

## HIGHLIGHTS

- Platform for growth established
- HEPS up 54% to 4.98 cents (2005: 3.24 cents)
- NAV per share up 53% to 81.94 cents (2005: 53.52 cents)
- Profit up 72% to R48.6 million (2005: R28.3 million)
- Somkhele development "on track" for plant commissioning in November 2006
- SARB in principle approval obtained for listing on the London Stock Exchange's – Alternative Investment Market ("AIM")
- Black Economic Empowerment shareholding up from 28% to 43.54%

# petmin

**Petmin Limited**  
(Formerly Petra Mining Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number 1972/001062/06)  
Share code: PET ISIN: ZAE000010237  
("Petmin" or "the Company" or "the Group")

## CONDENSED CONSOLIDATED REVIEWED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### Condensed Consolidated Reviewed Income Statements

for the year ended 30 June 2006

GROUP	Reviewed Year ended 30 June 2006 R'000	Audited Year ended 30 June 2005 R'000
<b>Revenue</b>	<b>176 676</b>	<b>58 737</b>
Cost of sales	(145 663)	(41 597)
<b>Gross profit</b>	<b>31 013</b>	<b>17 140</b>
Profit on acquisition of subsidiary	33 822	22 829
Operating and administration expenses	(7 859)	(8 623)
<b>Operating profit before financing costs</b>	<b>56 976</b>	<b>31 346</b>
Net finance (expense)/income	(800)	224
– Financial income	1 923	769
– Financial expenses	(2 723)	(545)
<b>Profit before tax</b>	<b>56 176</b>	<b>31 570</b>
Income tax expense	(7 576)	(3 257)
<b>Profit for the year</b>	<b>48 600</b>	<b>28 313</b>
Basic earnings per ordinary share (cents)*	16.38	16.74
Diluted earnings per ordinary share (cents)*	14.85	16.36

\*Refer to note 4

### Condensed Consolidated Reviewed Balance Sheets

at 30 June 2006

GROUP	Reviewed Year ended 30 June 2006 R'000	Audited Year ended 30 June 2005 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>365 772</b>	<b>106 125</b>
Property, plant and equipment	349 775	106 125
Intangible assets	6 735	–
Investments	9 262	–
<b>Current assets</b>	<b>155 929</b>	<b>33 560</b>
Inventories	41 228	8 511
Trade and other receivables	44 181	15 966
Taxation prepaid	386	–
Cash and cash equivalents	70 134	9 083
<b>Total assets</b>	<b>521 701</b>	<b>139 685</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Ordinary share capital and reserves</b>	<b>360 466</b>	<b>104 373</b>
Share capital	109 972	48 750
Share premium	134 821	19 767
Share option reserve	5 141	1 476
Contingent consideration reserve	27 552	–
Retained earnings	82 980	34 380
<b>Non-current liabilities</b>	<b>82 432</b>	<b>20 419</b>
Preference share liability	–	13 000
Non-current liabilities	13 704	–
Deferred taxation	54 495	3 143
Environmental rehabilitation provision	14 233	4 276
<b>Current liabilities</b>	<b>78 803</b>	<b>14 893</b>
Trade and other payables	67 522	12 596
Current portion of non-current liabilities	11 197	1 667
Taxation payable	84	630
<b>Total equity and liabilities</b>	<b>521 701</b>	<b>139 685</b>
*Net asset value ("NAV") per share (cents)	81.94	53.52
*Fully diluted NAV per share (cents)	70.16	51.16

\*Refer to note 5

### Condensed Consolidated Reviewed Cash Flow Statements

for the year ended 30 June 2006

GROUP	Reviewed Year ended 30 June 2006 R'000	Audited Year ended 30 June 2005 R'000
<b>Net cash flow from operating activities</b>	<b>58 218</b>	<b>9 457</b>
Cash flows from investing activities		
Acquisition of subsidiary net of cash acquired	(4 850)	(14 551)
Increase in investment in rehabilitation funds	(1 430)	–
Acquisition of property, plant and equipment	(70 308)	(4 853)
Proceeds from sale of property, plant and equipment	240	562
<b>Net cash flow from investing activities</b>	<b>(76 348)</b>	<b>(18 842)</b>
<b>Net cash flows from financing activities</b>	<b>79 181</b>	<b>(13 003)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>61 051</b>	<b>(22 388)</b>
Cash and cash equivalents at beginning of year	9 083	31 471
<b>Cash and cash equivalents at end of year</b>	<b>70 134</b>	<b>9 083</b>

