



mineral resources

Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA

**APPLICATION FOR THE CONSENT OF THE
MINISTER
TO AMEND RIGHTS PERMITS
PROGRAMMES OR PLANS**

IN TERMS OF SECTION 102

OF

**THE MINERAL AND PETROLEUM RESOURCES
DEVELOPMENT ACT, 2002,
(ACT NO. 28 OF 2002) (The Act)**

STANDARD DIRECTIVE

All applicants applying for the consent of the Minister to amend or vary, (including by extension or reduction of the area or the addition of associated minerals) any reconnaissance permission prospecting right, mining right mining permit, retention permit, technical co-operation permit, reconnaissance permit, exploration right and production work programme mining work programme environmental management programme, and environmental management plan are herewith, in terms of the provisions of Section 29 (a) of the Mineral and Petroleum Resources Development Act, directed to specifically submit an application in that regard to the relevant Regional Manager or Designated Agency as the case may be, which application must provide the specific information in the format required herein.

In cases of extension or reduction of a prospecting area#, any applicant requesting consent to vary the prospecting right accordingly is herewith in terms of the provisions of Section 29 (a) of the Mineral and Petroleum Resources Development Act, directed to submit a revised prospecting work programme, environmental management programme or plan, and social and labour plan in cases of mining or production rights that reflect the variation concerned, for consideration.

The Regional/General Manager

REGION/ DESIGNATED AGENCY	KwaZulu Natal
REFERENCE NUMBER OF RIGHT	MR 10041
NAME OF APPLICANT	Tendele Coal Mining (Pty) Ltd

1. DETAILS OF THE APPLICATION.

(Mark with an X where applicable)

1.1 Indicate the type of Right

PROSPECTING RIGHT	
MINING RIGHT	X
MINING PERMIT	
RECONNAISSANCE PERMISSION	
RETENTION PERMIT	
TECHNICAL CO_OPERATION PERMIT	
EXPLORATION RIGHT	
PRODUCTION RIGHT	

1.2 INDICATE THE TYPE OF AMENDMENT OR VARIATION REQUESTED

EXTENTION OF AREA*	
REDUCTION OF AREA*	
ADDITION OF MINERALS	
SUBTRACTION OF MINERALS	
ADDITION OF SHARES OF SEAMS MINERALISED BODIES OR STRATA*	
SUBTRACTION OF SHARES OF SEAMS MINERALISED BODIES OR STRATA*	
AMENDMENT OF PRODUCTION RIGHT WORK PROGRAMME	
AMENDMENT OF EXPLORATION RIGHT WORK PROGRAMME	
AMENDMENT OF MINING OR PROSPECTING# WORK PROGRAMME	
AMENDMENT OF ENVIRONMENTAL MANAGEMENT PLAN	
AMENDMENT OF SOCIAL AND LABOUR PLAN	X

Note*# The extension or reduction of an area, and the addition or subtraction of shares of seams mineralised bodies or strata always require the amendment of the applicable work programme# and the applicable Environmental Management Plan or Programme
When acquiring a portion of another existing right the variation of that right and transfer thereof, also requires consent in terms of the provisions of sections 11 and 102 of the Act.

2 INFORMATION SUBMITTED

2.1 Description of the right in respect of which the application is made

Tendele Coal Mining (PTY) Ltd, hereafter referred to as Tendele, owns and operates an open cast anthracite mine, known as Somkhele Anthracite Mine, situated 23km north west of Mtubatuba Town, KwaZulu-Natal, within the uMkhanyakude District Municipality (on Reserve 3, Farm No. 15822).

Tendele commenced mining operations in 2007 and has since been operational for 12 years to date, providing more than 1500 job opportunities.

Tendele has been issued with Mining Rights (MR) and their associated environmental authorizations for each mining area, these being; Area 1 MR (KZN135MR), Area 2 MR (KZN 30/5/1/2/2/216MR), Area 8 and 9 was incorporated into Area 2 Mining Right through a Section 102 application (KZN 30/5/1/2/2/216MR) and Area 4 and 5 MR (KZN30/5/1/2/2/10041MR), all areas have an approved Environmental Management Plan (EMP).

