

PURPOSE OF THIS DOCUMENT:

- This Background Information Document (BID) provides you, as an Interested and Affected Party (I&AP), an overview of the proposed project.
- The BID invites you, as an I&AP, to participate in the required Public Participation Process.
- The BID provides you, as an I&AP with an opportunity to contribute and participate in the formulation of the Scoping and EIA Reports.
- The BID also provides you, as an I&AP an opportunity to provide the project team with your comments, concerns and objections to the proposed project.

1 BACKGROUND INFORMATION DOCUMENT

1.1 PROJECT INTRODUCTION:

Forzando Coal Mines (Pty) Ltd has appointed Environmental Impact Management Services (Pty) Ltd (EIMS) as the Environmental Assessment Practitioner (EAP) to undertake the necessary environmental permitting and licencing processes for the Kalabasfontein Project.

It is anticipated that listed activities contained in the National Environmental Management Act (Act 107 of 1998) (NEMA) and National Water Act (Act 36 of 1998) (NWA) will be triggered by the proposed extension. During the EIA process the need for a Waste Management License (NEMWA) and other environmental legal requirements will be also identified.

1.2 AIM OF THE BACKGROUND INFORMATION DOCUMENT (BID):

The aim of the BID is to:

- Provide an overview of the Environmental Authorisation (EA) / Water Use Licensing (WUL) Applications as well as the public participation processes which will be undertaken for the proposed Kalabasfontein Project which includes the extension of the Forzando South Coal Mine as well as the proposed amendments to existing authorisations/licences/ and rights;
- The Integrated EA Application process shall be undertaken in terms of the EIA Regulations, 2014 (GNR 982) promulgated under the National Environmental Management Act (Act 107 of 1998 – NEMA) as amended. A full EIA process will be followed which involves a Scoping phase which is the ‘feasibility’ and largely desk-top assessment stage of the project, followed by more detailed assessments in the Environmental Impact Report (EIR) phase;
- Allow I&APs the opportunity to obtain a broad understanding of the proposed project and to request or share information; and
- Provide details on how I&AP’s can register their interest in and submit comments on, the project. It is important to note that only registered I&AP’s will receive further communication regarding the project for the duration of the EIA process (i.e. invitation to review and comment on the Scoping and EIA Reports).

1.3 LOCATION, SCALE, AND EXTENT OF THE PROPOSED PROJECT:

The project footprint falls within the Msukaligwa Local Municipality, Mpumalanga. The project area covers portions 7, 8, 11, 13, and RE of Farm Kalabasfontein 232 IS. The project area is situated ~20 kilometres north of Bethal and ~20 kilometres east of Ga-Nala (Kriel). Please refer to locality map at the end of this BID (**Figure 3**).

1.4 PROJECT DESCRIPTION:

Forzando Coal Mines (Pty) Ltd wishes to extend the current mining activities at Forzando South underground coal mines (under Mining Right MR380) by inclusion of contiguous areas which are held under Prospecting Rights 1035PR and 1170PR- herein referred to as the Kalabasfontein Project. The proposed extension does not intend to develop new surface infrastructure. There will be a need for two new ventilation shafts at the Forzando South mining area.

The area required for the mining is ~15,478,296m² in extent and ranges from 22.18m - 127.23m below surface level. Bord and pillar mining using Continuous Miners (CM’s) was selected as the primary extraction method. In bord and pillar mining (**Figure 1**), parallel roads are developed in the development direction. Perpendicular roads, called splits, are developed at predetermined intervals to the parallel roads. These roads interlink, creating pillars. The roads mined concurrently are determined by the size of the pillars required to support the overburden above the coal seam and the length of the production

equipment trailing cables. Pillar size is determined by the safety factor formula; which is the pillar strength divided by the pillar load (mass of the overburden carried by the pillar). Panel design will be based on either the Probability of Failure (PoF) or the safety factor design criterion.

