

## Somkhele Anthracite Mine

### Update on Social and Labour Plans (SLP) – 19 November 2020

On 17 November 2020, the audited annual financial statements (AFS) for Tendele Coal Mining Proprietary Limited for the year ended 30 June 2020 were approved and signed off by our auditors, KPMG.

**Pursuant to the finalization of the AFS, an update on our Social and Labour Plans is provided below.** Somkhele currently has two SLPs for its mining areas:

- one for Area 1 and Area 2 (nearing depletion); and
- one for Area 4 and Area 5 (where no mining has yet taken place due to the inability to finalise relocation agreements).

***This SLP was amended in July 2020 to accommodate for the impact of the Covid-19 pandemic and to accommodate the fact that Somkhele does not yet have access to new mining areas.***

As noted in the revised SLP for MR 10041 (dated 27 July 2020), the financial performance of Somkhele was negatively impacted by the Covid-19 pandemic and due to the fact that new mining areas were not accessible and deeper, more expensive areas were required to be mined.

The table below is an extract from the revised SLP for MR 10041 (dated 27 July 2020) and outlines the liquidity challenge presented by the Covid-19 pandemic.

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)
<b>R505m</b>	<b>Total</b>

The table below, included in the revised SLP for MR 10041 (dated 27 July 2020) is now updated to include results for the year ended 30 June 2020. Somkhele generated a pre-tax loss of almost R100 million for the year ended 30 June 2020.

<b>FINANCIAL YEAR SUMMARY</b>	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>
Revenue	1 019 788	1 274 164	1 282 618	1 414 236	1 535 951	1 691 484	1 071 591
Cost of Sales	788 233	973 221	934 481	1 254 916	1 192 395	1 289 316	1 050 723
<b>Operating profit/(loss)</b>	<b>231 555</b>	<b>300 943</b>	<b>348 137</b>	<b>159 319</b>	<b>343 556</b>	<b>402 167</b>	<b>20 868</b>
IDC interest	(3 601)	(2 078)	(799)	-	-	-	-
Depreciation	(38 873)	(45 154)	(44 052)	(50 244)	(127 189)	(110 309)	(81 471)
Finance income	5 768	6 615	8 411	8 312	8 062	3 372	4 475
Finance expense	(29 723)	(30 374)	(20 683)	(23 370)	(21 113)	(23 012)	(18 942)
Notional interest rehabilitation liability	(2 250)	(3 063)	(11 364)	(10 237)	(10 632)	(25 191)	(20 996)
Royalty (Paid to RSA Government)	(2 284)	(18 595)	(40 544)	(29 642)	(37 273)	(36 537)	(3 454)
Petmin marketing fee (based on pre-tax profit)	(16 066)	(24 148)	(23 910)	(5 351)	(15 541)	(21 048)	-
<b>Profit/(loss) Before Tax (PBT)</b>	<b>144 523</b>	<b>184 143</b>	<b>215 194</b>	<b>48 785</b>	<b>139 869</b>	<b>189 440</b>	<b>(99 521)</b>
Tax	(40 466)	(51 560)	(60 254)	(19 025)	(40 776)	(54 765)	26 896
<b>Profit/(loss) after tax (NPAT)</b>	<b>104 057</b>	<b>132 583</b>	<b>154 939</b>	<b>29 759</b>	<b>99 092</b>	<b>134 675</b>	<b>(72 625)</b>
<b>Profit / Revenue ratio AT</b>	<b>10%</b>	<b>10%</b>	<b>12%</b>	<b>2%</b>	<b>6%</b>	<b>8%</b>	<b>-7%</b>

#### Update on funding position

Subsequent to 30 June 2020, Petmin and Tendele entered into various refinancing agreements with its funders in which a total of R593 million debt was secured as follows:

- Term Loans from banking institutions – R393 million
- Shareholder loans – R100 million
- Short-term banking facilities – R100 million

In addition, shareholders have provided the banking institutions with guarantees amounting to R110 million.

Somkhele's existing mining areas will be depleted within the next two years and the cash generated in that period of time is required to settle the debt noted above.

**In order for there to be a meaningful future contribution to the community around Somkhele, the mine needs to complete the relocation process in the new mining areas. Should this happen, then Somkhele will continue to have the ability to make a meaningful contribution to the local community for the next 10 years.**