdown of expenditure is as follows:

- 33.4% on mine development, mainly the opening up of the pit to improve access to the orebody;
- 12.9% on the replacement of moveable components of the primary crusher; and
- 10.2% on the replacement of one of the screens.

The balance was spent on generators and refurbishment of sand plant stockpile drainage systems.

The installation of an emergency generator was completed during the six months to 31 December 2008.

Capex of R22 million is scheduled for the 2010 financial year. This will be spent mainly on mine development, plant/equipment and the installation of an 11-kilovolt (kV) Power Factor correction system. The balance will be used for various replacement and maintenance requirements.

Directors' review of operations – SamQuarz

(continued)

Exploration programme

SamQuarz concluded an extensive exploration drilling programme in October 2008.

The programme culminated in the production of a SAMREC-compliant Reserve and Resource Statement that confirmed proven and probable reserves of 60.64 million tonnes of quartzite, an increase of 33% from 45.75 million tonnes, and 11.48 million tonnes of chert, a rise of 88% from 6.11 million tonnes, resulting in a life of mine in excess of 40 years. (See pages 37 and 38 of this report for further details.)

In order to mine the available reserves effectively, a comprehensive mine schedule has been developed as part of the mine's five-year plan and will be updated on an ongoing basis.

During the mine scheduling phase concerns were raised regarding the slope design used for the pit. Geotechnical data used for this design is currently under review to take into account newly exposed features present in the north pit as well as results obtained from the exploration drilling programme concluded.

Review of Products and Markets

Products

SamQuarz mines silica and chert breccias from the Delmas silica deposit. The silica (quartzite) is monomineralic and is both remarkably uniform and of high purity, greater than 98% silicon dioxide (SiO₂). It is an extremely hard, white to very pale grey, glassy rock composed of discrete grains cemented by silica. The main impurity is alumina (1% or

less). After metallurgical treatment the silica is suitable for the manufacture of flat and container glass. It may also be used in place of chert by the ferro-metals industry.

The chert is a hard, dark to light grey breccia composed entirely of angular chert fragments cemented by silica to form a massive chert rock. Overall, the silica content averages above 97%, with about 1.5% iron oxide (Fe₂O₃). The chert is suitable for use as a flux in the ferro-metals industry, and is also used as an aggregate in the construction and road-building industries.

The mineral deposit is mined and processed by SamQuarz to produce the following products:

- glass grade silica;
- metallurgical grade silica;
- metallurgical grade chert; and
- silica sand.

The glass grade silica is of unrivalled quality in South Africa, making SamQuarz the sole supplier to the country's main manufacturer of plate and clear glass. The chert is used as metallurgical process feed and aggregate because the aluminium content prevents it from being used for glass production.

Markets

The South African silica market comprises two key market segments, namely the glass and metallurgical sectors. Total annual consumption has been maintained at approximately 2.7 million tonnes.

SamQuarz is the largest producer of silica products in South Africa, meeting approximately 35% of the country's total annual consumption.

Product	Grade	Use/Application
Silica rock	-80mm +40mm -80mm +25mm -40mm +20mm -30mm +10mm	Metallurgical flux or silicon carrier
Silica chips	-20mm +6mm -10mm +3mm -3mm +1mm	Metallurgical flux or silicon carrier
Chert rock	-90mm +40mm -90mm +25mm -40mm +20mm	Metallurgical flux
Chert	-20mm	Building and construction
Silica sand	D30, D33, D36 D31	Foundry, refractory and other industrial applications Dry sand for fine milling
	D03 (flint sand) D13 (float glass sand) D23 (amber sand) D21, D30	These sands are used for the manufacture of flat glass, container glass and clear glass products Sand for bunkers and sandpits

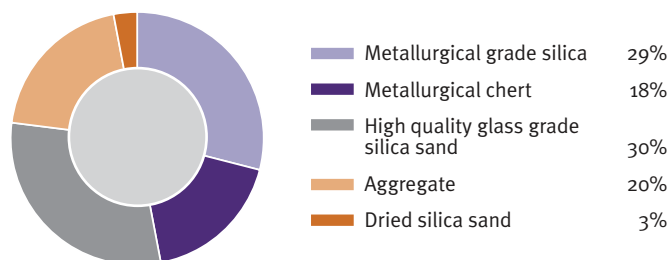
The company continues to rely on the local market and, in particular, a small number of key customers who accounted for close to 80% of the total tonnes sold during the year to June 2009. These customers include major companies in the glass and metallurgical industries. Approximately 47% of production, comprising metallurgical grade silica (29%) and metallurgical chert (18%) is supplied to the metallurgical sector.

Although the metallurgical process industries were affected by the economic slowdown and increased electricity tariffs during the year, they remained the primary consumer for SamQuarz's products.

There was a slight drop in demand from the glass industry during the past year. Glass sand sales constituted 30% of total sales compared with 38% achieved in 2008. Maintenance projects carried out by major customers together with the economic climate are the main reasons for the decrease.

Companies in the Gauteng and Mpumalanga provinces account for approximately 60% of the total silica consumption in South Africa and SamQuarz is ideally located to take advantage of these markets.

SamQuarz products



Health, Safety and Environment

During the past year, SamQuarz focused on reviewing its safety management system and mandatory codes of practice in order to continue to provide a safe and healthy working environment for all its employees.

SamQuarz was awarded the prestigious NOSA five-star rating after achieving 92.28% (2008: 82.99%) for its stringent health and safety



Directors' review of operations – SamQuarz

(continued)

programmes. The NOSA Five Star System Standard is implemented by thousands of organisations across the world, providing them with a rock-solid framework for managing occupational health and safety. Its grading audit focuses on the status of safety, health, environmental and quality (SHEQ) programmes and the company's disabling incident frequency rate (DIFR). NOSA's star ratings are based on established industry criteria.

The mine is working towards converting from the CMB150N system to the CMB253 NOSA system over the next two to three years. The proposed rating system will include environmental matters.

There were no fatalities in 2009 (2008: no fatalities). Whereas in 2008 the mine recorded a LTIFR of 0.00 per 200,000 hours worked, the LTIFR for 2009 was 0.25 as a result of one lost-time injury.

Employees continued to benefit from the training shift which forms part of the shift cycle. During these training sessions, employees undergo formal, safety-related training as well as operations-specific training.

The generation of alpha quartz dust continues to be major health risk at the mine as this dust can cause occupational lung diseases such as silicosis and occupational tuberculosis (TB). Another health risk is noise-induced hearing loss (NIHL) which can develop when employees are consistently exposed to high levels of noise (above 85 decibels).