The typical mining methods or mineral excavations methods utilized by Tendele, are open pit mining methods of approximately 1 million bulk cubic meters being moved per month which entails activities such as drilling, blasting, loading and hauling of materials. The mine produces 1.2 Million tonnes of anthracite products per annum which is mainly sold to the Ferrochrome and Ferromanganese industry in South Africa and some 500 000 tons of “energy coal” which is mainly exported. The Mine’s workforce is currently around 1200 employees strong (directly employed) of which more than 80% are from the local / hosting community of Mpukunyoni.

This document motivates the request for an amendment to the Social and Labour Plan (2016-2020) under mining right Ref: KZN30/5/1/2/2/10041MR.

The various mining areas (pits) forming part of 10041MR (Area 4&5 Mining right) are listed below and can be seen in the attached copy of the Mining right and regulation 42 plan as per Annexure A and B respectively:

New Mine Sites and Size/Extent (km²)

Kwaqubuka North	2.8193
Emalahleni (Area 10)	2.5876
Mahujini	1.5168
Ophondweni	5.5585
Tholokuhle	3.2795
Gwabalanda	6.5907
Mvutshini East	2.038
Mvutshini Central	1.6311
Mvutshini West	1.1639

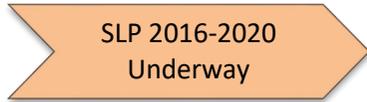
The summary below depicts Tendele’s various mining rights, their operational status as well as SLP status:

The Mining Areas:

- Area 1 (135MR) – LOM ending June 2020
- Area 2 (216MR) – Completed
- Area 3 (215MR) – No mining
- Area 8&9 (216MR) – LOM ending June 2020
Boxcut 0 – 27 months for 1 plant when EA authorized
- Area 4 & 5 (10041MR) – No mining – S54 process re relocation

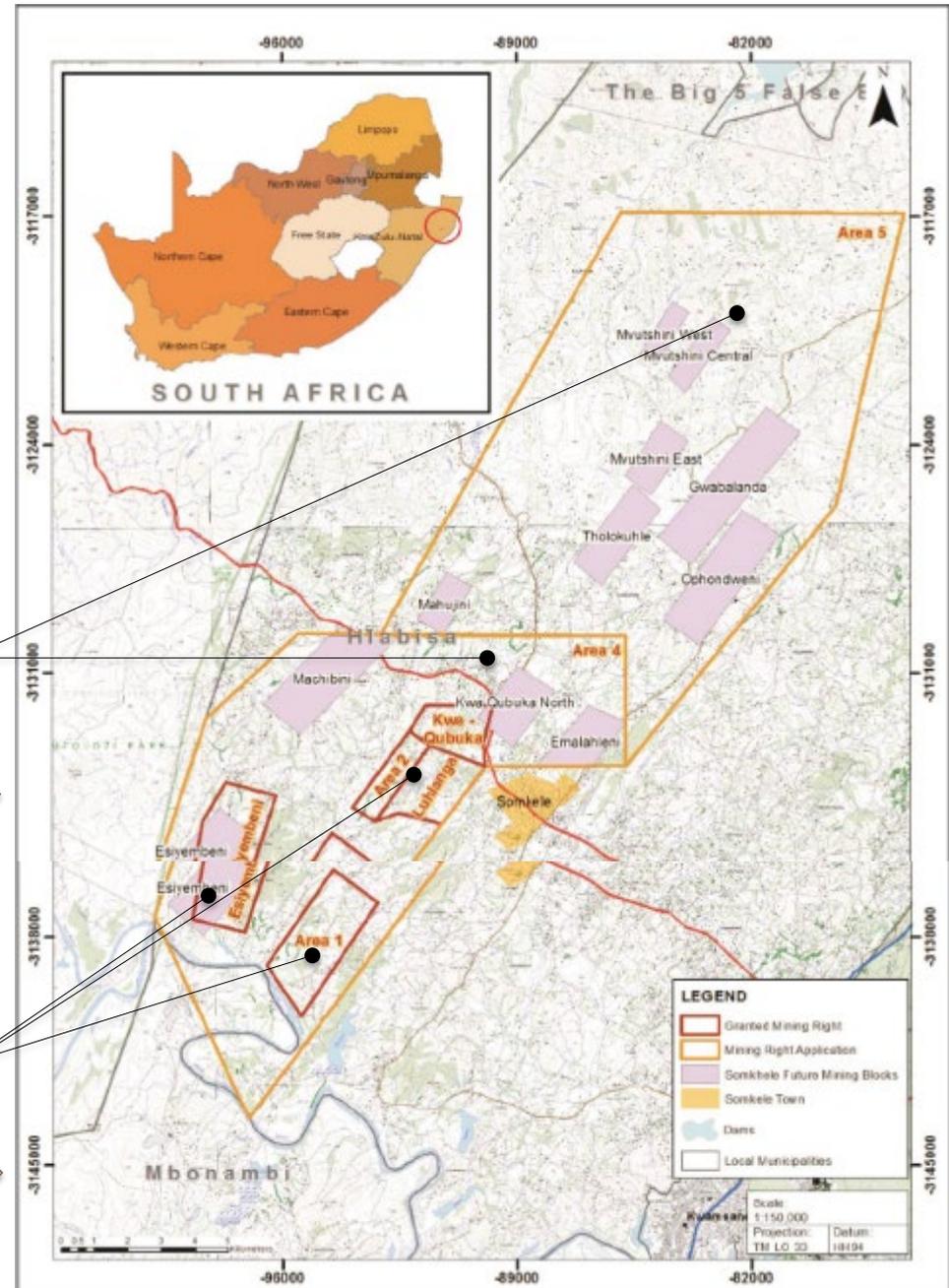
The SLP's:

