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ENVIRONMENTAL

BACKGROUND INFORMATION DOCUMENT

MINING RIGHT APPLICATION, ENVIRONMENTAL AUTHORISATIONS AND WATER USE LICENCE APPLICATION FOR THE PROPOSED KLIPSPRUIT EXTENSION: SOUTH PROJECT

Project Number

BHP1591

Prepared for

BHP Billiton Energy Coal South Africa (BECSA)

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1 BACKGROUND

BHP Billiton Energy Coal South Africa (Pty) Limited (BECSA) is seeking various environmental authorisations for the extension of their current existing Klipspruit Colliery located near the town of Ogies, within the Witbank Magisterial District and Nkangala District Municipality. Klipspruit Colliery has an approved Mining Right and Environmental Management Programme (EMPR), and an Integrated Water Use Licence (IWUL). Whilst these approved licences specify the Klipspruit South reserve as an underground mining area, current economics now favour an open cast development of the Klipspruit South reserve. It is BECSA's intension to develop the proposed Klipspruit South Colliery (Klipspruit South Project). This document will provide details of the motivation for the proposed project, description and the environmental authorisation processes to be followed.

Digby Wells Environmental (Digby Wells) has been appointed as the independent Environmental Assessment Practitioner (EAP) by BECSA to complete the necessary applications and undertake the environmental and social studies for the proposed Klipspruit South Project.