SamQuarz has controls in place to reduce dust and dust emission surveys are conducted to monitor and mitigate this risk. The health of employees and contractors is closely monitored with monthly personal

dosimetry for exposure to silica dust being conducted. During 2009, there were no cases of TB, silicosis or NIHL reported. The services of a new occupational hygienist were sourced to refine procedures for measurements and verification as well as to establish the protocols to be followed when levels exceed threshold limits. In addition, a Baseline Occupational Health Risk Assessment was conducted at the mine.

SamQuarz conducts regular audits during the year to ensure compliance with the requirements of the mine's EMP and those of the DMR and the DWEA. The mine is currently reviewing and updating its approved EMP to ensure compliance with the requirements of the DMR. Documentation to facilitate the application for a water permit was completed during the year.

SamQuarz applied for the renewal of its railway siding permit from the Railway Safety Regulator during the period under review. The permit was issued and is valid until March 2012.

Employment

SamQuarz employed a total of 150 people on a full-time basis and an additional 111 contractors during the financial year ending June 2009. The mine continues to be committed to the training and development of its employees through programmes that aim to improve literacy levels and skills levels and is implementing career development plans in key disciplines.

Regular meetings are held with the National Union of Mineworkers (NUM) which represents 71% of the workforce. In terms of the three-year wage agreement concluded with NUM in April 2008, wages increased by 11.8% for the period from 1 March 2009 to 28 February 2010 (and will increase by the average CPIX for 2009 plus 1% or a minimum of 8% from 1 March 2010).

Mining right conversion approved

The mining right conversion for SamQuarz was approved and came into effect in April 2009. This right is valid for 30 years (the maximum number of years allowed under the Mineral and Petroleum Resources Development Act of 2002).

Outlook

It is anticipated that with economic conditions improving in the second half of 2009, demand from the glass manufacturing industry will be stable during the 2010 financial year.

Demand from the metallurgical sector is expected to improve over the next six months as the ferrochrome and ferromanganese smelters increase production to normal levels and the country moves out of the winter electricity tariff period.

Although there is still demand for material for construction purposes, this market has become extremely competitive. SamQuarz will continue to evaluate other opportunities as and when they arise.



Directors' review of operations – Veremo



Veremo Holdings (Pty) Limited (Veremo), which holds a substantial magnetite ore resource near Stoffberg in Mpumalanga Province was jointly acquired by Framework Investments Limited (Framework), a wholly owned subsidiary of Kermas Limited, and Petmin Limited in April 2008. Petmin has a 25% interest, and Framework holds the remaining 75%.

During the year under review, Petmin capitalised its R25 million loan to Veremo. The financial effect of the transaction is that Petmin's interest in Veremo Minerals (Pty) Ltd increased to an effective economic interest of 34.9% (2008: 25%).

Project overview

The Veremo project is an iron-ore deposit of Layer 21 of the magnetite layers of the Upper Zone of the Bushveld Complex. It is attractive for the development of a pig-iron operation because of the lateral continuity and considerable thickness of the orebody, which is up to 60 metres, and the good accessibility due to relative shallow dips and surface exposure. This is the first Ti-magnetite occurrence to be discovered in South Africa that is capable of generating such large resources per hectare.

The land over which the two parties have mineral rights includes five contiguous farms covering approximately 2,989 hectares with a strike length of at least 6 kilometres which outcrops on surface.

Exploration update

In 2008, we reported on the previous exploration programme. This included the drilling of 90 holes amounting to 6,000 metres, 306 trenches and 15 pits. The last mentioned were excavated to expose in-situ and eluvial ore and to determine the position of foot- and hanging-wall contacts. Industry Consultants, MSA Geoservices, were appointed to carry out a technical review and data validation on the project. This work included the re-analysis of core samples, mineralogical studies, and the re-calculation of the previous resource model.

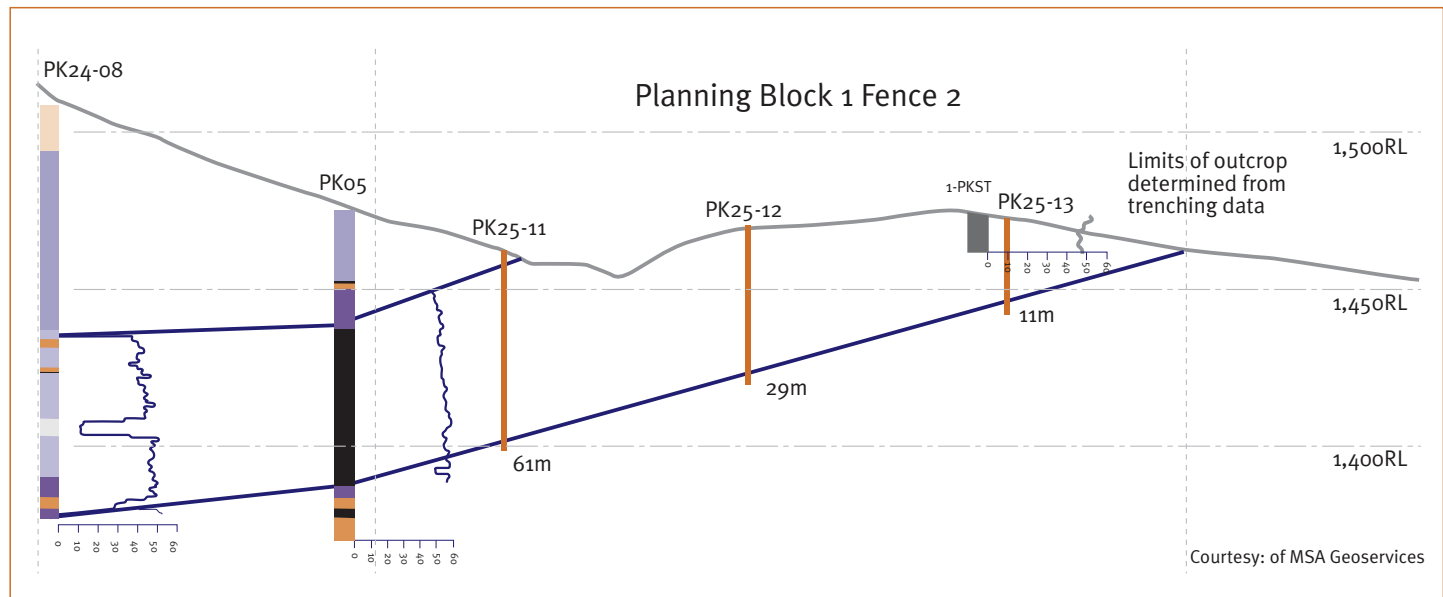
In 2009 MSA designed and managed an in-fill core drilling and sampling programme as part of a geological scoping study with the aim of delineating a SAMREC-compliant measured resource in selected high priority areas identified from previous drilling campaigns. In particular, the highly weathered 'cap' of Ti-magnetite Layer 21 in the so-called 'platform' areas was singled out for this exercise.