- Area 4 & 5 MR10041 – No mining
- Area 5 on Reserve No. 3 (MR 10041)
- Area 4 on Reserve No.3 (MR10041)



Existing Mining Rights – Mining since 2007

- Area 1 on Reserve No. 3 (KZN30/5/1/2/2/135MR)
- Area 2 & 3 on Reserve No.3 (KZN30/5/1/2/2/2/216MR)
- Area 8 & 9 (Sec 102)



2.2 Amendment of a Social and Labour Plan

2.2.1 Detailed motivation for the amendment

Tendele submitted a new mining right application in June 2013 for the prospecting Areas 4 and 5, which was granted and executed under MR10041 in 2016 and which was supported by an SLP covering a 5 year period from the date the mining right was granted, thus SLP 2016-2020.

This document provides a detailed explanation as to the reasons for the requested amendment to SLP (2016-2020) under MR10041, those reasons being four-fold:

- 1) No mining has commenced within this mining right area;
- 2) Reduction in project budget due to financial difficulties of the Mine;
- 3) Increased relocation cost;
- 4) Identified Community Development projects becoming inappropriate.

This motivation entails the proposed amendments to Community Development projects originally identified for this SLP and requests permission to extend this SLP's timeframe to 2021 for implementation purposes. The reasons are elaborated on below.

2.2.2 No Mining has commenced within this Mining Right Area

Sadly, at the present day, this Mining Right area is not yet being mined / operational even though it was granted in 2016. The main factors prohibiting the operational status of this Mining Right involves the relocation of land occupiers currently living within the mining areas. The Mine's biggest challenge is that although the Mine has a 10-year Life of Mine in terms of reserves, a deadlock situation is currently at hand with the community regarding relocation compensation.

A DMR Ministerial task-team has been heavily involved with the Mine since September 2018 when Minister Mantashe visited the Mine. The SLP 16-20 which this letter refers to, involves the Mining Right over the Future Mining areas, namely Emalahleni, Ophondweni, Mahujini, Mvutshini, Tholokuhle, Gwabalanda etc – these are all mining pits within Area 4 and 5 which are not being mined yet.

Currently a Section 54 process in terms of the MPRDA is underway together with the facilitation assistance of the DMR Ministerial task-team specifically pertaining to relocation in the areas of Ophondweni, Emalahleni and Mahujini. These areas involve the relocation of 221 households before mining can commence. To date, none of these areas are accessible and subsequently no mining activities have commenced. The next step involves Arbitration or Court proceedings as per the regulatory stipulations which is currently underway.

