



## Response to Makhado Action Group:

### THE FACTS

**Johannesburg, South Africa.** 5 July 2012.

Coal of Africa (CoAL) has noted the media announcement issued by the Makhado Action Group (MakAG) on 4 July 2012.

CoAL acknowledges and respects the rights and actions of members of civil society to engage through the media on issues of concern. In the interests of achieving mutually acceptable goals, however, we urge the MakAG to continue to engage directly with the company and indeed with the numerous stakeholders in the area, with discussions and inputs based on fact.

We are certain that we have much in common and that together we can forge a new path for development and prosperity in the region.

We *share* MakAG's view that mining forms an important component of the country's national economy. We are *fully committed* to complying with the extensive suite of legislation that governs activities in South Africa. And we *believe* that mining companies can, and should, contribute to the social, economic and environmental sustainability of the communities and the natural environment in which they operate.

By its very nature, mining utilises a finite resource. With the correct planning and foresight companies, together with communities and governments can help to ensure the industry's positive contribution during the life of a mining operation, and a positive legacy long after its closure. Importantly, this contribution should extend to the marginalised and impoverished communities among those who have been historically disadvantaged. These are fundamental principles of South Africa's minerals legislation and indeed our constitution, which we fully support.



Let us explore just a few fundamental facts:

- Limpopo province is one of the poorest in the country, with a backlog of infrastructure development, a severe lack of access to education, healthcare and basic infrastructure and services. Unemployment is estimated to be in the region of 45% in the province, around 49% in the Makhado municipal area and up to 67% in the villages surrounding the Makhado Project.
- Our Makhado Project has the potential to create over 1,000 direct jobs and multiples of indirect jobs over the life of the proposed Makhado mine for more than 17 years.
- Contributions by the mine to local infrastructure – roads, bulk water supply – can help to reduce the infrastructural burden on the authorities.
- The proposed mine will produce a high quality hard coking coal that has the potential to add over R3 billion annually in foreign exchange earnings to the national and provincial fiscus.
- Our training and development programmes will contribute to the educational and economic upliftment of local people – with an emphasis on women and youth – equipping them for employment not only at our operations but in alternative employment as well. These will be permanent jobs, with benefits far greater than the subsistence, minimum wages currently paid to seasonal agricultural employees.
- Our local economic development programmes and social investment programmes, which have been identified in close collaboration with local communities and government, will ensure direct and substantial contribution to the region during the life-of-mine. During the first five years of operation, our social expenditure will be in the order of R91 million.

The coal assets adjacent to the Makhado Project are jointly owned by CoAL subsidiary Keynote Trading & Investment 108 (Proprietary) Limited, in partnership with 26% BEE shareholder Rothe Investments, after their acquisition from Rio Tinto Minerals Development Limited and Kwezi Mining (Proprietary) Limited. These assets may be consolidated into a vehicle known as the Greater Soutpansberg Project (GSP). The projects in this coalfield are not new and their integration may be a positive development for the region – it will mean that the economic and social contributions can be maximised and co-ordinated. It also means



that environmental planning and management maybe undertaken on a regional scale, with consideration for potential regional impacts and offsets, rather than in isolated silos.

All these GSP assets are still at the exploration stage of development. Apart from Makhado and the GSP, CoAL is presently developing the Vele Colliery situated 43km west of Musina where the company is targeting to produce predominately a semi-soft coking coal and export thermal coal. During the construction phase Vele is employing 400 people directly on site; at steady state capacity this number will rise to 600 direct jobs – thereby having a positive impact on the neighbouring community.

### **Community engagement**

CoAL has engaged extensively with the directly affected communities continually over a period of four years, since 2008. A critical impediment to this process has been internal conflict amongst community members relating to their representation, particularly those residing at Fripp village namely Mudimeli and other traditional structures. Since the landmark elections on 9 June 2012 facilitated by an accredited independent service provider, there has been a positive development with the creation of a community forum that is representative of the majority of the directly affected communities. The communities have expressed their full support for the Makhado Project through a Memorandum of Understanding that will guide how CoAL and the communities will interact and agree on vital matters such as equity, employment opportunities and participation in the supply chain.

