

SOMKHELE

Fact sheet



Key facts about Somkhele

Location:	85km North of Richards Bay in KwaZulu-Natal Province (Mtubatuba Local Municipality) - The income profile of Mtubatuba Local Municipality shows that the majority of the population lives below poverty datum line. This is demonstrated by the majority of the population earning less than R2,000 per month sitting at over 72%. Of this figure 53% of the households have no secured source of income
Acquired by Petmin:	2005 - in pre-feasibility stage
Operated by:	Tendele Coal Mining Proprietary Limited (a Petmin Subsidiary)
Shareholding:	80% held by Petmin Proprietary Limited 20% held by Business Venture Investments No. 1770 Proprietary Limited (BVI) BVI's shareholders are: 80% held a Community Trust – The Mpukunyoni Youth Development Trust and 20% held by an Employee Trust – The Tendele Economic Benefits Sharing Scheme Trust
Commissioning:	Commissioned 1st plant and open pit in June 2007
Mining method:	Open pit truck and shovel
Plant:	1st plant capacity 550,000 saleable tonnes of anthracite per annum 2nd plant capacity of 650,000 saleable tonnes of anthracite per annum 3rd plant capacity of 400,000 saleable tonnes of energy product per annum
Products and markets:	- Somkhele's anthracite competes with bituminous coals, chars and cokes as a carbon feedstock in the metallurgical industry - There is a distinction between the coal mined at the mine and the typical coal associated with polluting the environment. The mine extracts a coal known as anthracite, which is typically low in Sulphur and volatile matter. This coal is used as a reductant in the Ferrochrome and Ferromanganese industries due to its high carbon content and is generally viewed as a cleaner burning fuel when burnt. Anthracite is very different to the coal used by power stations, i.e. Eskom which is called bituminous coal - Approximately 50% of Somkhele's anthracite production is exported via Richards Bay to iron ore pelletising and sintering markets primarily in Brazil - The balance of Somkhele's anthracite production is sold to the South African ferro-alloy industry as a reductant - Petmin's low volatile, high-ash energy coal is exported to various markets around the world and is primarily used in the cement and low-volatile power station markets
Employees:	- Somkhele employs (both directly and indirectly via service providers and contractors) approximately 1,600 people 87% of those employed are from the local community at Somkhele
Health and safety:	- Somkhele has an exemplary safety record and has been fatality free since it commenced operations - Rigorous health monitoring of employees and surrounding communities is undertaken, including examinations of any health impact caused by dust and noise. - There is a network of monitoring stations in the local community to measure dust from the mine, and a management programme to ensure it remains within acceptable levels - Reports are submitted to the regulator monthly, quarterly and annually and subject to audits

Key facts about Somkhele continued

Environment:

Somkhele is committed to operating in an environmentally responsible manner in accordance with its regulatory approvals. Somkhele's environmental monitoring programme includes the following:

- **Blasting:** During blasting events by mine and independent blasting consultant
- **Surface water:** Monitored quarterly by mine and independent environmental consultants
- **Ground water:** Monitored quarterly by mine and independent environmental consultants
- **SASS monitoring:** Bi-annual monitoring by mine and independent environmental consultants
- **Dust monitoring:** Monthly by independent experts

Economic impact:

Somkhele is the centre of economic activity in the area.

Together with local communities, we have carried out numerous social infrastructure investments and procure goods and services from 70 local businesses employing 400 people.

Currently around 20,000 people in the area derive an income (directly and indirectly) from our activities and a further 20,000 people benefit from training and other benefits that our social investments provide for.

SOMKHELE IN THE COMMUNITY

Since operations started in 2006, Somkhele has changed the lives of many people in the community through employment, and infrastructure, and community development, and has made significant contributions to the local and national economy.

Operations will take place in three phases:

- **Phase 1** – current mining areas (almost depleted)
- **Phase 2** – future mining areas (Emalahleni and Ophondweni)
- **Phase 3** – final phase (Amajonjoni)

All regulatory approvals, licences and titles required in place.

The mine is the centre of economic activity in an area with an unemployment rate of 90%. We employ some 1,600 people, 87% of them from the community and we use the services of some 70 locally based entrepreneurs. This is the main income for some 20,000 people.

Through our Social and Labour Plan we have assisted some 20,000 community members with training, skills transfer and basic adult English.

We have provided many basic services, like water, which the municipality is unable to provide.

There is little other economic activity in the area. This is why the vast majority of community members support the continued existence of the mine, including the expansion projects that have given rise to opposition from a small minority.

MANAGING OUR IMPACT ON ENVIRONMENT

We take compliance to environmental regulations very seriously and comply fully with the requirements outlined in:

- the Mine Health and Safety Act (MHSA);
- our Environmental Management Plan (EMP), which was approved with our mining rights by the Department of Mineral Resources and Energy (DMRE)
- our Water Use Licences approved and regulated by the Department of Human Settlements, Water and Sanitation.

Extensive measures are in place to manage the environmental impact of our operations. These measures are monitored regularly by third party specialists to determine whether the mine is compliant. Since 2006, our operations have been found to be fully compliant.

In addition, our mine is regularly audited by the regulators and we have never been found to be polluting the area.

And we provide the results of monitoring to community representatives.





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ENGAGING WITH OUR COMMUNITY

Since 2006, when operations first started, we have worked very hard to engage effectively with our communities and stakeholders.

