



# MAKHADO FACT SHEET

July 2015

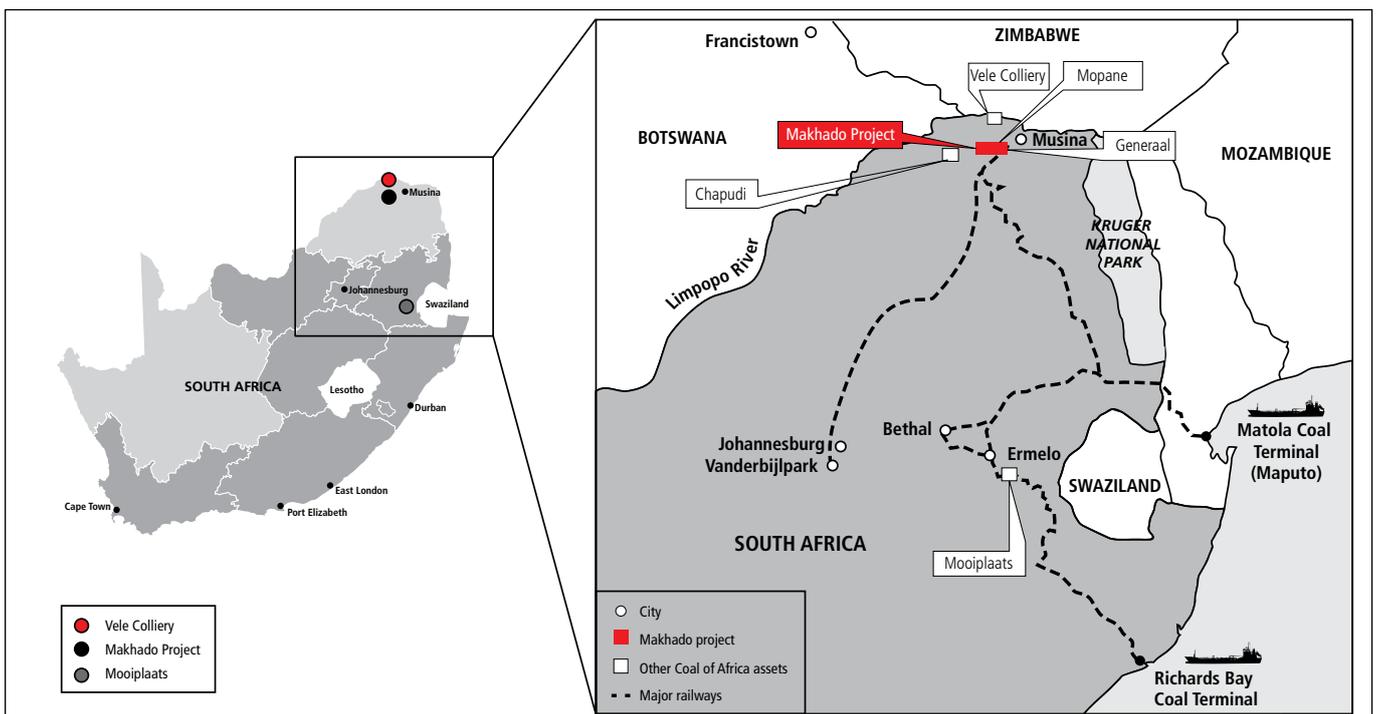
## INTRODUCTION

Coal of Africa Limited (CoAL) is an emerging developer of high-quality coking and thermal coal with its assets located primarily in the Limpopo province of South Africa.