The principal target market for Kalabasfontein Project is the export market, in line with the market served by the current Forzando Coal Mines. As the Kalabasfontein project will use the existing Forzando South and Forzando North infrastructure, it is envisaged that additional infrastructure requirements will be minimal. Water and electricity will be supplied to the underground workings via the existing access and adits.

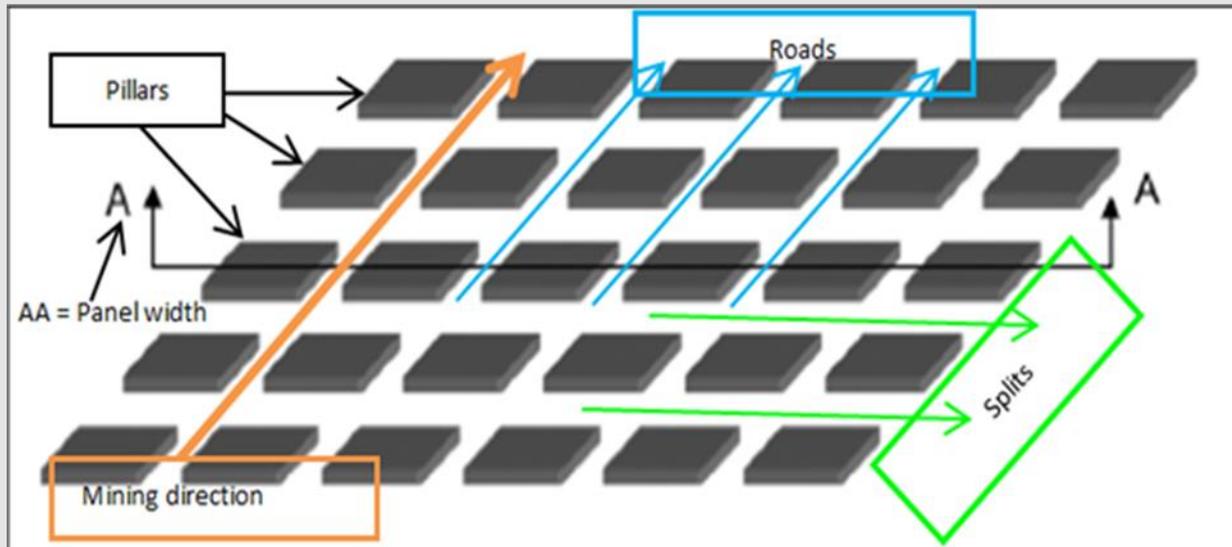


Figure 1: Typical board and pillar mining panel layout for underground extraction.

Kalabasfontein ROM will be crushed at Forzando South prior to conveying to Forzando North beneficiation plant for processing. Beneficiated coal is railed by means of a rapid loader to Richards Bay Coal Terminal (RBCT) and then shipped from the harbour to clients overseas. All existing surface infrastructure will be retained to service production from Forzando South inclusive of Kalabasfontein Project. The project has an estimated LOM of 17 years with mining is based on two CM sections.

The proposed project includes inter alia the following application processes with associated activities:

- New Integrated Environmental Authorisation (Scoping and Environmental Impact Report (S&EIR)) for:
 - Proposed new mining area extension.
- Water Use License (WUL) for:
 - Mining activities beneath wetland areas; and
 - Dewatering of mining area.
- Section 102 Amendment:
 - Revised Mine Works Programme to include proposed mine extension; and
 - Revised consolidated EMPR to include proposed mine extension.
- NEMA EMPR Amendment:
 - The existing Forzando South EMPR will need to be amended to include the extension onto the Kalabasfontein Area.

1.5 LISTED ACTIVITIES APPLICATION:

The proposed project must be authorized in terms of a number pieces of South African environmental legislation, namely:

- The Mineral and Petroleum Resources Development Act (MPRDA, Act No. 28 of 2002);
- The National Environmental Management Act (NEMA, Act No. 107 of 1998);
- The National Water Act (NWA, Act No. 36 of 1998).

