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ALEKKOR: RICHTERSVELD COMMUNITY AND THE POOLING and SHARING JOINT VENTURE (PSJV)

1. INTRODUCTION

Alexkor was established in terms of the Alexkor Limited Act, No. 116 of 1992, amended in 2001. Alexkor is wholly owned by the government with the Minister of Public Enterprises as the shareholder representative of government. The core business of the company is the mining of diamonds on land and sea along the north-west coast of South Africa.

2. MISSION AND VISION

The vision of ALEKKOR is to be a competitive, progressive, forward-looking organisation with a conscience. Its mission is to operate a growing, profitable and sustainable mining organisation that contributes to the development needs of the communities.

3. GOVERNMENT STRATEGY

Government recognises State-owned companies (SOCs) as strategic instruments of industrial policy. This, among other things, means that SOCs key programmes must be integrated into the broader industrial policy and economic cluster programme of the government both in terms of funding and policy support. State-owned companies are to reflect in their mandates the socio-political objectives of government. To do so, they will need to create a delicate balance between SOCs strategic purposes and SOCs commercial viability.

Thus SOCs need to reach towards the twin goals of attaining the country's socio-economic developmental goals and maximising operational efficiency and financial sustainability. Alexkor's core business is the exploitation of diamond resources on a commercially viable basis, and to contribute towards the socioeconomic upliftment of the community in which it operates. Furthermore, the utility will commit itself to the strategic role of advancing government's policy objectives as outlined in the Industrial Policy Action Plan (IPAP), the New Growth Path, as well as the National Development Plan (NDP) by aligning its strategy, goals and objectives to these priorities.

4. CORPORATE GOVERNANCE

In terms of the Public Finance Management Act (1999) the board is accountable to the shareholder for determining strategy and the overall performance of the company. A formal Shareholder Compact determining strategic objectives of the company was concluded between the Board and its shareholder for the year under review. The board has the ultimate responsibility for the strategic management and performance of the company.



5. PSJV AND ITS SUSTAINABILITY

The Pooling and Sharing Joint Venture (PSJV) commenced on 7 April 2011 and was named the Alexkor RMC JV. The PSJV was created through the Deed of Settlement between the government of South Africa and the Richtersveld community specifically to undertake mining activities in Alexander Bay. The land restitution settlement, governed by the Deed of Settlement, required the conversion of the old order mineral rights to new order rights, and the subsequent granting of a state licence to Alexkor and the Richtersveld Mining Company allowing them to mine the marine and land concessions respectively under the control of the Pool and Sharing Joint Venture (PSJV).

The PSJV has been using the profits from the marine operations to assist in resurrecting the land operations, as this is where large numbers of jobs can be created, injecting money into the local community. The difficulties associated with the resurrection of a profitable and sustainable land mining operation are considerable, given the derelict condition of the land mining infrastructure inherited by the PSJV – a true consequence and a legacy of apartheid.

The PSJV operations were relatively stabilised due to a strong collaborative effort between the Executive managers of both the PSJV and Alexkor, the community leaders and support from the Board of Alexkor and the Department of Public Enterprises (DPE). One of the main highlights so far has been the commissioning of the Muisvlak plant, a 200 ton per hour recovery plant to strengthen the land exploration programme. This necessitated an investment of more than R60 million, which resulted in the creation of 230 jobs, with most of the new employees recruited from the four communities of Kuboes, Sanddrift, Lekkersing and Eksteenfontein as reported in the year ended March 2015 . Alexkor also concluded key elements of the deep-sea exploration exercise which will enable the PSJV to strengthen the mining right application that will underpin significant increase in carat production in the coming years. Three Non-Executive members of the Alexkor Board and three Board members of the Richtersveld Mining Company (RMC) lead the PSJV. Alexkor endeavours to give full effect to the Deed of Settlement whilst ensuring that operations at the PSJV are commercially sound and benefit the stakeholders.

In the financial year ending on March 2016, ALEXKOR RMC JV together with Barloworld embarked on a programme to develop commercial diving skills locally and four individuals from the Richtersveld community successfully completed their Class III diving course at the SeaDog Diving School in Saldanha Bay on 12 March 2016. Barloworld, as part of their social responsibility, sponsored an amount of R 277 020 towards this programme. For the review period, the Company contributed R 2 523 437 towards social investment interventions. These included transportation, donations to charities, funeral assistance, assistance to sports clubs, partnerships with schools and community organisations, cancer awareness and wellness days.

As a further initiative to enhance the education transformation process in the Richtersveld area, the Alexkor RMC JV partnered with seven local and three nursery schools by sponsoring salaries of teachers with the emphasis on mathematics and science to an amount of R 934 202 . Through this, they remain committed to the general upliftment of not only our employees, but also the communities within which we operate. As part of their social responsibility initiatives the Company also provided meals to employees and contractors residing in the single quarters to an amount of R 4 766 784 for the year under review.