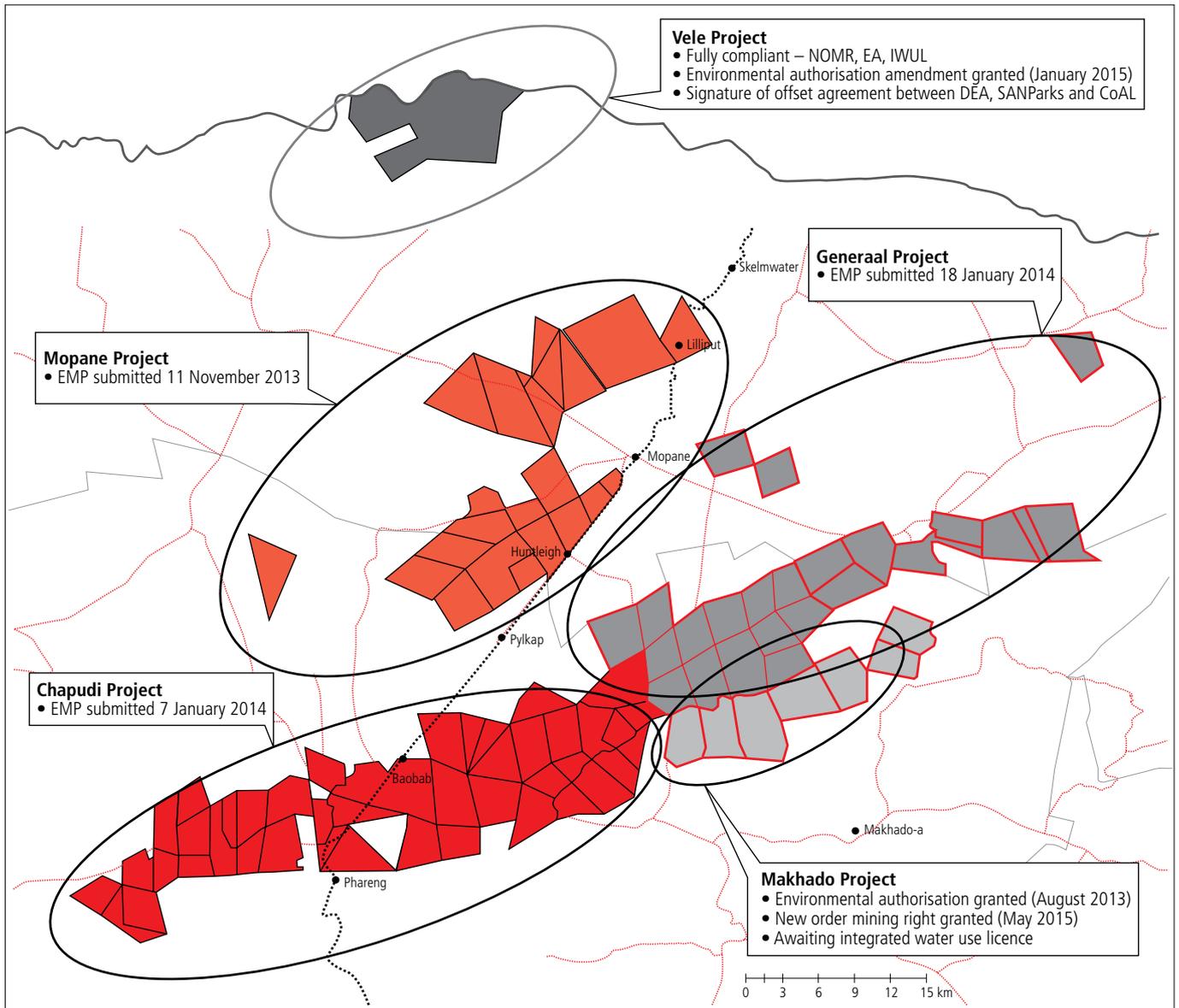
In May 2015, the Department of Mineral Resources (DMR) granted a New Order Mining Right (NOMR) for the company's flagship project, the Makhado Project, located in the Makhado municipality. The project represents CoAL's first project within the Soutpansberg Coalfield area, with the potential to deliver significant value to all its stakeholders, including its shareholders, enabling the company to become a significant global coking coal producer.