Where relevant, these pieces of core legislation stipulate the required studies, reports and legal processes to be conducted and the results thereof submitted to the relevant authorities for approval prior to commencement. It is anticipated that the following listed activities and associated approvals will be required:

- Environmental Authorisation (EA) in terms of the 2014 NEMA EIA regulations (as amended):
 - GNR983 Listing Notice 1: Activities 9, 24, 27, 45, 46.
 - GNR984 Listing Notice 2: Activities 11, 16, 17
- Water Use License (WUL) in terms of the NWA (Section 21 water uses): Section 21 a, c, g, l, and j.
- Amendment to existing EMPR and Mine Works Program in terms of the MPRDA (Section 102):

The applicability of each of these listed activities (or the requirement for any additional listed activities) will be assessed during the initial Authority consultation process as well as during the scoping phase. Further other environmental permitting requirements may be identified during the process- this public consultation process serves as an integrated process as required for all the relevant permits, authorisations, and licenses.

1.6 IDENTIFICATION AND ASSESSMENT OF IMPACTS ASSOCIATED WITH THESE ACTIVITIES:

Potential impacts resulting from the proposed project may include inter alia:

- Impacts on surface water resources;
- Impacts on groundwater resources;
- Potential impacts on wetlands and aquatic ecology;
- Impacts of land use activities;
- Potential environmental pollution;
- Impacts on heritage and fossil resources;
- Impacts on health and safety;
- Impacts on air quality;
- Noise impacts;
- Blasting impacts; and
- Social impacts.

The above-mentioned impacts should not be construed as the only impacts that will be identified during the course of the EIA. Based on public consultation, specialist input and further detailed assessments, additional impacts will likely be identified and assessed.

All potential impacts will be identified and assessed following an impact assessment methodology guided by the requirements of the NEMA EIA Regulations (2014). The broad approach to the significance rating methodology is to determine the environmental risk (ER) by considering the consequence (C) of each impact (comprising Nature, Extent, Duration, Magnitude, and Reversibility) and relate this to the probability/likelihood (P) of the impact occurring. This determines the environmental risk. In addition, other factors including cumulative impacts, public concern, and potential for irreplaceable loss of resources, are used to determine a prioritisation factor (PF) which is applied to the ER to determine the overall significance (S).

Furthermore, based on the identified impacts and their ratings, mitigation and management measures are recommended for the applicant and these are included in an Environmental Management Programme (EMPR) towards ensuring that any negative impacts that cannot be avoided are minimised and managed in a manner that is not detrimental to the environment, and positive impacts maximised.