Previous analytical test work on mini-bulk samples from several deep pits has shown that the weathered material has higher FeO and substantially lower SiO₂ concentrations compared with the fresh material and might therefore not require a costly grinding/milling stage prior to pyro-metallurgical processing.

Additional drilling of approximately 1,150 metres in 38 holes has been completed. The drill contractor has successfully managed to optimise the drill technique to increase core recovery to nearly 100% in the weathered zone following experimentation with differing equipment.

Directors' review of operations – Veremo (continued)

Figure 1: Example of a borehole fence used to calculate the position and estimated depth of each borehole



The highly weathered material was intersected with a customised triple-tube (HMLC), coring technique while a wire-line HQ₃ triple tube was used in the underlying un-weathered Ti-magnetite.

A shortfall in the previous drilling campaign was that it failed to obtain acceptable core recoveries in the up to 20m thick weathered zone. The result was that the analytical data from the weathered material not representative and unsuitable for resource calculations.

The current drilling has shown that the thickness of the weathered zone is variable, ranging from less than 10m to 20m, and appears to be controlled in each particular area by the relative amount of erosion of the old weathering profile.

There is no sharp boundary between weathered and fresh material and the final position depends very much on how the weathered material is defined. At this stage it is not clear which mineralogical, chemical or physical parameters or a combination of these (that is colour, chemical composition including loss of ignition (LOI), bulk density and specific gravity, hardness, abundance of secondary clay minerals and so forth) will provide the most reliable and consistent classification criteria for 'weathered material'. The main objective is to determine which part of Layer 21 can be mined and processed to obtain a clean Ti-magnetite concentrate with high FeO and low SiO₂, concentrations without the need for grinding/milling.

Core sampling and chemical analyses

All boreholes drilled to date have been sampled and the material submitted for multi-element XRF analyses and SG determinations to an accredited laboratory. A document describing the procedures for drilling, logging, sampling and analytical Quality Assurance and Quality

Control (QAQC) has been compiled and all activities are carried out in compliance with the written protocol. Drill core sampling followed the previous practice, namely submitting all Layer 21 intersections as individual 1-metre long split-core samples.

A technique of splitting the friable and weathered core in a way that the samples are duly representative has been developed. This has involved manufacturing a core holder which prevents the core from disintegrating and also minimises the exposure of the core to the coolant water during the sampling process.

Mineralogical studies

Previous mineralogical studies conducted on selected core material from Layer 21 showed that ilmenite (FeTiO₃) occurs in variable quantities ranging from 1% to over 20% of the total Fe-oxide minerals with a general trend of increasing abundance with stratigraphic height.

Detailed petrographic studies revealed that ilmenite occurs as:

- very fine exsolution lamellae (<10µm) within Ti-magnetite grains;
- as embayed and highly irregularly-shaped elongated crystals (up to 3mm in length) showing complex intergrowth with Ti-magnetite and silicates; and
- as discrete subhedral grains up to 6mm in size.

Only the latter variety has potential economic significance as a marketable by-product.

In order to quantify the abundance of ilmenite and to test if ilmenite could be liberated and extracted from Layer 21, two composite samples from un-weathered borehole material were submitted for laboratory test work. Preliminary results show that crushing and milling to 600µm, followed by low intensity magnetic separation (LIMS), produces less

than 1% of discrete ilmenite grains. A better liberation/separation and hence a higher recovery of ilmenite could be achieved by milling the fresh material to smaller size (300µm). Early indications show that the weathered material is more amenable to ilmenite separation without the need for the fine milling. Further tests will be required to determine the optimal setting for an efficient LIMS process.

The final results of the test work will be ready in the first quarter of 2010.

Mapping and trenching

Aerial photography and other imagery have been compiled to assist in the surface mapping exercise. However, the general lack of outcrop of the widespread occurrence of scree and overburden material prevented an accurate mapping of Level 21 and the verification of the positions known and suspected faults.

For this reason, several trenches were mechanically excavated to determine the foot- and hanging-wall contacts of Layer 21.

Renewal of new order prospecting rights approved

The application for the renewal of all five new order prospecting rights were approved by the Department of Mineral Resources and became effective in May 2009.

Safety, Health and Environment

No incidents or occurrences of non-compliance with acceptable health and safety standards have been reported since project inception. All surface right owners have been briefed on the current drilling activities. The necessary steps to secure the open pits have been made with the purchase of specialised fencing equipment.

Way forward

In the financial year ending June 2010, management will focus on ensuring that the geological validation programme is completed.

Concurrently with the drill and sampling programme, which will be used for an updated resource statement, extensive metallurgical test work is planned on representative ore samples from both weathered and fresh zones of Level 21. The conclusion of this test work is expected to provide all key parameters for a pilot plant programme in 2010. Thereafter it is anticipated that the processing flow sheet for the production of pig-iron can be finalised.



Transformation



Petmin is committed to bringing life to the Mining Charter by ensuring that the fundamental principles of empowerment are embraced at all levels of our business.

The Mineral and Petroleum Resources Development Act (MPRDA) requires mining companies to convert their old order mining and prospecting rights to new order rights. However, before the Department of Mineral Resources (formerly the Department of Minerals and Energy) grants conversions, companies have to meet a number of socio-economic conditions which are set out in the Mining Charter. The extent to which companies are meeting these goals is assessed in terms of the Mining Charter's Scorecard.

Applications to convert old order mining and prospecting rights must be accompanied by a Social and Labour Plan (SLP) which provides detailed plans for meeting the provisions of the Mining Charter. Petmin's operations have SLPs in place.

SamQuarz was granted new order mining rights on 30 April 2009. Somkhele was granted a new order mining right for Area 1 in June 2007. Currently operating under an old order mining rights for Areas 2 and 3, Somkhele is awaiting the processing of its application for conversion.

The group's progress in terms of complying with the Scorecard's targets is discussed below.

Human resources

At the end of FY09, Petmin employed 652 people, comprising 183 (28%) permanent employees and 469 (72%) contractors, a decrease of 42% compared with FY08. The main reason for this was the sale of Springlake in June 2009.

SamQuarz is situated in the Delmas area and falls within the Nkangala District Municipality. In total, 84% of employees (including contractors) come from the towns of Delmas, Sundra, Eloff and Botleng in the municipality. No labour comes from outside South Africa. Somkhele is

Number of employees and contractors at year-end

Operation/ entity	FY09		FY08	
	Employees	Contractors	Total 2009	Total 2008
SamQuarz	150	111	261	312
Somkhele	21	358	379	423
Springlake	N/A	N/A	N/A	367
Other ⁽¹⁾	12	-	12	14
Total	183	469	652	1,116

⁽¹⁾ Includes corporate office employees

situated in the Mpukunyoni Municipality within the Hlabisa District and 79% of employees are drawn from areas surrounding the mine. The remaining employees, all South African, are drawn largely from KwaZulu-Natal, from places such as Kwambonambi, Empangeni and Richards Bay.