In June 2013, the company released an independently verified Class II Definitive Feasibility Study, demonstrating the project's ability to produce 2.3Mt of hard coking coal, and 3.2Mt of thermal coal annually over its 16 years life-of-mine.

## CoAL projects



## CoAL projects in Limpopo Province, South Africa



### LOCATION

The nearest town, Makhado (Louis Trichardt), is situated 35km south of the project area, with Musina town located 50km to the north.

The project is located on five adjacent farms: Fripp 645 MS, Tanga 648 MS, Windhoek 649 MS, Lukin 643 MS and Salaita 188 MT. These farms all lie parallel to the Soutpansberg Mountain Range. The Mudimeli, Kuvule and Mulambwane communities are located on the Farm Fripp, with the adjacent communities of Makushu, Mosholombi and Pfumembe residing on neighbouring farms. The land claimant community of Musekwa is also affected. A total of seven communities are affected by the Makhado Project.

### RESOURCE

The Makhado Project will produce hard coking and thermal coal through opencast mining. There are currently 172.73Mt run-of-mine (ROM) reserves *in situ* which will be mined over the life-of-mine of 16 years, expected to be mined at an average rate of

12.6Mtpa ROM. There is the potential for expansion underground. The reserve and resource statements have been independently reviewed by Venmyn Deloitte.

### INFRASTRUCTURE

The Makhado Project benefits from excellent existing infrastructure with respect to rail, road, power and port allocation.

- Electricity supply is being secured from existing Eskom infrastructure
- Makhado is close to the railway line which runs from Musina and is an important link to the Matola Coal Terminal in Maputo

### LOGISTICS

The proposed Makhado logistics solution takes into account environmental and social concerns<sup>1</sup>.

With good access to existing rail and port infrastructure, Makhado's coal will have an advantage in serving both the domestic and international markets.

<sup>1</sup> Independent Competent Persons Report, Venmyn Deloitte, 2013.

## REGULATORY STATUS

Two licences have been granted for the project, the Environmental Authorisation and the NOMR. Ministerial consent was received from the DMR transferring the ownership of the right from CoAL to Baobab Mining and Exploration Limited (BME) which will be the operating entity of the project.

Department	Authorisation	Status
DMR	NOMR	NOMR granted May 2015
Limpopo Department of Economic Development, Environment and Tourism (LEDET)	Environmental Authorisation	Granted in August 2013 Interim court interdict by Vhembe Mineral Resources Forum
Department of Water and Sanitation	Integrated Water Use Licence Application	Awaiting licence

The project will commence once all the regulatory approvals are in place and the funding has been raised.



### CoAL'S STAKEHOLDER ENGAGEMENT STRATEGY

The vision of CoAL's stakeholder engagement strategy is to establish and maintain inclusive and mutually beneficial relationships through the creation of a shared value approach.