Despite the fact that this Mining Right Area is not being mined as yet, the SLP 2016-2020 has continued its implementation. Costs have been incurred regarding Skills development and Community development despite no financial / operational benefits being reaped from the mining of this area.

A report is submitted annually to the Regional DMR offices regarding the status of the SLP, and in summary, the below table illustrates the implementation of the said SLP (the 2019 annual report is submitted as Annexure C):

SLP 2016-2020 (ZAR)	BUDGET	REMAINING BALANCE	ACTUAL SPENT
Skills Development	8 396 008	2 207 669	6 188 339
Community Development	12 429 000	7 098 156	5 330 844
Management Of Downscaling	600 000	-150 429	750 429
Total	21 425 008	9 155 395	12 269 613

The above summary shows that R12.3M has been spent by Tendele on this particular SLP yet no mining has occurred in this area and thus no income is generated from the mining activities in this area, yet the SLP funds have been spent.

Skills Development projects are on track and, in actual fact, have over-achieved on the targets to date. The Mine therefore wishes to make amendments to the projects registered under this SLP which will reduce the actual budget for the projects and request implementation to be allowed to 2021 (this also taking into account the effects of Covid 19 on the implementation of projects). It is the Mine's view that considering that no mining has occurred to date, this request could be deemed fair.

2.2.3 Reduction in project budget due to financial difficulties of the Mine;

Considering the Mine's financial status over the past 4 years due to its inability to access the future mining areas of MR 10041, the material decline in profits as per the annual financial statements submitted, as well as the effects of the curb against the spread of the Corona virus on the Company's finances through the implementation of the Lockdown, we hereby request a reduction in the total SLP 2016-2020 project budget. These factors will be elaborated on below.

Our current mining areas are being depleted and without future mining areas (those mentioned above under MR10041) after July 2020, we will have to shut the operation by 30 September 2020, which will affect some 1200 employees directly and another 400 indirect employees, in a rural impoverished area, not to mention the effect on the Ferrochrome Industry of South Africa which is mainly supplied by our operation.

The Mine embarked on a Section 189 retrenchment process during 2019 which was deemed as "phase 1". Alternatives to dismissal / retrenchment were identified which resulted in 33 temporary employees' contracts not renewed, 30 employees left the Mine's employment through Voluntary separation packages (VSPs), 13 Early retirement packages were concluded and short-time work principles affected 210 employees in the Processing division between August and December 2019. The Mine has furthermore commenced facilitation with the organised labour (NUM, AMCU and Solidarity) together with the CCMA in February 2020 to continue the Section 189 retrenchment process of a further 100 employees – this process has been concluded. Subsequently, a further process commenced in June 2020 which plans to reduce the workforce by 600 employees by 30 September 2020.

The above table indicates the Net profit after tax (NPAT) at 8% for the most recent financial year. Considering the past 3 years' numbers and the fact that on face value the Mine's Profit to Revenue Ratio has improved, we herewith provide a summary per year of the main drivers behind the numbers:

FY17 (2%) – During this financial year the Mine experienced quality difficulties throughout the pits in Luhlanga and KwaQubuka as well as major coal losses due to geological features in these areas, to the extent that the years to follow the mining and geological losses factors utilized during planning was increased significantly to accommodate for such losses. This year's mining was also characterised by deeper pits and higher strip ratios due to delays in acquiring and commencing mining in the KwaQubuka pit.

FY18 (6%) – This financial year saw improved profits due to changes in the Market in terms of pricing of anthracite products and the API4 index which was to the benefit of the Mine. These factors are however outside of the control of the Mine and should the prices of FY17 had continued, the ratio would have been in the order of 3%.

FY19 (8%) – The improvement in the ratio was mainly due to currency changes (to the Mine's benefit and again, outside of the Mine's control) as well as accounting adjustments. Should these changes not have occurred, the margin would have been below 5%. See Annexure D – Financial Status update as submitted to DMR on 19 December 2019.

FY June 2020

The Corona Virus pandemic and its consequences resulted in a R500 million liquidity challenge for the Company as summarized below, and it is anticipated that the Mine will make a material loss to June 2020.

