

SERITI STATEMENT ON SAPS COMPLAINTS

13 April 2021, Johannesburg: Seriti Resources continues to note reports in the media about the affidavits submitted in support of complaints to the SAPS regarding various aspects of the transaction where Seriti is in the process of acquiring South32's SA Energy Coal (SAEC) business. The complaints purportedly relate to the proposed amendment of the coal supply agreement (CSA) between Duvha power station and the adjacent colliery (MMS) currently owned by SAEC and part of the transaction. The two complaints have been lodged by National Union of Mineworkers (NUM) acting general secretary William Mabapa and SA Federation of Trade Unions (Safu) general secretary Zwelinzima Vavi respectively.

Seriti believes the complaints are vague and lack any foundation. It is questionable whether they are worthy of reportage at all. At the very least, any assessment of the complaints should consider the motivation behind them.

Seriti is particularly confused at the rationale for the NUM's complaint, given that the union was invited to comment on the transaction by the Competition Commission during the merger investigation in 2019 and 2020. In fact, the NUM participated in the merger investigation, made submissions to the Competition Commission and did not object to the approval of the transaction. This was at a time when it was already clearly stated in public transaction documents that an amendment of the terms of the Duvha CSA agreement to render the contract sustainable was one of several preconditions for the finalisation of the sale.

This fact also renders inaccurate acting NUM general secretary Mr Mabapa's statement in clause 10.5 of his sworn affidavit that: "In the Competition Commission hearings, South32 only invited the unknown trade union UASA to the hearings. This is in essence basically a white union, but the Commission appears to have deliberately excluded the black trade unions NUM and Numsa, which represent the overwhelming majority of South32 workers".

Mr Vavi's political or personal agenda for becoming involved in this matter is unclear since we maintain that there is no evidence supporting his allegations.

To attempt, as they and certain journalists have done, to conflate a legitimate and exhaustively analysed commercial transaction such as this with regrettable past events of State Capture, without proper investigation or any evidence, is unacceptable.

Seriti will co-operate fully with the SAPS if these complaints are investigated further, but maintains that there is no merit to the complaints. We believe that those persons who seek to

abuse South Africa's prosecutorial processes for narrow political or personal ends should be held responsible for this.

According to Seriti CEO Mike Teke: "Seriti was formed by four formidable black shareholders who share a simple mission, which is to empower all its stakeholders through proper value creation. Our commitment to South Africa is to contribute to strengthening the energy sector through reliable and sustainable operation of coal mines that supply Eskom.

We take exception to the ill-informed and malicious rumours and unfounded speculation, not supported by any evidence which have been circulated and which are being pushed by unnamed individuals pursuing hidden vested interests. However, in the long run this transaction is good for South Africa and for Eskom, in that it ensures continued supply of coal by a reputable miner.

Seriti comprises a capable team of professionals who understand mining, understand mining systems, understand procurement and understand the proper running of a business. We wish to complete this transaction and put in place our plan to turn SAEC around and grow and diversify Seriti's business. Those opposed to this transaction are motivated by self-interest and not the interests of the country.

We will not allow our country to be plundered. South Africa need a secure and sustainable energy supply", Mr Teke concludes.

The facts to be borne in mind in connection with the proposed transaction are that:

1. the Duvha CSA has been a loss-making contract for a number of years and in the past two years those losses have become so great that the viability of the whole of SAEC's business is in danger;
2. SAEC and Eskom had been in discussions regarding the economic hardship experienced by SAEC in connection with the supply to Duvha well before any contract was signed with Seriti;
3. the coal mine that supplies coal to Duvha is a mine-mouth operation, that is to say the boilers at Duvha are designed to burn coal of the quality at that mine and the coal is delivered to Duvha via a conveyor belt;
4. these factors mean this supply of coal to Duvha is the most cost effective, safe and reliable supply of coal even after taking into account the price increase Eskom has requested from National Treasury;
5. the price adjustment sought by Eskom as part of its approval of the proposed transaction was made after a year-long process of assessment of the hardship claim made by SAEC, as well as the extensive due diligence of Seriti's business and shareholders;
6. Seriti participated in a lengthy competitive bidding process conducted by South32 and its advisers and made complete disclosure of its shareholders, business operations and plans for operating SAEC in the future;

7. Eskom and South32's investigation and assessment of Seriti's business and proposals to remedy the loss-making position at SAEC were painstaking and extensive and carried out by independent and reputable advisers;
8. the price increase sought for the supply to Duvha is not a favour as some would spuriously suggest – it is justifiable and necessary;
9. similarly, the Competition Commission and Tribunal investigated the proposed transaction and Seriti's businesses for over a year;
10. in order to ensure the supply to Duvha is put on a sustainable footing and to manage environmental rehabilitation when the mine closes, South32 has announced that it is committing billions of Rands to support SAEC's business after the sale.

The overarching point is that it is in Eskom's interests that suitable quality coal in sufficient quantities be supplied to Duvha power station on a sustainable cost basis. The coal required at Duvha cannot be met by trucking in coal at this point in time, even if it would be cheaper or safer to do so (which it is not, according to our analysis).

The unavoidable solution to the supply of coal to Duvha is to require an adjustment to the price of coal to reflect the true and fair cost of production and implement various cost saving measures, failing which the mine and possibly SAEC will have to shut down. If that is the case the consequences for employees of SAEC and Duvha and the country as a whole during the power supply crisis we are experiencing will be severe. This is a situation that must and can be avoided.

As we have noted before, Seriti's proposals to Eskom are to render SAEC's supply to Duvha power station as a break-even operation until 2024. 2024 is a long-standing date in the Duvha CSA which pre-dates the proposed transaction. It is in South Africa's interest that Duvha continue to operate during our power crisis and all these steps are intended to ensure that is the case, without undue profiteering. Eskom has seen fit to submit its request to National Treasury because there is a sound rationale for doing so.

Without the approval of Eskom and National Treasury, the transaction will not proceed. It is in this light that the recent public statements in the media (which we maintain are inaccurate) should be seen.

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NOTE TO EDITORS:

About Seriti:

Seriti is a broad-based, 91% black-owned and controlled coal mining company. Seriti, through its operating subsidiary, Seriti Coal Pty Ltd, currently operates three large-scale, opencast and underground thermal coal mines, the New Vaal, New Denmark and Kriel mines, which it acquired from Anglo American, as well as various life extension coal resources and closed collieries. Together with its partners, Seriti intends to develop its New Largo project into a large-scale, opencast coal mine capable of providing the base load fuel requirements for Kusile Power Station.

Seriti is co-owned by four anchor shareholders – Masimong Group Holdings (Masimong), Community Investment Holdings (CIH), Zungu Investments (Zico) and Thebe Investment Corporation (Thebe). It is Seriti's philosophy that 10% of the equity in its mining operations be ring-fenced equally for the benefit of employees and communities through established unencumbered employee and community trusts.

As a responsible South African coal miner, Seriti has a proven track record in the acquisition, operation and development of large-scale opencast and underground coal mines. Guided by experienced board and management teams, Seriti maintains a principle focus on its long-term commitment to the domestic market and, in particular, the reliable and cost-effective provision of coal to Eskom.