Training and development

Petmin is committed to the training and development of its employees so that they can perform their jobs competently and are enabled to advance in their careers.

When employees are recruited at the operations, their education levels are assessed and updated on a regular basis. A review and outline of skills development targets is drawn up every year. This takes into account the mine's operational requirements, budget constraints, employees' human resource development needs and their performance in the past year.

Most important is the determination of employees who require Adult Basic Education and Training (ABET) to acquire fundamental literacy and numeracy skills. Statistics show that at Somkhele, the education of 44% of the workforce is below ABET Level 4 (below Grade 9) which means that these workers are functionally illiterate. The percentage at SamQuarz is 33%.

In the past two years at SamQuarz, 43 employees out of an enrolment of 175 passed their ABET courses and 53 employees have declined training. Of the 24 candidates who registered for ABET in FY09, 10 dropped out and 14 are currently in training.

Lack of commitment on the part of employees and the failure of contractors to enrol their employees are among the challenges to be faced. To address this, SamQuarz is:

- encouraging contractors to enrol their employees;
- showing employees the benefits of ABET and learning in general;
- revising conditions of employment to include commitment by the employee to further education to a minimum of ABET Level 4.

In addition the ABET service provider, Mathome Training and Development, which was appointed in January 2009, will run a campaign to make employees and contractors aware of the benefits of the programme. Mathome expects to be able to increase the number of people being trained.

ABET training for employees and community members only started at Somkhele in August 2008, more than a year after the mine was commissioned. The delay was caused by the community's insistence that a local service provider be contracted to provide ABET. This meant that local capacity had to be built before the programme could get under way.

Of the first intake of 20 learners, seven dropped out. A further 17 enrolled in January 2009 which means that there are currently 30 people in training. The drop-out rate among employees is higher than it is among community members and the high turnover of contractor employees (who are moved to other sites) increases this rate.

Another problem is that students are taking twice as long to complete an ABET level than was originally envisaged. The results achieved to date have also been rather disappointing. For example, of the 13 people from the first intake who wrote the Level 1 English examination, only five passed. Because of the individual attention required, the number for ABET classes has to be kept low (a maximum of 12 learners) and only two four-hour training sessions can be scheduled per day.

The plans to improve this include:

- the recruitment of a second facilitator so that two sessions can be run in the morning and the afternoon. This will ensure that 40 students can be trained every six months, ensuring a total of 80 by the end of FY10;
- encouraging contractors to enrol their employees with time off for training being negotiated;
- reviewing training material as well as the running of the programme and the effectiveness of the teaching; and
- exploring the use of local schools as training centres as a possible solution to classroom capacity problems.

Training is provided at the operations to enable employees to improve their skills. SamQuarz has one day dedicated to training every week. In 2009, 401 people underwent training in the legal/safety sphere, seven in supervision/management, 210 in operation management and 49 in engineering management. At Somkhele, two supervisors, 10 machine operators and three workshop operators were trained.

During FY09, SamQuarz spent approximately R1 million on training programmes and Somkhele, approximately R230,000. Additionally, Somkhele's contracts with its main mining and plant processing service suppliers stipulate levels of local labour to be hired and ongoing training of this labour by the contractors is monitored by Somkhele management.



Transformation

(continued)

Learnerships, internships and bursaries

One of the ways in which employees can be developed is through learnership programmes for artisans which combine study with practical training. Good progress has been made at SamQuarz where three employees are learning to become electricians and one to be a fitter. They are expected to qualify at the end of calendar 2009.

By the end of the financial year Somkhele had three learners with a fourth starting in August 2009. In particular, the mine requires boilermakers and fitters and a further three candidates have been identified for learnerships in these categories in FY10. During the course of their two-year on-the-job training programme, they will spend periods studying at the Colliery Training Centre in Witbank.

Internships give graduates the opportunity to gain hands-on experience. Somkhele plans to recruit two graduates during 2009 and two in 2010 in civil and process engineering disciplines. A process to recruit interns in the geological and engineering disciplines will start at SamQuarz. The

intention is that at least one intern is enrolled at this operation by the beginning of 2010.

Bursaries give the operations the opportunity to assist youngsters who wish to study at a tertiary institution in a field with application to the mining industry. At Somkhele, bursaries are awarded to employees as well as to community members. In 2009, five employees and two community members were awarded bursaries. The intention is to award the same number of bursaries in 2010.

There were no bursaries awarded at SamQuarz in 2009 but the intention is to award a bursary to one student studying metallurgy in January 2010. The mine plans to encourage pupils in surrounding schools to improve their results in mathematics and science so that they become eligible for the company's bursary scheme.

Planning career paths

Petmin's career development and succession planning provides for employees to be chosen for development and advancement based on core competency requirements. A career path is then planned for the



individuals selected. At SamQuarz, three process controllers, one plant foreman and one buyer are on development programmes.

The career progression plan at Somkhele works on two levels: the first concentrates on the development of unskilled and semi-skilled workers; the second focuses on the movement of skilled and professional employees into management positions.

Career development for unskilled and semi-skilled employees is mainly aimed at developing the skills of women to take up key operational positions as:

- plant operators;
- mining attendants;
- samplers (store clerks);
- drivers of front-end loaders;
- tally operators;
- geological assistants; and
- laboratory samplers.

A total of 56 women are currently on career paths at the mine. After undergoing a Dover test (which tests hand-eye co-ordination and reaction time), the employee progresses to safety training and the correct safety practices, practical training on specific machinery follows and, after that, she progresses from handling light to heavy machinery. The programme is designed in such a way that the employee is tested at each level and, if successful, is issued with the appropriate certificate of competency. In time it is expected that employees with talent will move from operating dump truck to front-end loaders, and then on to excavators and dozers.

With respect to the second level of career planning (for management positions), Somkhele has identified four employees for development and is developing specific career paths for them over a five-year period.

Mentoring

Mentoring forms an integral part of employees' career development. At SamQuarz, mentoring is well established with nine employees, all HDSAs, currently on the programme, including those identified for career path planning and all of those on learnerships.

All employees on career paths as well those on learnerships at Somkhele are mentored.