R245m	Export sales cancelled (South American Iron Ore Sinter Market)
R100m	Pre-strip not recovered due to Covid19 shutdown production curtailed
R90m	Glencore Ferrochrome inland sales lost (April and reduced May)
R70m	Samancor Ferrochrome inland sales lost (April and reduced May)
R505m	Total

The table below outlines the current debt as it now stands and the position we are currently negotiating with our funders as we have to refinance in an attempt to survive.

	Current Debt	New loans / loans settled	Debt after restructure
Term loan A	R100m	-	R100m
Term loan B	R56m	-	R56m
Tendele RCF	R180m	-	R180m
SPV A Pref	R105m	(R105)	0
Overdraft	R50m	-	R50m
New loans – Total	n/a	R305m	R305m
<i>New loans – working capital</i>	<i>n/a</i>	<i>R169m</i>	<i>R169m</i>
<i>New loans – new mining areas</i>	<i>n/a</i>	<i>R136m</i>	<i>R136m</i>
Total Debt Facilities	R491m	R200m	R691m

The future of the Mine:

The AFS of the previous year (2018) elaborated on the ability of the Company to continue as a going concern and stated that although based on the legislative rights to Mine, monthly cash forecasts and budgets, the Company is stable, it also mentioned that *“...ability of the Company to continue operating as a going concern might be restricted to two years, if the Company cannot reach an agreement with households to be relocated from future mining areas.”*

In our letter of 2018, we stated that the Mine is under ever-increasing pressure as the current operational mining pits are reaching economic limit and thus are being depleted, with the current planning of the pits reaching their end by June 2019.

Fortunately, the Mine’s geology team identified some additional reserves in the current mining pits and some pits were scheduled to be mined additional cuts (deeper sections) which, although not profitable, has extended the LOM of the current operations to September 2020. We are thus currently operating at a loss, hoping that we can secure future mining areas soon.

The Mine is subsidizing these losses with debt and post balance sheet date, had to refinance and secure additional debt of some R 200 million as outlined in the post balance sheet note in the Annual financial statements (Annexure E).

In light of these financial challenges, the Mine therefore proposes that the SLP budget for Community Development projects be reduced as proposed later in this document and that the SLP 2016-2020 be extended to the year 2021 to provide the Mine with some time to fund the projects and complete their implementation before a review SLP is required.

2.2.4 Increased relocation costs

Since 2016 when the Mining right 10041MR was granted and executed, various discussions were held in the Mpukonyoni community in order to relocate those community members that occupy the land where the mining pits are situated, particularly Ophondweni and Emalahleni pits – a total of 177 households. These negotiations and consultations were also later (since September 2018) done with the assistance of the Ministerial Task Team of the DMR as per the requirements of the MPRDA section 54.

Without referencing and providing detail of a 4 year process, it is worth noting that to date, the cost of relocation has escalated to astronomical amounts, far above what was originally budgeted, for these pits as envisaged when the mining right was applied for and additional influx of 50 “Informal houses” built in the Emalahleni area after March 2017 which also needs to be addressed.

When the relocation process started in 2016/17:

- The original budget was R452 908 average compensation per household.
- This number was based on historic relocations done of 225 households since 2007, inflation adjusted.
- Total cost of relocation was estimated to be R 75 916 949.

Current Status:

- Average cost R 782 410
- Thus at a total cost of R 126 million.

This is R 50 million more than the original budget.