### Segment Reporting

Segment information is presented in the condensed consolidated reviewed financial statements in respect of the Group's business segments, which is the Group's primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### Business segments

The Group comprises of the following main business segments:

- silica mining and marketing ("silica")
- anthracite mining and marketing ("anthracite")

Segment	Reviewed Year ended 30 June 2006 R'000	Audited Year ended 30 June 2005 R'000
<b>Segment revenue</b>		
– silica	90 603	58 737
– anthracite	86 073	–
	<b>176 676</b>	<b>58 737</b>
<b>Segment result</b>		
– silica	19 233	5 484
– anthracite	1 780	–
– other		
• amortization of fair values on consolidation	(2 712)	–
• other operations (corporate office)	(3 523)	–
• profit on acquisition of subsidiary	33 822	22 829
	<b>48 600</b>	<b>28 313</b>

## Condensed Consolidated Reviewed Statements of Changes in Equity

for the year ended 30 June 2006

GROUP	Share capital R'000	Share premium R'000	Share option reserve R'000	Contingent consideration reserve R'000	Cash flow hedging reserve R'000	Retained earnings R'000	Total R'000
<b>Balance at 1 July 2004</b>	<b>24,250</b>	<b>937</b>	<b>–</b>	<b>–</b>	<b>(6,150)</b>	<b>6,067</b>	<b>25,104</b>
Shares issued during the year							
– To acquire Samquarz	21,111	16,889	–	–	–	–	38,000
– General issue for cash	1,217	749	–	–	–	–	1,966
– Specific issue for cash	2,172	1,192	–	–	–	–	3,364
– Share options granted	–	–	1,476	–	–	–	1,476
– Fair value of cash flow hedge	–	–	–	–	6,150	–	6,150
Profit for the year	–	–	–	–	–	28,313	28,313
<b>Balance at 30 June 2005</b>	<b>48,750</b>	<b>19,767</b>	<b>1,476</b>	<b>–</b>	<b>–</b>	<b>34,380</b>	<b>104,373</b>
Shares issued during the year							
– To acquire Springlake	32,472	45,462	–	–	–	–	77,934
– To acquire Samquarz preference shares	4,875	8,125	–	–	–	–	13,000
– Specific issue for cash – Springlake acquisition costs	1,042	1,458	–	–	–	–	2,500
– Specific issue for cash – Somkhele project	20,833	52,635	–	–	–	–	73,468
– General issue for cash	2,000	7,374	–	–	–	–	9,374
– Contingent consideration to acquire Springlake	–	–	–	27,552	–	–	27,552
– Share options granted	–	–	3,665	–	–	–	3,665
Profit for the year	–	–	–	–	–	48,600	48,600
<b>Balance at 30 June 2006</b>	<b>109,972</b>	<b>134,821</b>	<b>5,141</b>	<b>27,552</b>	<b>–</b>	<b>82,980</b>	<b>360,466</b>

## Significant Accounting Policies

for the year ended 30 June 2006

Petmin is a company domiciled in South Africa. The condensed consolidated reviewed financial statements of the Company for the year ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The reviewed financial statements were authorised for issue by the directors on 7 September 2006.

### 1. STATEMENT OF COMPLIANCE

The condensed consolidated reviewed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements and its interpretations adopted by the International Accounting Standards Board ("IASB") and the requirements of the South African Companies Act. These are the Group's first IFRS condensed consolidated reviewed financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

These condensed consolidated reviewed financial statements do not include all the information required for the annual financial statements.

The transition to IFRS has had no effect on the reported financial position, financial performance and cash flows of the Group.

#### 1.1 Basis of preparation

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

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

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

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 July 2004. The accounting policies have been applied consistently by Group entities.

### 2. REVIEW OF RESULTS

The results of the Group as set out above have been reviewed by the Group's auditors, KPMG Inc., as required by the JSE Limited ("JSE"). The review report is available for inspection at the Group's registered office.

### 3. COMMENTARY

The past year reflects significant and successful transformation within the Petmin Group:

- from a single commodity business, to a multi-commodity minerals business that has established a platform for growth to potentially create substantial shareholder value;
- from 28%, to over 51% Black Economic Empowerment (BEE) controlled entity (prior to the capital raising in May 2006). BEE shareholding is now 43.54%.