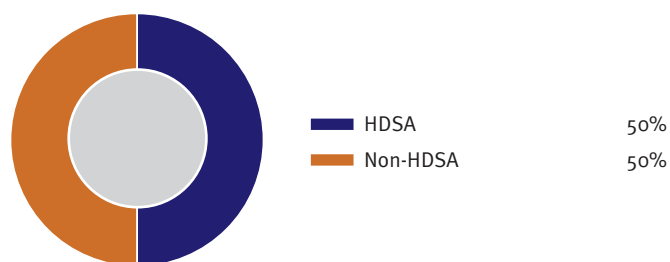
Employment equity

The Mining Charter sets the target of historically disadvantaged South Africans (HDSAs) comprising 40% of management by 2009. SamQuarz exceeds this with HDSAs occupying 50% of management positions and this operation also has HDSAs filling 67% of its skilled posts. Currently Somkhele has HDSAs making up 38% of its management staff. The target is 50% by 2012.

SamQuarz – Employment equity profile (excluding contractors) FY09

Category	Total	HDSAs	% HDSAs
employees			
Management	4	2	50%
Skilled	59	40	67%
Semi-skilled	80	80	100%
Unskilled	7	7	100%
Total	150	129	86%

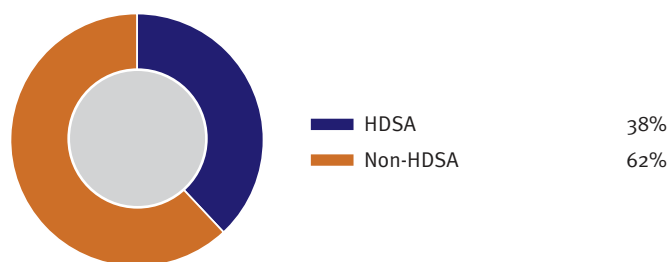
SamQuarz – HDSAs in management



Somkhele – Employment equity profile FY09 (including contractors)

Category	Total	HDSAs	% HDSAs
employees			
Management	8	3	38%
Skilled	13	6	46%
Semi-skilled	329	309	94%
Unskilled	29	29	100%
Total	379	347	92%

Somkhele – HDSAs in management



With respect to women in mining, the Mining Charter states that women should form 10% of employees in mining positions by 2009. Once again, SamQuarz has exceeded the target. By year-end, women at this operation occupied 13.2% of such positions (FY08: 9.22%), working as apprentices, weighbridge controllers, quality controllers, plant operators and box operators among other occupations. Overall, women made up 18% of the workforce at SamQuarz. Somkhele exceeded the Mining Charter target in FY08 and improved on this in FY09 with women comprising 15% (FY08: 13%) of the total staff complement and filling 11% (FY08: 10.0%) of all mining posts. They are to be found in a variety

Transformation (continued)

of jobs as follows: screening plant operator, front-end loader operator, front-end loader supervisor, dump truck operator, dump truck driver, plant operator, diesel assistant, tally lady and sampler.

Community and rural development

SamQuarz is in the process of establishing a forum comprising the mine, the municipality and community members. It has also started meeting with adjacent mines with a view to investigating the formation of partnerships for community projects.

SamQuarz formed a partnership with McCain Foods to start a commercial farming project – the Bossemanskraal project – as a local economic development project. The initiative was officially launched in January 2008 and a total of R971,669 was contributed to this project, of which R287 000 was spent during FY09. Unfortunately, the owner of the farm experienced financial difficulties and the farm had to be sold. The mine has not given up on the concept, however, and is in discussions with McCain and the municipality with the intention of starting a similar project in the Delmas area. As with Bossemanskraal, the new project would have the following aims:

- to facilitate HDSA ownership of commercial operations and HDSA farming businesses;
- to ensure that the farming venture is self-sufficient within five years;
- to develop the business and farming skills of owners and employees; and
- to facilitate the transfer of best practices, technology and knowledge in agriculture.

Somkhele continues to interact with the surrounding communities through regular meetings of the Mpukunyoni Mining Committee which comprises representatives from the mine and the Mpukunyoni Tribal Authority.

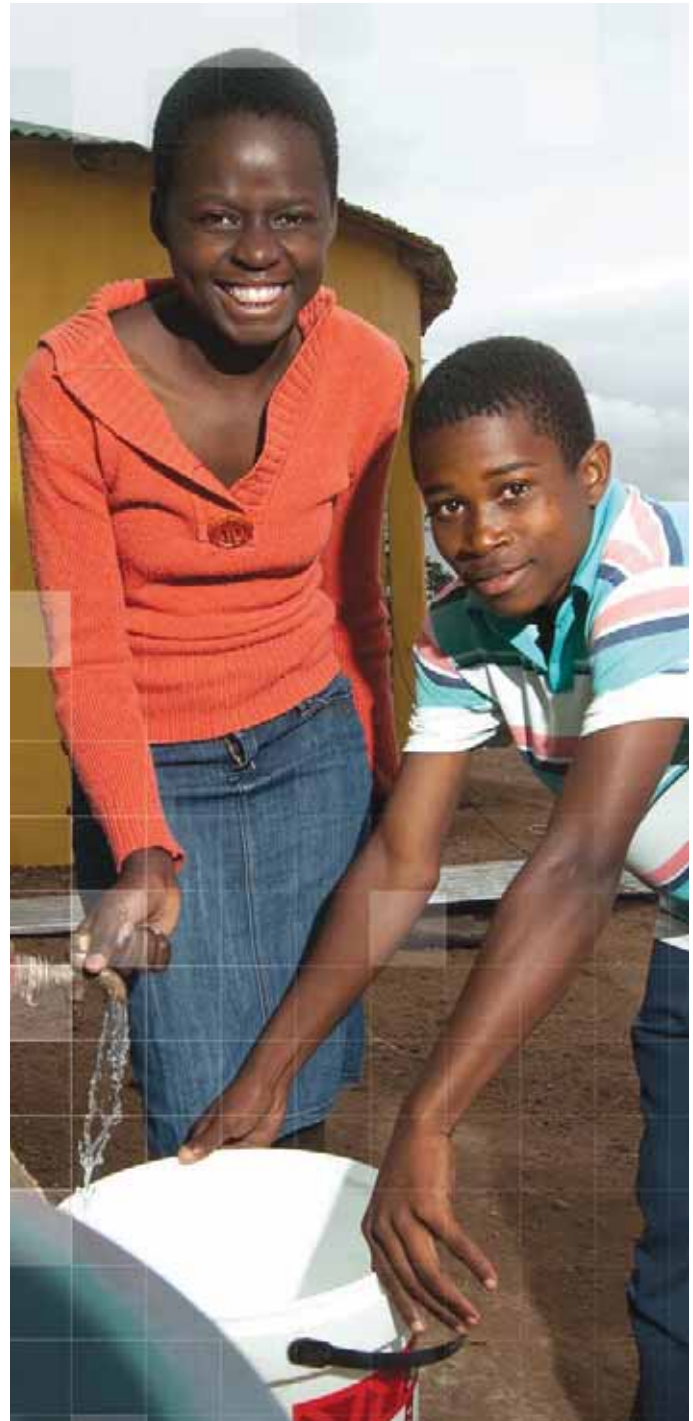
Through Somkhele's housing development project, a total of 124 families have received new houses of which, 116 have been built in the Mpukunyoni area. The total number of people that have benefited from this project is 983 community members.