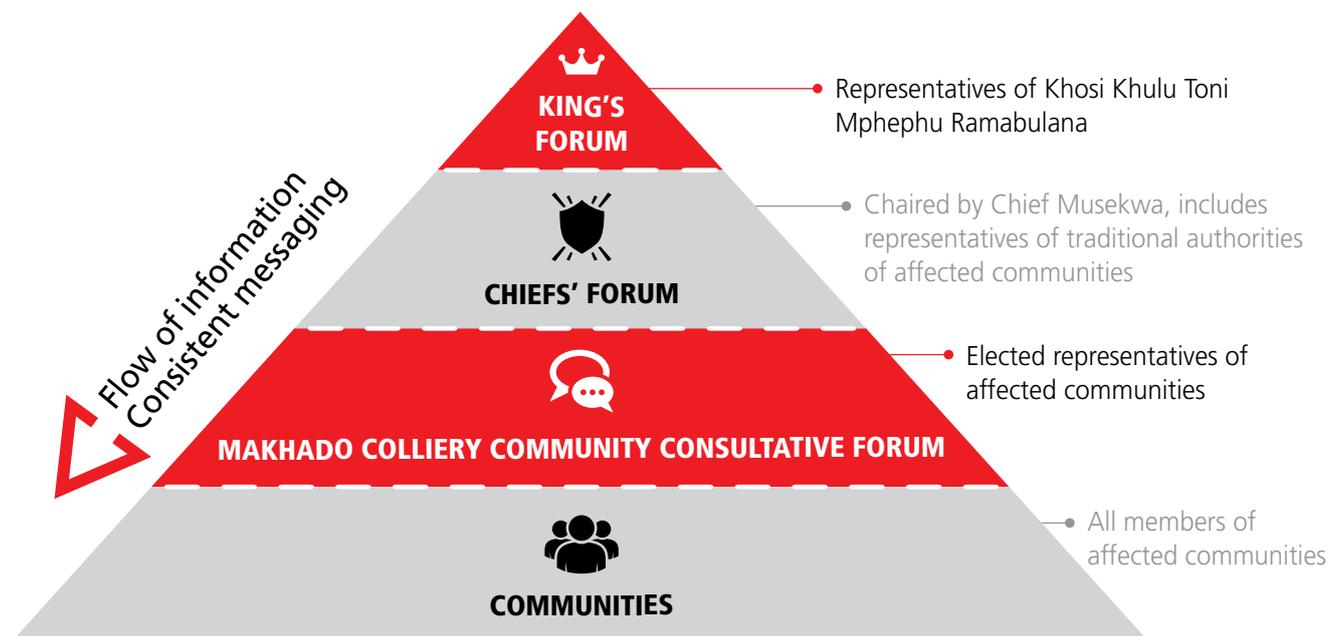
CoAL recognises that its relationships with its stakeholders are tangible, valuable assets which are critical to the success of the business and its operations. The company's engagement with its stakeholders is premised on the principles of collaboration, inclusivity and mutuality.

CoAL has applied considerable time, financial and human resources to its stakeholder engagement activities as the company strives to earn and maintain its social licence to operate. CoAL engages with all stakeholders through a community-centred integrated approach which seeks to:

- Build social cohesion and social capital within communities
- Build sustainable collaborative relationships with stakeholders
- Create opportunities for mutual benefit
- Minimise risk, understand and respond to the issues that matter to communities and other stakeholders
- Develop mutually beneficial relationships

## ENGAGEMENT STRUCTURES

The Makhado Project is located within a very complex multi-stakeholder environment. Together with provincial, regional and local government structures, we have established various forums through which CoAL engages.





## BLACK ECONOMIC EMPOWERMENT STATUS

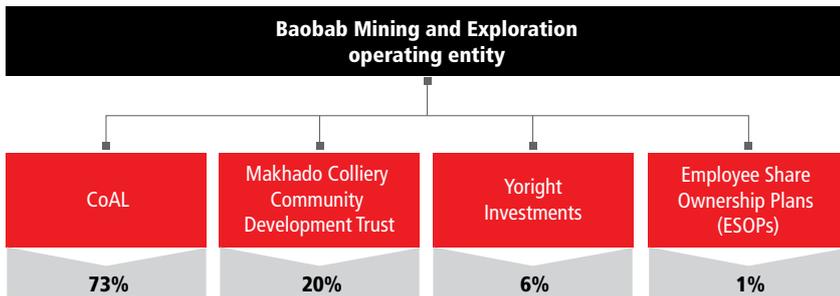
CoAL's broad-based black economic empowerment strategy (BBBEE) seeks to enhance sustainable value for all stakeholders, including shareholders and communities by facilitating sustainable socio-economic transformation.

The ultimate objective of the strategy is to maximise the benefit of mining for communities by contributing to the goals of sustainable development at a community, municipal and provincial level. This strategy is based on shared values (mutuality) between the company and its stakeholders. It has been developed through a comprehensive, consultative and transparent engagement process with all stakeholders which has ensured full support for its structure and mandate.