The past year was spent mainly on expanding and strengthening the Group's platform for growth, key features of which include:

- a clear strategy that includes the "Petmin Disciplined Approach";
- a strengthened Board and executive management team and the implementation of a performance based remuneration structure that aligns shareholders and management interests;

- conclusion of the R116.7 million acquisition of Springlake (effectively acquired on 30 November 2005) and its integration into the Petmin Disciplined Approach;
- finalisation of a bankable feasibility study for Somkhele, obtaining Board approval to proceed with its development and the raising of R83 million equity funding and R40 million debt funding in order to finance the development of the asset (discussed in more detail below);
- performance above expectation by SamQuarz and conclusion of a strategic review that will ensure a continued and sustainable supply of quality silica in the long term (in excess of 40 years);
- "in principle" approval from the South African Reserve Bank to list on the London Stock Exchange's Alternative Investment Market ("AIM") (obtained after 30 June 2006 and discussed in more detail below).

#### Board changes

Petmin has strengthened and transformed its board. Lebo Mogotsi, previously a non-executive director, was appointed an executive director and deputy chairperson; Alwyn Martin was appointed a non-executive director and Bradley Doig was appointed a non-executive director, all effective from 30 November 2005. With effect from 1 February 2006 Jan du Preez and Bradley Doig were appointed executive directors.

#### Executive management changes

As part of our strategy for developing a platform for organic and acquisitive growth to ensure Petmin becomes a multi-commodity minerals business, Petmin restructured its executive management team during the year. The Petmin Executive Committee now consists of Jan du Preez (CEO), Bradley Doig (COO), Lebo Mogotsi (Deputy Chairperson and executive director), Dawie Warmenhoven (Executive director) and Bruce Tanner (Springlake financial director and Petmin Group financial manager).

Furthermore, the Petmin executive team includes Johan Gloy (Managing director – SamQuarz) and his team at SamQuarz and Mark Snelling (CEO – Springlake) and his team at Springlake and Somkhele. The operational teams were also strengthened with the appointment of André Knoppies (a metallurgist with 20 years' experience) as operations manager at SamQuarz and Tom Bower (a mining engineer with 25 years' experience) as the underground manager at Springlake Colliery.

#### Financial results and cash flow

In our second year of results since converting from a cash shell to an operating mining company, Petmin enjoyed a profitable year with net profit after tax increasing by R20.3 million (72%) from R28.3 million in 2005 to R48.6 million in the current financial year. These results include 12 months of results from SamQuarz (previously 9 months) and 7 months of results from Springlake (previously no results were included).

We are reporting an increase of 54% in Headline Earnings Per Share ("HEPS") of 4.98 cents (2005: 3.24 cents) and a 2.15% decrease in Earnings Per Share ("EPS") from 16.74 cents in 2005 to 16.38 cents. Net asset value per share increased by 53% from 53.52 cents to 81.94 cents.

Petmin forecasted a profit in the 7 November 2005 Circular to Shareholders, of R46.6 million, HEPS of 2.58 and EPS of 15.12. Our results indicate an increase of 93% in HEPS and an increase of 8.3% in EPS in comparison to the forecast.

As a result of the developing nature of Somkhele, and in order to reduce the risk of the development, Petmin issued 83 million shares to fund the development of Somkhele resulting in a dilution of earnings. The earnings growth will only be fully realized once Somkhele is in full production during the year ending June 2008. Revenue for the year to 30 June 2006 increased by R118 million to R176.7 million, compared to 2005.

The Group generated R58 million of cash from operations and R84.6 million cash from the issue of shares for the Somkhele project and R13 million cash from the issue of shares to acquire the SamQuarz preference shares held by related parties. R7 million was spent on capital at SamQuarz, R16 million was spent on capital at Springlake and R47 million was spent in the development of Somkhele, leaving the Group with a cash balance of R70 million.

Note that trade payables of R67.5 million include R16.7 million of amounts due to contractors relating to the development of Somkhele.

The R27.5 million deferred payment relates to the Springlake profit warranty.

Approved capital expenditure for the next 12 months will amount to:

- SamQuarz R11 750 000
- Springlake R3 780 000
- Somkhele R60 000 000

#### SamQuarz

SamQuarz continues to be the largest producer of silica in South Africa, producing about 35% of South African consumption in the past year. SamQuarz services primarily the metallurgical and glass sectors. The company performed exceptionally well under Johan Gloy's leadership and exceeded its targets.