In 2016, we developed a road map agreement in collaboration with the Department of Mineral Resources and Energy and stakeholders in the area with the aim of establishing a single forum to engage all stakeholders. The agreement was signed in 2017 by Tendele and the Mtubatuba Municipality, labour unions AMCU and the NUM, NGOs, the Mpukunyoni Business Association which represents more than 150 local entrepreneurs and the Mpukunyoni Traditional Council and all 30 Izigodis in the area as well as the Mpukunyoni Community Mining Forum (MCMF).

The road map agreement also established six mining area committees for the six Izigodis around the mine that consists of the Induna of the Izigodi, the Municipality Ward Counsellor and other democratically elected members from the Izigodi. The mining area committees meet monthly and is chaired by the MCMF chairman and reports quarterly to the MCMF.

Purpose of the road map agreement is to:

- Establish a good and peaceful working relationship between the mine, the community and other stakeholders in relation to the operations of the mine
- Document old agreements (whether in writing or not), and agree a process to resolve
- Resolve historic outstanding issues of concern
- Develop policies and procedures to ensure a stable and peaceful way forward
- Discuss the community and the mine's concerns and to oversee the resolution of community complaints
- Provide advice on how best to communicate relevant information of the mine to the broader community
- Work together towards outcomes that will benefit the mine and Mpukunyoni community
- Promote economic growth through sustainable community development
- Implementing sustainable programmes that address challenges of unemployment, poverty alleviation and socio-economic development

We engage with all our stakeholders on various topics through this forum which meets on a quarterly basis.

We encourage community members to raise any issues or concerns through the platforms and structures in place within the community so these may be raised by local leadership.

RELOCATION ACTIVITIES

As existing operating areas of the mine are depleted, we need to expand into new areas covered by our mining rights. If this expansion does not take place, the mine will be forced to shut down completely. The closure of the mine would result in the loss of income directly and indirectly for 20,000 people and the loss of training and other benefits that our social investment provides for another 20,000 people in the area.

We have been engaging with the community and its leaders throughout this process in various forums.

During phase 1 (between 2006 and 2016), some 225 families were relocated from Eisembeni, Luhlanga and KwaQubuka after compensation agreements were successfully negotiated with each of them.

The current phase 2 expansion project requires the resettlement of 145 households. So far, 128 households have agreed to be relocated and have signed compensation agreements to this effect while 17 have not.

Compensation to the 128 households is a minimum R400,000, with an average R750,000. An agreement has been signed with the Ingonyama Trust that will enable these households to resettle in areas that they select.

We believe that these resettlement arrangements will leave these families better off than they currently are. We remain committed to engage fairly and transparently with the 17 families that have so far refused to relocate about their concerns relating to relocation with the aim of negotiating fair compensation. The ultimate goal is finding a balance between economic growth and fairness to the majority of people who support mining, and those who don't.

HISTORICAL CONTEXT

During the relocation process in phase 1, all people within 500m radius of the new pit areas would be relocated. Some families outside the 500m radius took issue with the fact that they would not be relocated - they were concerned that they would then be exposed to dust, noise and blasting which would impact their lives, and they were worried that they may not benefit from employment and procurement opportunities. About 100 people decided to organise themselves and formed a group called the "Somkhele Concerned Group".

Current negotiations for phase 2 started in June 2017 and due to the group feeling aggrieved that they would not be relocated, they accepted advice to join the Mfolozi Community Environmental Justice Organisation ("MCEJO") MCEJO and met with MCEJO legal advisor, Kirsten Youens. The MCEJO constitution was amended to include Somkhele/Tendele with the purpose of "closing Tendele Mine".

During the 2020 COVID pandemic, the Somkhele MCEJO learned (through press reports and comments made by Ms Youens), that MCEJO wanted to close the mine

7 out of the 9 Somkhele MCEJO executive members (Ms Ntshangase was one of the remaining 2) claim they had no wish to close the mine, but instead wanted to engage with the mine to address grievances they had.

Despite it not being their intention, the group through MCEJO, was made part of two court cases instituted against the mine:

- MCEJO, Mr Dladla and GET Foundation/Others challenged the validity of the mine's environmental permits granted by government, in the High Court of South Africa. The application and the matter is now pending appeal in the Supreme Court of Appeal.
- There is also a review application to be heard in the High Court of South Africa due to start during 2021 brought by the same parties.

We believe these cases to be without merit and threaten the future of the mine. The parties behind these cases represent, at best, a tiny proportion of the 220,000-strong community. While they are bringing these cases in the name of the Somkhele MCEJO branch, the vast majority of that branch is opposed to the litigation. The attorney bringing the case has no mandate to do so from community representatives.

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COMMUNITY TENSIONS

The relocation contracts already agreed cannot be fulfilled until agreement has been reached with all 145 households. This has created tensions between those who are looking forward to receiving compensation and moving to new areas, and those who have not yet done so.

This is regrettable, especially as it may have been a factor in the murder of Ms Ntshangase, a community activist in the area. We strongly condemn any form of violence or intimidation and have offered our full co-operation to the SAPS to ensure that the culprits face the full extent of the law.

It has always been our intention to finalise an agreement with all the relevant households that opens up the way to further economic development and is fair to those affected. We are hoping to reach an agreement with the remaining households which should resolve these tensions.

Both Somkhele MCEJO and mine management have sought assistance from government in resolving tensions. Following meetings in July, an inter-ministerial task team was established under the leadership of the KZN Premier, and he appointed the chair Sihle Mkhize. The task team includes members from MEC Safety, MEC Economic Development, and members of the DMR Ministerial Task Team. The task team has urged MCEJO to find a way to reduce tension in the area, and to resolve matters with the mine to prevent the closure of the mine.

Mine management is eager to participate in talks to achieve this goal and is ready, and actively involved, in doing so.



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