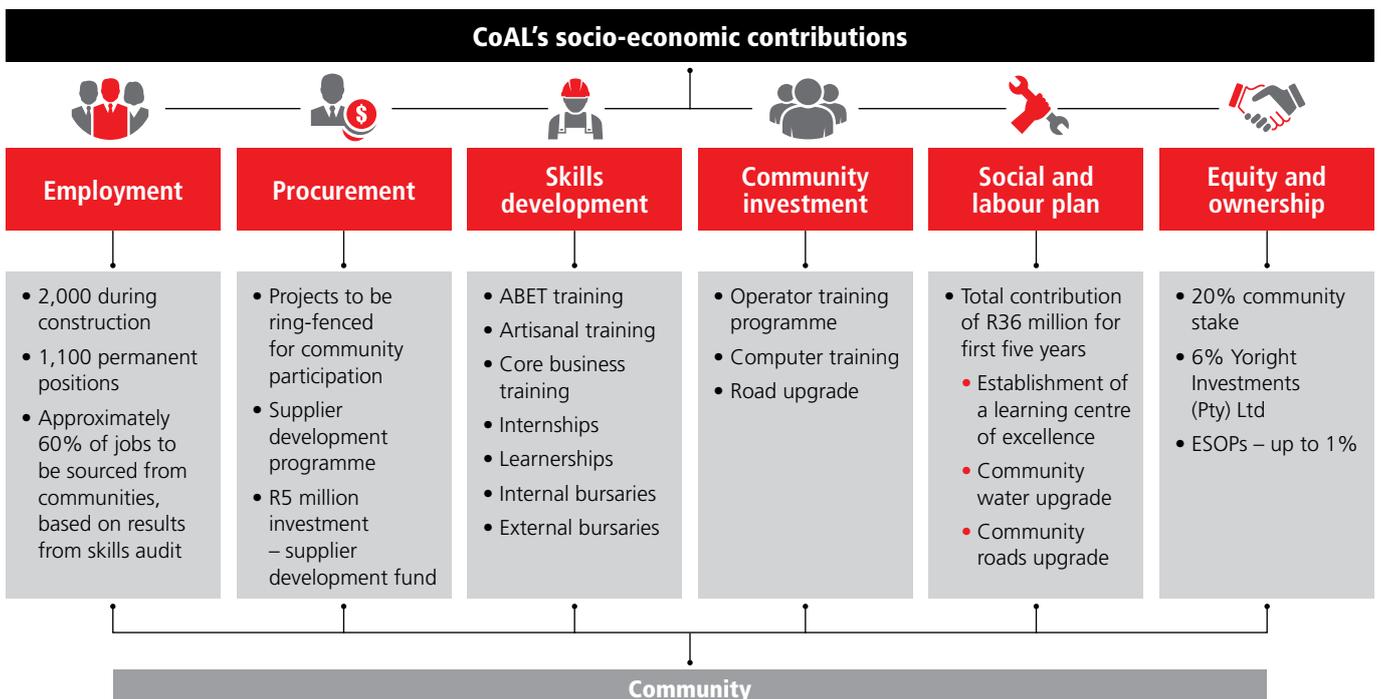
In May 2014, the King's Forum, the Chiefs' Forum and the Makhado Colliery Community Consultative Forum (MCCCCF) signed an agreement with CoAL to acquire a 20% stake in the Makhado Project. In March 2015, Yorigt Investments signed an agreement with CoAL to acquire a 6% stake.

CoAL recognises the potential of the project to drive socio-economic change not only in the project area but to the district and the broader province. The company also acknowledges the need to integrate sustainable developmental considerations into the company's transformative agenda, ensuring the creation of a living and lasting legacy within its communities.

A socio-economic model has been developed to ensure that the benefits of mining are maximised within the context of high unemployment, scarcity of skills, lack of access to opportunities, and lack of infrastructure to basic infrastructure and services.