### **New order mining right application (NOMRA) and integrated water use licence application (IWULA) process**

On 26 January 2011 CoAL submitted an application for a mining right for the Makhado Project to the regional manager of the Limpopo Department of Mineral Resources (DMR). The application complied with the provisions of Section 22(1) and 22(2) of the MPRDA and was therefore accepted on 25 February 2011 by the regional manager.

The regional manager notified CoAL, in terms of Section 22(4) MPRDA to conduct an environmental impact assessment (EIA) and submit an environmental management



programme (EMP) for approval in terms of Section 39 of the MPRDA, and to notify and consult with interested and affected parties within 180 days from the date of the notice. CoAL complied with the requirements set out in the notification from the regional manager, and submitted an EMP, which substantially complied with the provisions of Section 39 MPRDA read with MPRDA Regulation 50 and 51. The EMP was submitted on 24 August 2011 (within the 180 day period).

The Minister is required, within 120 days from the lodgement of the EMP to approve the same if it complies with the requirements set out in Section 39(4) of the MPRDA unless an objection has been lodged as contemplated in Section 10(2) of the MPRDA, in which event the Minister is not required to approve the EMP within the 120 days, and may not do so unless the Minister has considered any recommendation by the Regional Mining Development and Environmental Committee to whom the objection is required to be referred in terms of Section 10 MPRDA.

Various objections were lodged as contemplated in Section 10 of the MPRDA, and the Regional Mining Development and Environmental Committee is still considering the objections, and is yet to advise the Minister thereon. It is to be noted that the Minister is specifically given the authority to call for additional information and may direct that an EMP be adjusted as the Minister may require.

The MakAG has failed to also make a distinction between the approval of the EMP, and the application for the mining right. A mining right may be granted independently of approval of the EMP. The only repercussion if the EMP is not approved before the granting of the mining right, is that the mining right does not, in terms of Section 23(4) MPRDA become effective until such time as the EMP has been approved in terms of Section 39(4) of the MPRDA. The mining right may be granted to Coal of Africa, in the event that it complies with the provisions of Section 22 read with the Section 23 MPRDA, and read with the MPRDA Regulations.

### **Bulk water requirements**

CoAL has placed significant resources and investment in studying the various options for bulk water through highly credible consultants. The options identified include the principle of



creation of 'new' water in the region which will ensure sustainable utilisation of the scarce resource during the course of mining.

The preferred bulk water supply option is water supplied from the Nzhelele dam. The current options being considered to obtain water from this dam include buying irrigation rights from farmers, contributing capital expenditure to raise the Nzhelele dam wall and increase the yield thereof for a partial allocation to Coal of Africa, and improving the efficiency of the Nzhelele water scheme through canal repairs to which the company can contribute capital expenditure for a partial allocation for the reduction in water losses.

Further, Coal of Africa committed to participate in substantially improving the current water infrastructure associated with the Fripp village which is within the proposed mining right area.

### **Greater Soutpansberg Project EMP amendment of prospecting rights**

The demand for coking coal worldwide has grown substantially over the last few years because of its high quality and use in iron ore smelting and steel manufacturing processes. High quality coking coal is scarce in South Africa and the majority of it is located in the Soutpansberg Coalfield in the Limpopo province. Due to the scarcity and high demand for coking coal, the Soutpansberg Coalfield is becoming increasingly important given the requirement that South Africa should move towards the beneficiation of steel, rather than importing steel and raw materials from outside of the country.

CoAL is proposing to develop certain sections of the Greater Soutpansberg area in order to meet demand for coking coal. Before any development can be done, exploration drilling is needed to understand the location and extent of the scarce coking coal resource. Only after this as well as, receiving authorisation, will we proceed with the development.

We are committed to pursuing this project with a long-term view in sustainable development, ensuring that we minimise environmental impacts and maximise economic development.