The company implemented a four-shift system during September 2005 to prepare itself for increased customer demands, particularly to the glass producers. Operational efficiencies continued to improve, with major successes achieved on the two main sand production plants where recoveries improved due to better control of process parameters.

#### Springlake

Springlake's performance since the finalisation of the acquisition on 30 November 2005 has been disappointing. Springlake experienced a number of operational difficulties at both underground and opencast operations in the seven months since its acquisition.

Petmin implemented various measures to address those issues identified during the due diligence (performed prior to the finalisation of the acquisition) of Springlake to ensure long-term sustainable earnings and cash flows and is confident that these measures will result in the significant turnaround of Springlake during the next 12 months.

Key elements of the Performance Improvement Programme include:

- The introduction of the Petmin Disciplined Approach.
- Implementation of a revised underground mine plan that includes closure of underperforming sections and the development of the Northern section of the mine (as advised in the December Interim Report) – which has superior geological conditions and anthracite qualities.
- The poor opencast pit design and contractor's performance resulted in the appointment of a new opencast contractor, Sandton Plant Hire during April 2006.
- Implementation of the Petmin philosophy regarding remuneration, one where a significant portion of the employees' annual remuneration is based on performance.

The terms of the acquisition agreement between Petmin and the Springlake vendors, *inter alia*, includes a profit warranty in respect of Springlake Colliery of R45.6 million profit after tax over the 28 month period from 1 March 2005 to 30 June 2007 ("profit warranty"). In terms of the agreement 45 920 000 shares to the value of R27.5 million have been deferred until the profit warranty period expires on 30 June 2007. It is the Board's view that it is unlikely that the warranted profit will be achieved, however the situation will be reviewed and an announcement in this respect will be made during the interim reporting period for the six months ended 31 December 2006.

#### The Somkhele Project

On 30 November 2005 the Board approved the development of the Somkhele Project. Subsequently, the specific issue for cash for a total of R75 million at 90 cents per share was approved by shareholders at the general meeting of 12 May 2006. In addition the Company issued 8 million shares to a financial institution at R1.20 per share as a general issue for cash. These shares were issued to finance and "de-risk" the Somkhele Project. In addition an asset-based finance facility for R40 million was secured from Standard Bank to finance the balance of the project.

The Somkhele Project lies some 18 kilometers west of the village of Mtubatuba in the Hlabisa district of KwaZulu-Natal. The closest rail line passes through Mtubatuba. The project is approximately 75 km from Richards Bay, which can be accessed by tarred road.

Under the leadership of Mark Snelling, the development of this high-quality anthracite reserve is on track and the plant, with a design capacity of approximately 120 000 tonnes a month, will be commissioned during November 2006. It is expected that the mine will have a run-of-mine production of 40 000 tonnes a month in Phase 1 (the first two years) and thereafter, 80 000 tonnes a month (Phase 2). Somkhele's current life of mine is more than 12 years. First sales of production are expected during the second quarter of 2007.

#### Establishment of a performance driven remuneration structure including the adoption of the Share Option Scheme

The newly appointed Executive Committee's remuneration framework has been approved by the Remuneration Committee. The Remuneration of the Executive Committee is predominantly performance driven and incentives are determined as follows:

- Guaranteed remuneration is between R nil and R500 000 per annum.
- 1.5% of net assets under management is paid as a management fee (2006, R3.5 million, 2005: R0).
- Remuneration based on profitability will be a minimum of 6% and a maximum of 6.75% of consolidated profit before tax, which will only be paid if a benchmark of 20% growth in sustainable earnings per share is achieved. Sustainable earnings are defined as headline earnings per share excluding the cost of share options. The incentive earned during 2006 amounted to R3.5 million, (2005: R0).

The adoption of the Petmin share option scheme and the formation of the Petmin share option trust were approved at the shareholders meeting of 31 January 2006. In terms of the rules of the option scheme, 12 million options at a strike price of 65 cents and with a cost of R6.8 million has been earned during the year. The options are exercisable and expensed over a 3 year period.

#### Change of name from Petra Mining Limited to Petmin Limited

On 31 January 2006, shareholders' approval was obtained at a general meeting for the change in the name of the Company to Petmin Limited. The change in name was made to better reflect the changed nature and profile of the Company's business and corporate identity and to avoid confusion with Petra Diamonds Limited, a company listed on AIM in London.

#### A winner in the Financial Mail Top 200 Companies 2006 review

Our efforts in respect of delivering sustainable shareholder value were recognised in the Financial Mail's Top Companies review. Petmin was ranked seventh overall and was one of only two mining companies in the top 20.