In a nutshell ALEXKOR's socio-economic development programme ensured that:

- R 2.5 million was spent on social investment interventions as at 31 March 2016 (CSI)
- R 934 202 was invested in our education transformation programmes
- R 560 000 was spent on bursary programme for disadvantaged students
- R 2 million was invested in community upliftment through SLP as at 31 March 2016
- More than R 500 000 was paid to local businesses and suppliers

With regards to the Social Labour Plan, Alexkor RMC JV's initiatives contribute directly to progressing SLP commitments, which are aligned to Municipal Integrated Development Plans (IDPs). These plans were developed through consultative processes with the Richtersveld Municipality, as well as through interaction with the stakeholders to ensure that the identified projects are sustainable in line with their needs and an amount of R 2 067 425 was spent. Other projects completed within the financial year include:

- Community hall in Eksteenfontein;
- Three ablution facilities for disabled persons in Eksteenfontein;
- Sports facility at Kuboes;
- Upgrading of "VGK Blou Saal" for storage of project equipment;
- Ten ablution facilities in Sanddrift included are two for disabled persons;
- Community hall in Lekkersing;
- Repair of clinic roof in Lekkersing;
- Upgrading of gym facilities in Lekkersing;
- Upgrading of one house for a disabled person;
- Upgrading of ablution and kitchen facilities at the primary school in Lekkersing.

Furthermore, seven adult education (AET) training facilitators were appointed in 2015 and an additional three were appointed in 2016 to enhance the skills of the employees and surrounding community members in order to afford them the opportunity to become functionally literate and marketable.

ISSUES FOR THE COMMITTEE

- The Department of Mineral Resources (DMR) approved Alexkor's revised Social and Labour Plan (SLP). Alexkor should inform the Committee what this plan entails and whether what they achieved in the year ending March 2016 entails the whole or only part of the Social Plan.

6. ALEXKOR SUSTAINABILITY

The Deed of Settlement requires of Alexkor to exit its 51 per cent equity holding in the PSJV but this needs to be done in a socially responsible manner. This prompted the Board's decision to enter into coal and limestone mining to supply Eskom to help alleviate the energy crisis and to give effect to the emerging miners



strategy. Alexkor will therefore actively seek new mining opportunities that will deliver revenue streams beyond diamonds independently of PSJV operations. This will secure future growth and sustainability and will enable the entity to effectively address its legacy obligations and liabilities. Alexkor will actively explore mining opportunities for downstream beneficiation. As of last year Alexkor and Eskom had completed a terms of reference and memorandum of cooperation to enable the two entities to collaborate and to synergise efforts on coal supply in partnership with emerging miners.

ISSUES FOR THE COMMITTEE

- Alexkor should give the Committee more detail on the cooperation agreement between themselves and Eskom.
- Will Alexkor not be duplicating the mandate of the state-owned coal mining company African Exploration, Mining and Finance Corporation (AEMFC) by supplying coal to Eskom? Why is government using Alexkor as a vehicle to develop additional coal mining capacity for Eskom, in preference to the AEFMC?
- The Committee should request Alexkor to elaborate on the three projects which were identified for Alexkor's diversification strategy.
- It was reported that Alexkor was talking to potential Indian partners about setting up a diamond cutting factory in the Northern Cape. What is the progress regarding this, as currently, "income from the sale of rough gem-quality diamonds remains the primary revenue source for the PSJV".

7. TOWNSHIP ESTABLISHMENT

In terms of the Deed of Settlement Alexkor was required to establish a formal township in Alexander Bay. Alexkor was then required to upgrade all municipal services to the requisite municipal standards. These services comprised roads, stormwater, sewage and reticulation networks, associated pump stations and sewage treatment works, water and associated reticulation networks, source treatment, pump stations and reservoirs, solid waste, electricity and telecommunications. Alexkor provides portable water to the Alexander Bay Town and Port Nolloth.

8. SOCIAL DEVELOPMENT

After the conclusion of the land claim and the Deed of Settlement was finalised, relations between Alexkor and the community deteriorated. Therefore, a key priority for the Board was to re-engage with the community and re-establish relationships with the communal property association (CPA) and related community structure. In response to the concerns raised by the community, a task team, headed by the DPE in conjunction with the Department of Mineral Resources (DMR) and the Department of Rural Development and Land Restitution (DRDLR) was established to restore stability to the area. The task team's interventions resulted in a recapitalisation of farms which are now operational, creating employment in the area, a plan to upgrade infrastructure in the four towns by the DRDLR, and a long overdue election that resulted in a legitimate CPA being appointed.



The Deed of Settlement requires that all overdue historic rehabilitation responsibilities remain the responsibility of Alexkor. An amount of R256 million was received from the National Treasury for this purpose. A rehabilitation fund was established as required by the Minerals and Petroleum Resource Development Act (MPRDA). The entity was awarded a tender for the development of an optimised historical five-year rehabilitation implementation plan and a service level agreement (SLA) was concluded with a 100 per cent black female-owned service provider.

ISSUES FOR THE COMMITTEE

- What is the extent of Alexkor's compliance with Mining Charter?
- Alexkor should update the Committee on its relationship with the Richtersveld Community and its community structures.

9. CONCLUSION

With a new board being appointed and learning to work within the joint venture framework, Alexkor has started implementing a new turnaround strategy for the company. Alexkor have been able to build the relationship with community structures and also implement its social labour plan. The company is generally making positive strides, however, the question of Alexkor doing business outside its traditional role as a diamond mining company needs to be carefully looked at, going forward.



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