## CoAL's Socio-economic Model

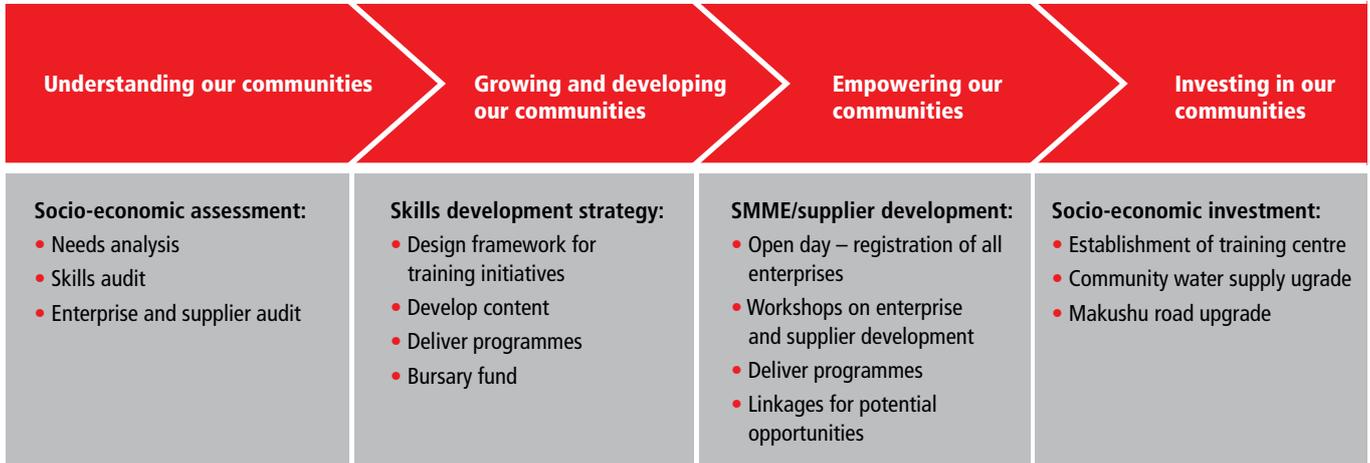


## SOCIO-ECONOMIC BENEFITS

In a study conducted by the late Professor Ralushai, an anthropologist, he stated, *"The greatest challenge to the province of Limpopo is to eradicate poverty and develop its people by creating jobs."*

*"The unemployment rate in the area is one of the highest nationally and having CoAL operating in the area would contribute towards the economic development and wealth of surrounding communities."*

## CoAL's Community Centre Developmental Approach



### Socio-economic assessment

An important facet of the socio-economic model is the development of a comprehensive community profile for each of the seven communities. CoAL has commenced with a door-to-door qualitative and quantitative survey which is conducted by field workers interviewing the adult head of each household. This will provide a greater understanding of the environmental and social context of the communities, enabling adequate mitigation measures, and maximisation of potential opportunities and benefits. The survey covers the following focus areas:

- Demographic profile
- Socio-economic determinants
- Needs analysis
- Skills audit
- Enterprise and supplier audit
- Heritage and culture profile

### Employment

During construction, approximately 2,000 short-term jobs will be created, with 1,100 permanent jobs during steady state. Approximately 60% of these jobs will be sourced from the local communities, using data from the socio-economic assessment.

Various training initiatives will be implemented from October 2015, with a strong focus on artisanal training through partnerships with existing institutions within the Vhembe district.

### Skills development

The company's skills development strategy aims to link job opportunities during construction and mining to existing skills in the communities, while identifying training and human development programmes to enable access to the jobs.

### Bursaries

In 2009, the company launched its bursary fund which has provided comprehensive bursaries for 43 students from the Vhembe region. At the launch of the fund, His Majesty, Khosi Khulu Toni Mphephu Ramabulana said, *"We are the poorest of the poor, our rate of unemployment is high – this (the bursary fund) – will help bridge that gap."*

Since its inception, the fund has produced geologists, mining engineers (one of whom was the top in his class at Wits University), metallurgists, environmental scientists, and is steadily making an impact on the education levels of those within the project area.