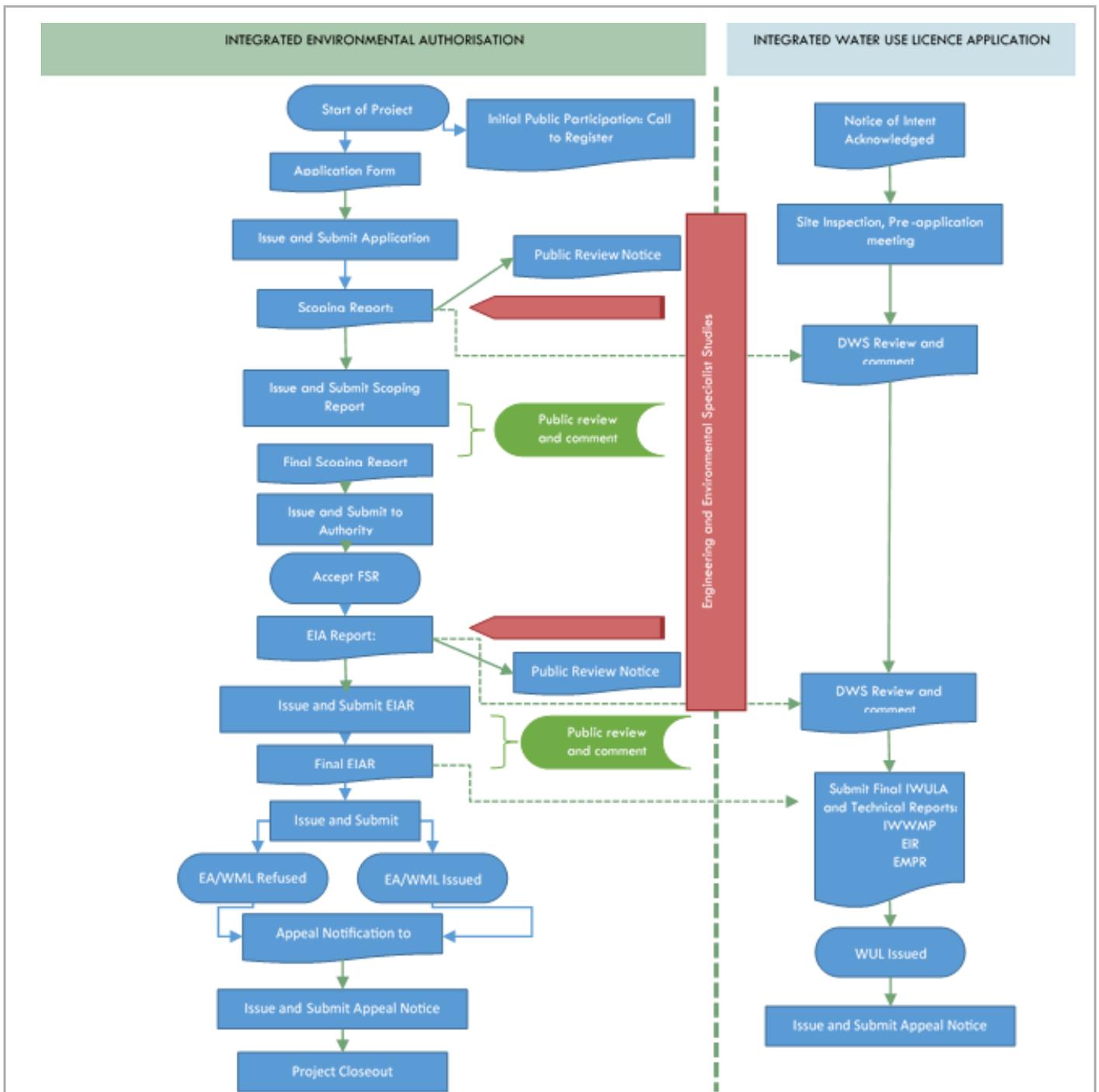


Figure 2: Typical Integrated EIA Process.

1.7 HOW TO GET INVOLVED:

Should you feel that you may be interested in or affected by this project, it is essential that you register as an Interested and Affected Party (I&AP) in which case you will be kept informed regarding the project and afforded an opportunity to participate in the process. Please note that only registered I&APs will be included in future correspondence regarding the project and associated updates.

You may register an I&AP in any of the following ways:

- Complete the attached I&AP registration form and questionnaire and return it to EIMS via email, fax or letter; or
- Submitting a request to register for this project via email, fax, post or telephone, addressed to the contact person and details stipulated below.

I&APs are also invited to submit any comments, queries or concerns regarding the project within the stipulated timeframes provided to the contact details below.

It is important to note that the EIA process is guided by legally stipulated timeframes and as such, in order to ensure your continued and valuable involvement in the project, we request that your registration requests and any preliminary comments are submitted to EIMS (contact details provided below) by no later than the 20th July 2018.

Furthermore, please be informed that the Environmental Scoping Report will be available for from 10 July to 10 August 2018, for the perusal and comment of all Interested and Affected Parties. A copy of the report will be available at the Bethal Public Library as well as on the EIMS website (<http://www.eims.co.za/public-participation>).

In order to present the findings of the Scoping Report to the public and to solicit comments on the report, a public meeting will be held on the 25th July 2018 at the Bethal Public Library (Danie Nortje Street, Contact Bettie Jordan, 017 624 3029) from 13h00 to 15h00. .

