

MANAGEMENT BRIEF

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| To: | Employees of Tendele, Mpukunyoni Mining and Sub-contractors | | |

PRODUCTION BONUSES AND AN UPDATE CONCERNING THE MINE'S FUTURE.

Production bonuses will be paid on 25th February 2018 based on the hard work and special effort of employees. The details of the bonus are as follows:

PRODUCTION BONUS – MPUKUNYONI MINING

Congratulations to Mpukunyoni Mining employees for their hard work and effort. Despite the challenges, for example the high-wall failure, the volume production target for the month was achieved.

Although the coal targets were not achieved, it was agreed to pay a production bonus based on the following results:

- Planned total volume = 997 943m³
- Actual volume = 1 147 346m³
- Bonus rate = 240m³/h
- Actual rate achieved = 256,7m³/h

PRODUCTION BONUS – TENDELE (PROCESS)

As a result of the hard work and special efforts of the Tendele and platform teams during the month, Management have also agreed to pay Process employees a bonus of R 250.

The achievements are as follows:

- **Plant 1** - Achieved Target two (2) of the bonus scheme
- **Plant 2** - Achieved Target four (4) of the bonus scheme
- **Plant 3** – Did not achieve the feed rate target since Plant 1 and 2 stood for a combined 29hrs during the month due to no coal being available which has affected plant 3's feedrate. The lack of coal available from pit B and a low yield achieved in the beginning of the month (as low as 19-23%), have both affected plant 3's production rate.

As with the Mining employees, all targets were not met to qualify for the production bonus as prescribed in the Production Bonus Policy. However, in recognition of all employee's efforts, giving due consideration to the extenuating circumstances, Management agreed to pay the bonus as a special thank you for your commitment.

THE FUTURE OF THE MINE

We have previously briefed employees, the Nkosi, Traditional Council and the MCMF. The realities of running out of coal have already started affecting the Mine and the reason is simple – we cannot move into new mining areas because of the following:

- The Mine is being prevented from continuing with exploration drilling in the Machibini and Mahujini areas
- Unrealistic compensation demands and the influx of residents into Emalahleni make it simply uneconomical to mine in that area

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We are in a process to obtain information following the Emalahleni Community meeting for the directly affected community on Sunday, 18 February 2018, but initial feedback is that the community still insists on receiving compensation for relocation that will make the development of this area uneconomical.

Once we have all the information, we will meet with Induna Gumede and agree a way forward. Needless to say, the mine is not prepared to pay these kinds of monies and we have made a final offer which is very much in line as to what has been paid in recent years to other "relocated areas", adjusted for inflation.

We will also be meeting with the Nkosi and Indunankulu early next week to discuss the status of Machibini and Mahujini and will also meet with the Machibini MAC (including Induna) to discuss a way forward – and to try and restore trust between the Mine and the Machibini Area.

To furthermore assist the Community, the Mine have committed to 35 training opportunities per area during 2018 if we secure new mining areas.

We have allocated monies to fix the Full-service school, Ingaqa primary school at Machibini.

Soon we will be able to discuss the Vulamehlo project (an idea developed out of the community) whereby we intend to visit many schools around the mine to educate learners and explain to them that they can have a better future despite whether their parents can read / write and despite poverty.

The January bonus may very well be the last time that employees will receive a production bonus. The lack of progress with accessing future mining areas have already affected the production results for both January and February to date.

Some evidence of the challenge are as follows:

- MBA drivers are already affected as the number of trucks and their loads per truck have been reduced
- Plant 1 and 2 have already been standing in both January and February due to shortage of coal. In fact, the mine decided to send employees on leave this week as the lack of coal and the impact that rain has had on mining has meant there was no feed available for the plants
- Clients have already been informed that the Mine will not be able to meet all their coal requirements

Based on the current trend and as the Mine is not able to access more coal, Management may soon be approaching the Unions to engage in Section 189 (down-scaling and retrenchment) consultations. We will continue to keep you updated.

Whilst bonuses are earned for hard work, it will be a truly tragic situation if hard-working employees (some 1400 in total between us and our service providers) are prevented from continuing with their employment because of a few community members who choose to stand in the way of future development, and huge economic and social investment and upliftment in the Community.



J Steyn
COO