All the houses built in Area 1 and Area 2 were provided with water. Progress was made with the development of a road and a new community dam for Area 1. The new electrical supply network is under way with new lines in place at Area 2. Once state power utility Eskom has given its approval, the new lines in Area 2 will be activated and new lines in Area 1 will be completed.

A library is being built which should be ready, with the first 1,000 books on the shelves, during the second quarter of FY10.

The following are planned for the next two years:

- upgrading of two community roads, one community dam and Area 2 cemetery;



- construction of a new community dam and a new community hall;
- provision of a mobile clinic;
- water to be supplied to all additional houses in Area 1 and all new houses in Area 2;
- establishment of a new sports field in Area 1; and
- implementation of a wellness programme for employees and community members.

The mine also plans to assist in developing skills among community members, starting in FY10. People with welding skills will be organised to train others. A minimum of 20 community members will be enrolled in the first six months and a further 20 in the second half of the year. The intention is to manufacture tables which will be donated to the local schools. In the process people will gain skills and experience that they can use to generate income when the project comes to an end.

Procurement

Petmin has a preferred supplier policy for companies with black economic empowerment (BEE) ownership of between 25% and 50% (empowering company). The target set for the Group is 25% spend by empowering companies by 2012.

In FY09, SamQuarz spent R174.9 million on procurement. The top 10 suppliers accounted for R114.2 million (65%) of the expenditure. BEE procurement spend, based on pro rata shareholding by BEE shareholders was 13.5% to 30 June 2009.

Somkhele's expenditure on procurement during the year under review amounted to R328.2 million. Total procurement spend by BEE suppliers (calculations based on pro rata shareholding) was 12.5%.

Procurement spend at SamQuarz

Category	BEE spend as % of total FY09
Capital goods	–
Services	17.4%
Consumables and spares	8.8%
Total	13.5%

Procurement spend at Somkhele

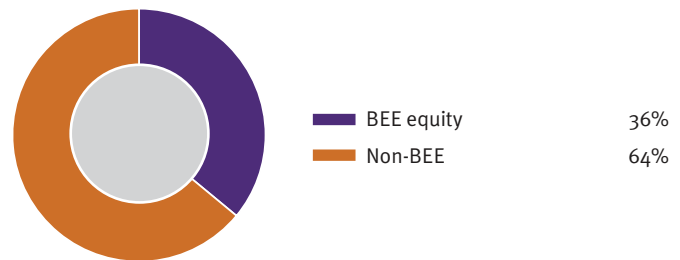
Category	BEE spend as % of total FY09
Capital goods	17.7%
Services	10.3%
Consumables and spares	–
Total	12.5%

Programmes and plans are being implemented to improve the operations BEE empowerment and will report on progress in due course.

Ownership and joint ventures

The mining charter stipulates that 26% of a company's equity should be owned by HDSAs by 2014. Petmin, with a BEE shareholding maintained at 36%, has already exceeded the target for 2014. (see page 3 for the list of BEE shareholders).

BEE spend as percentage of total procurement spend



Executive team



1) Jan du Preez (45)

MCom CA(SA)

Chief Executive Officer

Jan du Preez, who was appointed Chief Executive Officer of Petmin in February 2006, qualified as a chartered accountant with Deloitte & Touche in 1990 and has a Master of Commerce degree in Financial Management (including the field of mergers and acquisitions). He has been involved as an entrepreneur in various aspects of the mining industry and, among other positions, was an executive director of JIC Mining (Pty) Ltd (JIC) for approximately eight years. Employing some 20,000 people, JIC was the largest mining services company in South Africa during that time. Mr Du Preez has been part of the Petmin management team since 1992, and has facilitated various BEE transactions in the mining and other industries.

2) Bradley Doig (45)

BA, HDip in Company Law

Chief Operating Officer

Bradley Doig was appointed a non-executive director of Petmin from 30 November 2005, becoming the Chief Operating Officer in February 2006. He was previously an executive director and Chief Investment Officer of Decorum Capital Partners, the fund manager for the New Africa Mining Fund (NAMF). During a 10-year stint with BHP Billiton Limited, Mr Doig's experience included international business development and strategy for Samancor Manganese. He also spent time at merchant bank Dresdner Klenwort Benson in the United Kingdom and was an executive with the IQ Business Group.

3) Lebo Mogotsi (38)

BCom

Deputy Chairman

Lebo Mogotsi was appointed a non-executive director of Petmin from January 2004, becoming an executive director and Deputy Chairman of the Company on 30 November 2005. She is chairman of the Board's Transformation Committee. For three years until February 2008, she was an independent non-executive director of Merafe Resources Limited (formerly SA Chrome Limited), a junior mining company listed on the JSE, where she also chaired the Transformation Committee. Ms Mogotsi gained experience in the mining industry, through gold beneficiation at AngloGold Ashanti Limited where she held two portfolios: Marketing Manager: Beneficiation, and Executive Assistant to the Executive Director: Marketing.

4) Bruce Tanner (38)

BCom, CA(SA)

Financial Director (appointment effective from 1 July 2009)

Bruce Tanner joined Petmin in 2005 as Group Financial Manager and was appointed Financial Director on 1 July 2009. He obtained a Bachelor of Commerce degree from the University of Cape Town and a Bachelor of Accounting Science (BCompt) (Hons) degree (CTA) from the University of South Africa (Unisa), and qualified as a chartered accountant in South Africa. Mr Tanner has over 13 years' experience in mining finance and administration, including five years of involvement in the marketing of coal and copper. From June 2002 to November 2004, he was Chief Financial Officer of AfriOre Limited and Chief Operating Officer of its coal operations. During this period the company was listed on the Toronto Stock Exchange and had exploration and mining projects in Africa.



Operations' executive management

SamQuarz

Andre Knopjes (41)

General Manager

Andre Knopjes was Plant Manager at SamQuarz before being promoted to General Manager. He holds a National Higher Diploma in Extraction Metallurgy which he completed at Technikon Witwatersrand. Before joining SamQuarz in 2006, Mr Knopjes was employed for 18 years as a metallurgist by AngloGold Ashanti. During that time he not only gained experience in gold, uranium and sulphuric acid production, but acquired expertise in operations management.

Ngwedi Mabilo* (36)

Mine Manager

Ngwedi Mabilo was appointed Mine Manager of SamQuarz from 1 October 2009. Prior to this relocation, he was Mine Manager of Springlake Colliery. He holds a South African Certificate of Competency for Mechanical Engineers – and the South African Government Certificate of Competency for Mine Managers – Coal. He has also completed the Management Development Programme (MDP) through Unisa. Mr Mabilo joined Xstrata Coal as a section engineer and was promoted first to the position of colliery engineer and then to section manager. In total, he has 13 years' experience in the coal mining industry.