EAP Contact Details:

Environmental Impact Management Services (Pty) Ltd

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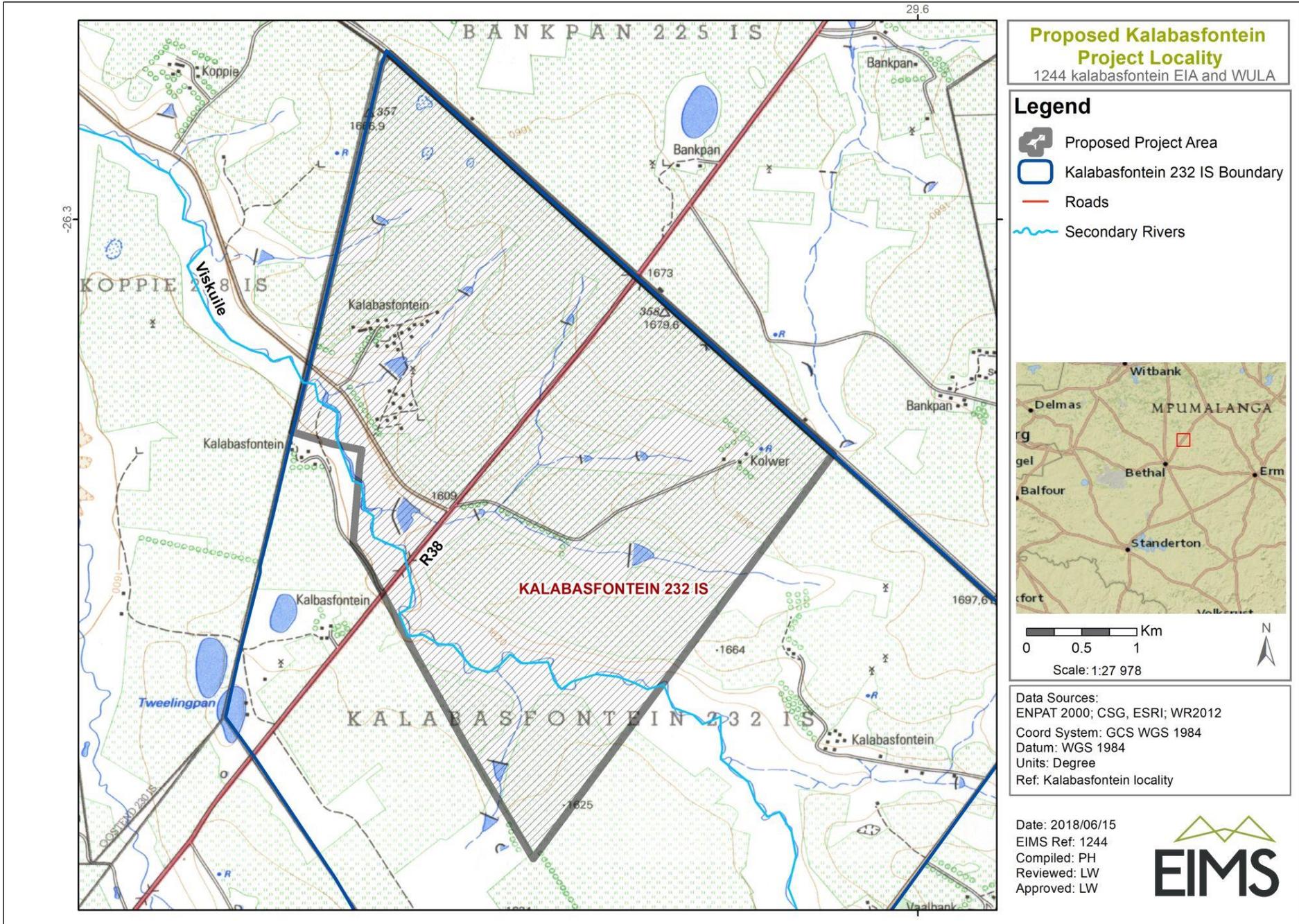


Figure 3: Locality Map.