In July 2015, CoAL will launch the Makhado Colliery bursary fund, which will provide bursaries to 10 students from the project area in 2016.

### Procurement

The company recognises that procurement could be a significant driver for job creation and enterprise development. The company's preferential procurement strategy will therefore seek to promote local content and involvement. The first small, medium and micro enterprise (SMME) Open Day will be held in October 2015.

A supplier development fund with an initial investment of R5 million will be created to enable local participation.

### Social and Labour Plan (SLP)

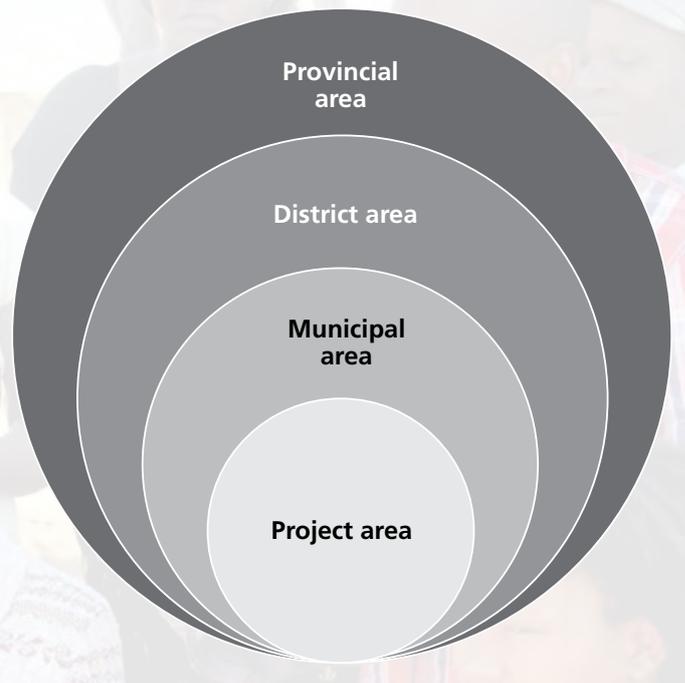
An amount of R36 million has been committed for the first five years of the Makhado Project. The focus of the SLP is education and infrastructural development.

Three projects will form the basis of the SLP:

- Establishment of a skills development centre
- Community water upgrade
- Community road upgrade



## CoAL's localisation strategy



### KEY CONCERN: WATER

Recognising that the quality and quantity of water is a key concern for all stakeholders, the company has partnered with landowners in the area to create a model for co-existence between mining and agriculture.

In October 2012, CoAL and a number of farmers in the Nzhelele catchment signed a memorandum of agreement (MoA) in respect of the more efficient use of water in the Nzhelele River catchment area of the Limpopo province.

The key objectives of the MoA are to:

- Improve the assurance of water supply to the Makhado Project and other water users
- Minimise any potential impact of the Makhado Project on the agricultural sector
- Facilitate the Makhado Project obtaining a bulk water allocation without negatively affecting the availability of water for agricultural purposes



### OUR COMMITMENT TO OUR COMMUNITIES

- Engage regularly, in a transparent manner, ensuring that all our communities are included in the process
- Empower our communities with relevant information to enable them to participate in decision-making processes in an informed manner
- Facilitate and encourage responsible project design to ensure that the potential impacts of the project are minimised and mitigated
- Integrate sustainable development principles into our decision making processes
- Identify potential opportunities for community benefit throughout the life-of-mine
- Implement a strategy which would drive local development and empowerment

#### CONTACT DETAILS

South Block, Summercon Office Park, cnr Rockery Lane and Sunset Avenue, Lonehill 2191, South Africa

Tel: +27 10 003 8000

Fax: +27 11 388 5788

Email: [adminza@coalofafrica.com](mailto:adminza@coalofafrica.com)

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