Juanita Allison (36)

Financial Manager

Juanita Allison obtained a diploma in Financial Management in 1997 from Allenby College. She is currently studying through Unisa and will complete a Bachelor of Commerce degree in 2010. Ms Allison has 12 years of experience in the accounting and management fields within the gold mining industry. Prior to joining Petmin, she was Group Accountant and Administration Manager at Pamodzi Gold Limited.

Ronél Luttig (38)

Marketing Manager

Ronél Luttig was appointed Marketing Officer at SamQuarz in 2004 and was promoted to the position of Marketing Manager in July 2009. She obtained a National Diploma in Analytical Chemistry from Vaal Triangle Technikon and completed a Programme in Total Quality Management through Unisa. Before joining SamQuarz, Ms Luttig gained 10 years of experience in laboratory/quality management in the mining and engineering industries with companies such as Coal and Mineral Technologies – a subsidiary of SABS, Imerys SA's Cape Bentonite & Refractory Minerals Operations, JCI's Tavistock Colliery and Fraser Alexander Mineral Processing Division's Phoenix Coal Beneficiation plant. Her career began with her appointment as a chemical technician at Eskom's Kriel Power Station in 1992.

Rory Govender (28)

Acting Mine Engineer

Rory Govender was appointed acting Mine Engineer of SamQuarz in July 2009. He was engaged by Petmin in July 2006 as a junior engineer. Before joining the Group, he worked for Illovo Sugar, completing engineering-in-service training over a three-year period. He has a BTech degree in Electrical Engineering (Heavy Current) and is currently studying for the Government Certificate of Competency for Electrical Engineers – Mines and Works.

Somkhele

Johan Gloy (41)

Chief Executive Officer

Johan Gloy was appointed Chief Executive Officer of Somkhele with effect from 1 July 2009. Before being promoted and relocated to this operation, he was Managing Director of SamQuarz for five years. Prior to joining SamQuarz, he was employed by AngloGold Ashanti. Mr Gloy holds Bachelor of Technology degrees in Extractive Metallurgy and Environmental Management, which he completed during 1991. He studied for an in-house abridged Master of Business Leadership through the University of Stellenbosch during 2000. He has 18 years of operational experience in the mining, extraction and processing of various metals and minerals.

Nico Grobbelaar (37)

Mine Manager

Nico Grobbelaar has a National Higher Diploma in Mechanical Engineering and holds a South African Certificate of Competency in Mining. Before joining Petmin in 2007, he was an engineer and operations manager with Grinaker-LTA Metallurgical Operations. He has 16 years of experience in various mining and metallurgical processes, including gold, platinum and heavy minerals, and coal.

Shenaaz Ghanchi (32)

Financial Manager

Shenaaz Ghanchi is Financial Manager of Somkhele. She holds a BCompt degree and a Certificate in Mining Taxation from UNISA. Before joining Petmin in 2007, Ms Ghanchi gained four years of experience in accounting and auditing at PricewaterhouseCoopers Inc, where she served her articles of clerkship.

Neliswa Rampago (37)

Sales and Administration Manager

Nellie Rampago is in her second year of studies for a BCom degree in Business Management through Unisa. She is currently the Sales and Administration Manager at Somkhele. Ms Rampago was previously employed as Inland Sales Manager at Springlake Colliery. She was responsible for the accounting and control of local debtors in the Springlake Holdings Group and managed local sales customers for the colliery through the full sales cycle of new account management, credit checks, orders, invoicing and cash collection/credit control.

* Ngwedi Mabilo will be transferring to Somkhele in 2010 to accept a senior operational management appointment.

Mineral reserves and resources



Petmin has SAMREC compliant quartzite reserves of 60 million tonnes, 11.48 million tonnes of chert at SamQuarz and 51.2 million tonnes of reserves and resources at Somkhele. An additional 24 million tonnes of resource were confirmed by Snowdens Mining Industry Consultants in June 2009.

Mineral Resource

The 2007 edition of the South African Code for the Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code) provides the definitions of a Mineral Resource and a Mineral Reserve and their sub-categories as set out below.

A concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality, and quantity that there are

reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, or estimated from specific geological evidence, sampling and knowledge interpreted from an appropriately constrained and portrayed geological model. Mineral Resources are subdivided, and must be so reported, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated or Measured categories.

Measured Mineral Resource

It is that part of a mineral resource where the tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource

It is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations

such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource

It is that part of a Mineral Resource for which volume or tonnage, grade and mineral content can be estimated with only a low level of confidence. It is inferred from geological evidence and sampling and assumed but not verified geologically or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes that may be limited in scope or of uncertain quality and reliability.

Mineral Reserve

The economically mineable material derived from a Measured or Indicated Mineral Resource or both. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments, to a minimum of a pre-feasibility study for a project or a life-of-mine plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

Proved Mineral Reserve

The economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments, to a minimum of a pre-feasibility study for a project or a life-of-mine plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

Probable Mineral Reserve

The economically mineable material derived from a Measured or Indicated Mineral Resource or both. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It is inclusive of diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments, to a minimum of a pre-feasibility study for a project or a life-of-mine plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

SamQuarz Mineral Resources and Reserves

The Mineral Resources and Reserves, reported in accordance with the requirements of the SAMREC 2007 Code, were published in a Competent Person's Report (CPR) published on 1 October 2008 by SRK Consulting (South Africa) (Pty) Ltd and were reported in the Petmin Annual Review 2008.

This CPR and the Mineral Resources and Reserves estimates in the tables below were compiled from the results of an extensive programme of percussion and diamond drilling carried out during 2007 and 2008.

Mineral Resources Statement

The Mineral Resources Statement below reflects a combined quartzite Measured Resource of 60.63 million tonnes and an Indicated Resource of 19.97 million tonnes. Together, at 80.60 million tonnes, they comprise the entire quartzite body. This reflects a Mineral Resource increase of 32.7 million tonnes if depletion is taken into account. It should be noted that the previous/historical resource reporting was not SAMREC-compliant.

In converting the quartzite resources into reserves, the entire quartzite Measured Resource will be converted into Proved and Probable Reserves. The years from one to 20 will be regarded as proved. Up to the end of year 20, it is planned to mine 19.16 million tonnes of quartzite, mainly above 8 level in both pits. The remainder of the quartzite Measured Resource, amounting to 41.48 million tonnes, lies below this level and will be extracted during the balance of the mine life.

The total estimated resource for chert and chert products is 59.79 million tonnes. Additional chert may exist beyond the limits of the deposit model. However, there is no drilling information to support a resource estimate. See detailed mineral resources table below.