To date there has been significant engagement with the interested and affected parties (I&APs) in this regard which included a meeting between Waterpoort Farmers Union and Keynote. In addition, detailed discussions on the proposed Greater Soutpansberg Project formed part of all the main Makhado Project public meetings. These discussions included detailed plans illustrating the prospecting areas that belong to CoAL. The EMP amendment processes of the prospecting rights commenced at the end of May 2012 and the MakAG Chairperson Francis Nicholson was informed of the process through the distribution of a background information document on 1 June 2012.

MakAG has since registered as an I&AP on 6 June 2012. The EMP amendments have been made available to all I&APs, including MakAG, for their comments. Notification of the availability of the draft EMPs was sent to the MakAG Chairperson Mr Francis Nicholson on 25 June 2012 with a compact disc containing electronic copies of the information posted via registered mail on 2 July 2012. CoAL is continuing with further consultation with all the directly affected landowners in the region. Keynote has followed all due process as stipulated in the NOPRA process and is committed to complying with all the regulatory requirements.

It is important to highlight that the quote in the MakAG media announcement released on 4 July 2012: 'The whole area has been classified by the Limpopo Government's Department of Economic Development, Environment and Tourism (LEDET) as "irreplaceable", "unique in habitat" and "of high conservation priority"' is from the Preliminary Limpopo Conservation Plan (LEDET, 2011), which *has not yet been published, nor has it been approved by LEDET.*

Nonetheless, we recognise that the proposed mining area falls within the Vhembe Biosphere Reserve (VBR) which was declared in 2009 by UNESCO. Worldwide biospheres all have three distinct zones:

- A legally constituted core area or areas devoted to long-term protection, according to the conservation objectives of the Biosphere Reserve.
- A buffer zone or zones clearly identified and surrounding or contiguous to the core areas, where only activities compatible with the conservation objectives can take place.



- An outer transition area where sustainable resource management practices are promoted and developed.

The proposed Makhado mine *does not* fall in either a core or buffer area.

In accordance with CoAL's philosophy and commitments to stakeholders, we seek a mutually beneficial approach. We seek to both realise value, create benefits for all people using land and natural resources, while minimising impacts on the environment. In order to do so we are developing a regional Greater Soutpansberg biodiversity strategy that will ensure environmental and economic sustainability and would like to do so in collaboration with all stakeholders.

### **Vele Colliery and the Mapungubwe World Heritage site**

Following the release of a draft report on the Mapungubwe Heritage site visit by UNESCO, subsequent committee discussions at the 36<sup>th</sup> session of the UNESCO World Heritage Committee in St Petersburg, in the Russian Federation last week concluded and confirmed that Vele Colliery WILL NOT have a direct impact on the Outstanding Universal Value of Mapungubwe and that the colliery is outside the national park buffer zone. This is contrary to media reports which were based on initial discussion documents. (Refer to the statement issued by the Department of Environment).

### **Coal of Africa's commitment to constructive interaction**

Coal of Africa will comply fully with all legislative requirements and will continue to engage all I&APs through the established structures, which are extensive.

In addition to establishing I&AP registers, communication through media, and authority meetings, the Makhado interim engagement forum was established, and subsequently, the integrated development forum. CoAL has also engaged extensively with the MakAG in an intensive public participation process. This public participation process included holding focus group meetings and open days, and making available the scoping report, environmental impact assessment and EMP, and the IWUL application. The working groups



established included a water working group, bio-diversity, sensitive and protected areas working group, socio-economic working group, transport working group, and rural community impacts working group. It is through these working groups that the knowledge gaps in the groundwater studies were highlighted in the August 2011 EIA/EMP process, and further work has been initiated to address the recommendations by the peer reviewers.

The model and groundwater study was then revised in line with the additional work and again submitted to the peer reviewers for their inputs. Similarly, the geochemical study was also peer reviewed and further analyses initiated. *Therefore it is incorrect to say that CoAL has failed to respond to peer review recommendations.*

These formal processes have been supported by individual ad hoc meetings to address specific concerns.

**In conclusion, Coal of Africa remains committed to continued constructive engagement with all legitimate interest groups and individuals. We will continue to engage – in good faith – and trust that all parties will similarly commit to do so.**

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5 JULY 2012

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