We were the top performer in the investment category, reflecting our five-year internal rate of return (IRR) of 134%, up from last year's 54%. Our IRR has risen six-fold in the past three years and three-fold in the past year.

Petmin's track record of delivering value to shareholders is well recognised by this survey. We expect Petmin's new era of growth to continue to lead to a sustainable and profitable company, delivering healthy returns for shareholders.

#### 4. EARNINGS PER ORDINARY SHARE

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

	Reviewed Year ended 2006			Audited Year ended 2005		
	Net Income R'000	Number of shares ( '000)	Per share (cents)	Net Income R'000	Number of shares ( '000)	Per share (cents)
Basic EPS	48 600	296 700	16.38	28 313	169 134	16.74
Share options and contingent consideration	–	30 500	(1.53)	–	3 931	(0.38)
Diluted EPS	48 600	327 200	14.85	28 313	173 065	16.36

#### Headline earnings per share

Headline earnings per share is based on the Group's headline earnings divided by the weighted average number of shares in issue during the period

#### Reconciliation

#### between earnings and headline earnings per share

Basic EPS	48 600	296 700	16.38	28 313	169 134	16.74
Adjustments:						
– profit on acquisition of subsidiary	(33 822)	–	(11.40)	(22 829)	–	(13.50)
Headline EPS	14 778	296 700	4.98	5 484	169 134	3.24
Share options and contingent consideration	–	30 500	(0.46)	–	3 931	(0.07)
Diluted headline EPS	14 778	327 200	4.52	5 484	173 065	3.17

#### 5. NET ASSET VALUE PER SHARE

	Reviewed Year ended 2006	Audited Year ended 2005
Ordinary share capital and reserves (R'000)	360 466	104 373
Total number of shares in issue ('000)	439 890	195 000
NAV per share (cents)	81.94	53.52
Ordinary share capital and reserves (R'000)	360 466	104 373
Total number of shares in issue ('000)	439 890	195 000
Share options and contingent consideration ('000)	73 920	9 000
Fully diluted number of shares ('000)	513 810	204 000
Fully diluted NAV per share (cents)	70.16	51.16

#### 6. EVENTS AFTER BALANCE SHEET DATE

Petmin advised its shareholders on 20 July 2006 that it has obtained an in-principal approval from the South African Reserve Bank to list its securities on the London Stock Exchange's – Alternative Investment Market ("AIM"), subject to a final approval by shareholders. Petmin is in the process of finalising a notice which will be distributed to shareholders for approval.

At the Board meeting of 7 September 2006, John Taylor, senior ex BHP Billiton Metallurgist, was appointed a non-executive director of Petmin.

#### 7. RELATED PARTIES

##### 7.1 Identity of related parties

Both NAMF Nominees (Proprietary) Limited and Dark Capital (Proprietary) Limited are material shareholders in Petmin, and are therefore related parties as defined by Section 10 of the Listings Requirements.

River Corporate Finance (Proprietary) Limited ("River Group"), is a related party by virtue of their advisory role to Petmin.

##### 7.2 Acquisition of subsidiary –Springlake (see note 3)

On 30 November 2005, the Group acquired the entire issued capital of and all claims on loan account against Springlake Holdings (Pty) Limited ("Springlake") for an acquisition cost of R116.735 million.

The purchase price payable to the vendors was settled by the issue of 129 890 000 of the 175 810 000 consideration shares, at an issue price of 60 cents per share and by the payment of R2 750 000 in cash to Umsobomvu Coal (Pty) Limited, one of the vendors. The balance of the consideration shares amounting to R27.552 million is shown as a contingent consideration on the balance sheet and will be withheld until such time as the profit warranty is achieved.

The vendors have warranted that the aggregate of the 2006 and 2007 net profit after tax of Tweewaters Fuel (Pty) Limited (a wholly owned subsidiary of Springlake) will not be less than R53 670 000, subject to a 15% variation. Should the warranted aggregate net profit after tax be achieved, these vendors will be issued, as part of the purchase consideration, with 45 920 001 additional Petmin shares at 60 cents per share. This profit warranty covers the period from 1 March 2005 to 30 June 2007.

The Springlake acquisition constitutes a related party transaction as defined by section 10 of the Listings Requirements, as NAMF Nominees is a material shareholder in both Petmin and Springlake. Accordingly, the directors requested an independent professional expert to provide a fair and reasonable opinion on the Springlake acquisition. The opinion of the independent professional expert was included in the 7 November 2005 Circular to Shareholders.