SamQuarz Revised Mineral Resources Statement – as updated by SRK in October 2008

Resource Classification	Quartzite ⁽¹⁾ (Mt)	Chert ⁽²⁾ (Mt)
Measured	60.63	7.94
Indicated	19.97	3.54
Total measured and indicated	80.60	11.48
Inferred	–	48.31
Total Resources	80.60	59.79

(1) The estimated *quartzite* Mineral Resource was divided as follows:
Measured: total resource within the Base Case Pit outline.
Indicated: balance of the resource outside the Base Case Pit outline.
Inferred: there are no Inferred Resources.

(2) The estimated Mineral Resource for chert and chert products was divided as follows:
Measured: estimated resource of chert and chert products within years one to 20 in Base Case Pit outline.
Indicated: balance of the estimated resource from year 21 onward.
Inferred: balance of the estimated resource lying outside the Base Case Pit limits.

Mineral reserves and resources (continued)

Mineral Reserves Statement

The classification of reserves is based on the running contracts for silica and chert products. Proved Reserves include all ore production for years one to 20 with the balance to the end of life of pit stated in the Probable classification.

SamQuarz Revised Mineral Reserves Statement – as updated by SRK in October 2008

Reserve classification	Quartzite (Mt)	Chert-grade product (Mt)
Proved	19.16	7.94
Probable	41.48	3.54
Total	60.64	11.48

Mine depletion to June 2009

Operation:	Mineral	Reserve	Mining method	ROM Tonnes (Mt)
*SamQuarz	Quartzite/ chert	Proved	Opencast	70.72
Reserves – 30 June 2008				
Mined this year				(1.33)
Reserves – 30 June 2009				69.39

The 2007 Mineral Reserve estimates presented in the table above are based on an updated CPR by SRK, as published in October 2008, and are in accordance with the SAMREC code 2007. The estimated depletion of reserves due to mining operations from the dates of the previous CPRs has not been independently verified.

Somkhele Mineral Resources and Reserves

The Mineral Resources and Reserves for Areas 1 to 3, reported in accordance with the requirements of the SAMREC Code 2007 and based on information compiled by Snowden Mining Industry Consultants (Pty) Ltd (Snowden), were published in the CPR on 26 October 2006.

The Mineral Resources estimate for the Luhlanga, KwaQubuka and Emalehlene Areas, reported in accordance with the requirements of the SAMREC Code 2007 and based on information compiled by Snowden, was published in its report on 10 June 2009.

The Mineral Resources and Reserves for Areas 1 to 3 were calculated by Snowden excluding the two carbonaceous siltstone partings between the upper, main and lower seams as the original mine plan called for the extraction of the coal and leaving the partings in the pits, the so-called ‘selective mining’ method. As mining progressed at Somkhele, the mine plan was altered and the entire seam package, including the partings, is now extracted and processed through the wash plant as this was a more cost-effective approach, the so-called ‘bulk mining’ method. The Resource estimate for the Luhlanga, KwaQubuka and Emalehlene Areas was calculated including the two partings. Management estimates that the ROM tonnes reported on a bulk mining basis is approximately 1.4 times that which would have been reported on a selective mining basis (this conversion estimate is management’s and has not been verified by Snowden).



**Anthracite Resources for Somkhele Areas 1, 2 and 3
(based on selective mining – excludes seam partings)**

Resource classification	Gross in-situ tonnes (Mt)	Geological loss (%)	Mineable in-situ tonnes (Mt)
Area 1 – Measured	10.911	10	9.820
Area 1 – Indicated	16.568	20	13.254
Area 1 – Inferred	8.596	50	4.298
Total – Area 1	36.075	24	27.372
Area 2 – Measured	2.667	10	2.400
Area 2 – Indicated	–	–	–
Area 2 – Inferred	–	–	–
Total – Area 2	2.667	10	2.400
Area 3 – Measured	–	–	–
Area 3 – Indicated	–	–	–
Area 3 – Inferred	42.847	50	21.424
Total – Area 3	42.847	50	21.424
Total – Areas 1, 2 and 3	81.589	37	51.196

Additional anthracite resources for Somkhele's Luhlanga, KwaQubuka and Emalehlene areas as confirmed by Snowden in June 2009 (based on bulk mining – includes seam partings)

Resource classification	Mineable in-situ tonnes (Mt)
Luhlanga – Measured	11.900
Luhlanga – Indicated	3.370
Luhlanga – Inferred	0.200
Total – Luhlanga	15.470
KwaQubuka – Measured	–
KwaQubuka – Indicated	–
KwaQubuka – Inferred	2.500
Total – KwaQubuka	2.500
Emalehlene – Measured	–
Emalehlene – Indicated	–
Emalehlene – Inferred	6.000
Total – Emalehlene	6.000
Total – Luhlanga, KwaQubuka, Emalehlene	23.970

Anthracite Reserves for Somkhele Areas 1 and 2 (based on selective mining – excludes seam partings)

Reserve classification	Mining Method	Mineable in-situ (Mt)	Extraction (%)	ROM (Mt)	Practical yield (%)	Sales tonnes (Mt)
Area 1 – Proved	Opencast	9.820	95	9.329	68.6	6.400
Area 1 – Probable	Opencast	13.254	95	12.591	68.6	8.638
Total – Area 1	Opencast	23.074	95	21.920	68.6	15.038
Area 2 – Proved	Opencast	2.400	95	2.280	68.6	1.564
Area 2 – Probable	Opencast	–	0	–	0	–
Total – Area 2	Opencast	2.400	95	2.280	68.6	1.564
Total – Areas 1 and 2		25.474		24.200		16.602

Somkhele mine depletion to June 2009 (based on selective mining – excludes seam partings)

	Mineral	Reserve classification	Mining method	ROM (Mt)
Reserves at start of mining	Anthracite	Proved & probable	Opencast	24.200
Mined in 2007				(0.090) ⁽¹⁾
Reserves – 30 June 2007				24.110
Mined in 2008				(0.800) ⁽¹⁾
Reserves – 30 June 2008				23.310
Mined in 2009				(0.810) ⁽¹⁾
Reserves – 30 June 2009				22.500

⁽¹⁾ Based on selective mining – excludes seam parting, and is equivalent to the 1.1 million ROM tonnes (bulk mining basis) reported in the directors' review in this report
Note – the mine depletion table has not been reviewed by an independent competent person and is provided by management for guidance only.

Veremo Mineral Resources

Snowden Mining Industry Consultants published a resource statement in February 2008 prior to the acquisition of Veremo by Kermas and Petmin. This data is currently being validated and the extent and quality of the Veremo resource will be finalised in the first quarter of 2010.



Forward-Looking Statements

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