Comparisons	Average Offer	Increase amount above "before protocol"	%	Increase amount above "Municipality"	%	Number of families to be relocated	Total Relocation Cost, excluding infrastructure costs	Increase in Relocation Costs "before protocol"
Offer for Phase 2 houses - before Protocol	462 908					120	55 548 987	
Average value of house in local Municipality (with full services)	478 685	15 777	3%					
May 2018 offer for Phase 2 - after protocol	600 000	137 092	30%	121 315	25%	120	72 000 000	16 451 013
Average Current Offer for Emalahleni Old and Ophondweni	743 113	280 205	61%	264 428	55%	120	89 173 579	
Average Current Offer for Emalahleni New	97 968					25	2 449 194	
Total for Phase 2 based on Average Current Offers							91 622 774	36 073 787
Comparisons (Ophondweni and Emalahleni)								
Comparisons	Average Offer	Increase amount above "before protocol"	%	Number of families to be relocated	Total Relocation Cost, excluding infrastructure costs	Increase in Relocation Costs "before protocol"		
Offer for Phase 2 houses - before Protocol	462 908			120	55 548 987			
May 2018 offer for Phase 2 - after protocol	600 000	137 092	30%	120	72 000 000	16 451 013		
Total for Phase 2 based on Average Current Offers					91 622 774	36 073 787		
Average Current Offer for Emalahleni Old and Ophondweni	743 113	280 205	61%	120	89 173 579			
Average Current Offer for Emalahleni New	97 968			25	2 449 194			
Comparisons (Mahujini)								
Comparisons	Average Offer	Increase amount above "before protocol"	%	Number of families to be relocated	Total Relocation Cost, excluding infrastructure costs	Increase in Relocation Costs "before protocol"		
Offer for Phase 3 houses - before Protocol	462 908			44	20 367 962			
May 2018 offer for Phase 3 - after protocol	600 000	137 092	30%	44	26 400 000	6 032 038		
Total for Phase 3 based on Average Current Offers	782 410	319 501	69%	44	34 426 026	14 058 064		
Total Phase 2 and Phase 3								
	Original	Revised	VAR	Best Estimate	Var Original	Var Revised		
Total	75 916 949	98 400 000	22 483 051	126 048 800	50 131 851	27 648 800		

This is simply not affordable and causes the pits to become uneconomical to develop. It is therefore with these numbers in mind, that the Mine motivates the reduction in SLP project numbers and an extension of SLP 2016-2020 to the year 2021.

The extension to the year 2021 will allow the Mine enough time to implement the project, given the current National Lockdown restrictions of the country and the Mine's financial burdens as mentioned. The Mine therefore would like to propose that the next 5-year SLP cycle therefore be run from 2022.

2.2.5 Identified Community Development projects becoming inappropriate.

The current SLP16-20 performance was discussed above and the SLP annual report for 2019 is attached as mentioned in Annexure C.

As stated, the Mine has over-achieved on all Skills Development aspects of the SLP and well on track to conclude this section. The below table shows a summary of the Community Development section projects and their status and / or challenges to which this motivation is directed.

As can be seen from the table, two of the Mine's projects identified prior to 2016 have become inappropriate to execute in that the Ntikili school has subsequently been earmarked by the Independent Development Trust (idt) to be built (see annexure F1 and F2 which confirms this) and the Training centre to be built at the Agri-Hub is not necessary considering that most entrepreneurial training can and is being done at the Edu-centre (a previous SLP project of the Mine).

The current proposal is to cancel both Ntikili school project and the Training centre (showed in orange below) and replace it with a project which involves Early Childhood Development in partnership with the Lego foundation and the Department of Education.

Project Name	Development of New School	Agricultural Hub – Phase 2	Maths & Science	Water supply - boreholes & hand pumps	Broiler Production	Community Access roads	St Lucia Ablutions	Dip-tanks
Detail	Build Ntikili Primary School	Build Entrepreneurial training centre (R1.4m) and provide training (R1m) to incumbents	Assist school children with Maths and Science	Assist with infrastructure and water supply	Research, feasibility & commence project	Upgrade access roads	Build ablution facilities in St Lucia	New dip tanks
Budget	R 6 000 000	R 2 400 000	R 1 155 000	R 875 000	R 739 000	R 700 000	R 360 000	R 200 000
Spent to date	R 183 694	R 932 031	R 694 919	R1 915 241	R 6 497		R 382 732	
Status	School now earmarked by Dept. Public Works to be built as per Dept. of Education	Edu-centre used to provide training –works well. Why add infrastructure if not needed?	On track	On track	Commenced and on track	Dependent on Relocation	Completed	Dependent on Relocation
Proposal	Cancel Ntikili (R6m) and Training centre (R1.4m). Replace with newly proposed Lego project which will benefit 5000 children. Implementation to be planned for 2020-2021.		Remains unchanged	Remains unchanged	Remains unchanged	Defer implementation to 2021 when Area 4&5 mining commences	Remains unchanged	Defer implementation to 2021 when Area 4&5 mining commences

The Mine's journey with the Lego foundation started in 2018-2019 when a CSI project was done whereby 26 crèches within the Mpukunyoni area were sponsored with the Lego Six Bricks concept - programme whereby the famous Lego bricks are used to teach small children (ages 3-5) the concepts of colour, basic mathematics, developing their gross and fine motor skills and various other foundation phase concepts through play-based learning.