#### 7.3 Specific issue of shares to acquire the SamQuarz preference shares

When SamQuarz was acquired in September 2004, NAMF Nominees and Dark Capital funded R13,0 million in junior loans to SamQuarz, being R 11,0 million and R2,0 million respectively. These loans were subsequently converted into redeemable, convertible preference shares. On approval of the Springlake acquisition, the directors resolved to acquire these preference shares from NAMF Nominees and Dark Capital through the issue of 19,5 million Petmin shares at 66 cents per share.

#### 7.4 Specific issue of shares to River Group

In addition to the shares issued to acquire Springlake Holdings (Pty) Limited and the Samquarz Preference Shares, the Group issued 4 166 667 ordinary shares at 60 cents per share in a specific issue for cash to River Capital (Pty) Limited. R1.042 million and R1.458 million were recorded in Share Capital and Share Premium respectively.

#### 7.5 Specific issue of an option to Dark Capital

Dark Capital was the owner of 8 000 000 options in Petmin. Each option allowed Dark Capital to subscribe for one new Petmin share at the higher of 45 cents per new share or a 10% discount to the 30 day volume weighted average price of Petmin calculated at the day of exercise. The options had a maturity date of 30 June 2005.

On 23 March 2005 Dark Capital gave notice in writing to Petmin to exercise its options. Petmin, Dark Capital and NAMF, one of Petmin's material shareholders, who also owned 16.8 million similar options then entered into discussions regarding the restructuring of these options, the outcome of which was that Dark Capital withdraw its notice of exercise and allow its options to lapse provided that:

- Dark Capital will be granted an option to acquire 7 million Petmin shares at 65 cents per share. This option is valid for a three year period ending 31 October 2008; and
- NAMF agreeing not to exercise their 16.8 million options and will allow all of their options to lapse.

Petmin, Dark Capital and NAMF reached agreement in principal on this matter in June 2005 and a definitive agreement was signed on 26 July 2005.

#### 7.6 Specific issue of shares for cash – 12 May 2006

On 12 May 2006, the Group announced that it had secured R75 million equity funding in a specific issue of shares for cash by way of issuing 83 333 333 shares at

90 cents per share. R50 million was received from NAMF Nominees (Pty) Limited, R10 million from PSG Capital (Pty) Limited and R10 million from another institution respectively.

Both NAMF Nominees and PSG are related parties by virtue of their material shareholding in Petmin.

#### 7.7 Petmin executive committee remuneration scheme and share option trust (refer to note 3)

The Petmin executive committee remuneration scheme and share option scheme affects the executive directors of the Company and constitutes a related party transaction.

### 8. PROSPECTS

The year ahead will see Petmin as a growth company:

- continue to implement its strategy to ensure its successful development into a multi commodity minerals business;
- implement the "Petmin disciplined approach" at all its operations – a process predicated on the mantra: "you cannot manage what you cannot measure";
- continue to optimise the performance of its assets;
- commission Somkhele towards the end of 2006. The project presents significant earnings potential and a challenging opportunity for Petmin to contribute to the upliftment and sustainable development of an impoverished community;
- establish strategic partnerships with key customers and international distributors in respect of long-term supply agreements;
- continue with an aggressive but disciplined acquisition strategy, targeting investments that meet our critical investment criteria;
- establish a platform on the London Stock Exchange's Alternative Investment Market ("AIM").

### 9. DIVIDEND

In view of the funding requirements of the Somkhele project and the expansion plans in Springlake and SamQuarz, no dividend is recommended for the year ended 30 June 2006.

On behalf of the board

**J C du Preez**  
Chief Executive Officer

**P J Nel**  
Chairman

11 September 2006  
Pretoria

#### Directors

P J Nel\* (Chairman), L Mogotsi (Deputy Chairperson),  
J C du Preez (Chief Executive Officer) B B Doig (Chief Operating Officer),  
E de V Greyling\*, J P Mabena\*, A Martin\*, J A Strijdom\*, D H Warmenhoven, J Taylor\*  
\*Non-executive

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#### Secretary and Sponsor

River Sponsors (Pty) Limited

#### Transfer Secretaries

Computershare Investor Services 2004 (Proprietary) Limited

#### Auditors

KPMG Inc.

[www.petmin.co.za](http://www.petmin.co.za)