Through this project, which was done in collaboration with the Lego Foundation, 3000 children in these crèches were reached – this was deemed phase 1. The feedback was phenomenal, teachers inspired and children uplifted. From this our new project came to life, which now focusses to school-going children Grade R-4 in primary schools.

Lego Six Bricks background documentation can be found in Annexure G which includes the endorsement of DoE.

The programme builds on the strengths and achievements of current collaborations and is in direct support of the curriculum established by the Department of Basic Education.

The implementation of the programme will focus on the enrichment of the curriculum and the pedagogies employed by educators to implement the curriculum with a specific focus on play based learning. In the classrooms together with the availability of some learning materials, e.g. manipulatives such as six bricks.

The Department of Basic Education had selected Eastern Cape, Free State and Gauteng provinces for the first phase with a focus on one district in each province. Tendele Coal Mining has transcended such protocols and pioneered the six bricks programme in the KZN Province.

The Mine's phase 2 project entailed that this project be expanded to Primary schools:

- Project in partnership with Lego Foundation and DoE Nationally
- Focus on Early Childhood Development
- R800,000 Lego bricks have been sponsored to 26 Primary Schools in Mpukunyoni – **5000 kids** (Gr R-4) will benefit
- Teachers are being trained on how to use the programme
- Lego Six-Bricks supplements the National CAPS national curriculum in schools for development of sensory, speech & language, cognitive, motor, social, maths and emotional skills in young children.

26 Lego Playrooms be erected:

The Mine's SLP project proposal entails an infrastructure plan whereby a Lego Playroom be erected for each of the 26 Primary schools identified. This will benefit 5000 children (current Grade R to Grade 4 pupils) and many more children in the future. Below are some photos of what is envisaged.

The plan involves a playroom for each school – very much like the principle on which a school would use its library – a venue where each teacher can take his / her class during the day in order to constructively engage in Lego activities for educational purposes.



This classroom would be filled with the necessary Lego Six-bricks building blocks and facilities for the teacher to utilize as part of the educational process such as desks for the children and a blackboard for the teacher.

Each school will be provided with a Lego-branded Pre-fabricated classroom which would be furnished with a solar system to provide lighting and electricity, bookshelves, a soft-play Lego set, Blackboard and desks.



The budget for such a proposal entails the following:

26 Schools benefit from Infrastructure - Lego playroom			
Item	Number	Cost	Total
Containers (8mx4m)	26	R 89 500	R 2 327 000
Foundations	26	R 15 000	R 390 000
Paint	26	R 10 000	R 260 000
Solar System kit	26	R 2 500	R 65 000
Flooring	26	R 5 000	R 130 000
Tillery	26	R 3 000	R 78 000
Cupboards	26	R 2 500	R 65 000
Bookshelves 1.45mx1.8m	26	R 2 795	R 72 670
Soft play	26	R 5 000	R 130 000
Training	26	R 15 000	R 390 000
Miscellaneous	26	R 5 000	R 130 000
Total			R 4 037 670

2.2.6 Confirmation that the amended document is appended

(Confirm that the revised document is appended. The document itself must be revised and submitted in complete form. An addendum will not be acceptable)

I hereby confirm that the amended SLP has been appended as **Annexure H** to this application.

3 IDENTIFICATION OF THE APPLICATION

Herewith I, the person whose name and identity number is stated below, confirm that I am the person authorised to Act as representative of the Applicant in terms of the resolution submitted with the application, and confirm that the information provided above constitutes the official application for the consent of the Minister to amend the aforesaid right, permit, programme or plan, and I furthermore undertake to lodge such consent for registration within 30 days of consent, in the event that such consent is given.

Full Names and Surname	JOHANNA MARIA STEYN
Identity Number	8003020025082



JM Steyn
Chief Operation Officer

Tendele Coal Mining

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082-309-9633

27 July 2020

-END-