2 PROJECT DESCRIPTION

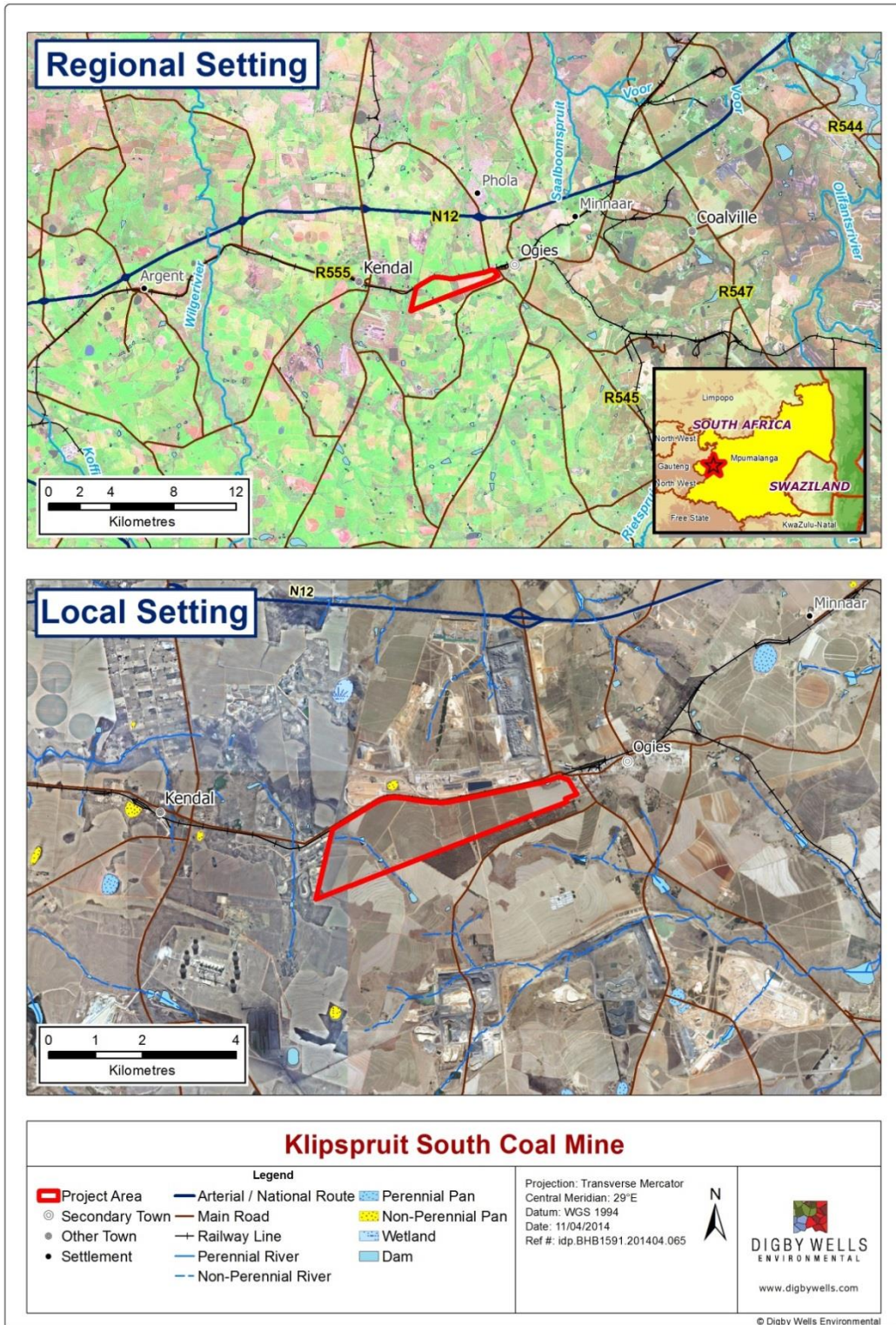
2.1 Project Location

The Klipspruit South Project area is approximately 557 hectares (ha) in size on directly affected farms Bankfontein 216 IR, Klipfontein 3 IS, Smaldeel 1 IS, Zondagsvlei 9 IS, Phola Plant 830 IS and Kleinzuijkerboschplaat 5 IS. The project is located west of the town of Ogies, separated by the R545 regional road, within Mpumalanga Province. The R555 regional road separates the proposed Klipspruit South from Klipspruit Colliery, with the Colliery located north of the R555. The N12 National Road is further north, situated approximately 3.5 km from Klipspruit South. Refer to the local setting are depicted in Plan 1.

2.2 Mining Operation and Infrastructure

BHP Billiton Energy Coal South Africa (Pty) Limited (BECSA) is the sole owner and operator of the Klipspruit Mine (KPS), which is a nominal 8.5 million ton per annum Run of Mine (RoM) export coal mine, with the Life of Mine (LoM) extending until 2020. The KPS is located east of the town of Ogies and is bordered by the N12 National highway to the north, and Kendal Power Station to the south west. The RoM coal from KPS is processed in the Phola Coal Processing Plant (PCPP) Joint Venture and is then exported through the PCPP rapid rail load out terminal and Richard's Bay Coal Terminal railway line. BECSA is a 50 % shareholder in the PCPP, along with Anglo American (Pty) Ltd.

The current life of asset plan has a sharp drop off in export tonnes as the Klipspruit operation ramps down production. The KPS Mining Right (Ref No. OT 6/2/2/495 EM) currently specifies Klipspruit South coal reserves as an underground mining area. However, due to current economics, it is now more viable to mine the Klipspruit South coal reserves using opencast methods. The opencast mining of Klipspruit South will form part of BECSA's Klipspruit Extension (KPSX) Project, which also incorporates BECSA's three (3) neighbouring Prospecting Rights to the north east. The KPSX is within proximity to the existing KPS operations and contain a coal resource of approximately 600 million tonnes which would allow an extension to the LoM for a further 20 years.



Plan 1: Regional and Local Setting of the Project



KPSX has been initiated to achieve the following:

- To extend the life of KPS beyond 2020;
- To continue the employment of current Klipspruit Colliery employees past 2020;
- To continue to support the South African economy through local procurement; and
- To invest capital into the South African coal mining industry to ensure continued coal production.

This application focuses solely on the Klipspruit South opencast area of the KPSX.

3 REGULATORY REQUIREMENTS

In order to include the Klipspruit South area into the existing Klipspruit Colliery mine plan the following regulatory requirements will be applicable for the environmental regulatory processes:

- A Section 102 Amendment to the existing EMPR, according to the MPRDA, to incorporate the proposed Klipspruit South change in mine plan and mining method (*Mpumalanga DMR is the competent authority*);
- An authorised Environmental Impact Assessment (EIA) and Environmental Management Programme (EMP) for the triggered listed activities according to the National Environmental Management Act (Act No. 107) of 1998 as amended (NEMA) (*Mpumalanga Department of Economic Development, Environment and Tourism (DEDET) is the competent authority*); and
- Amendment of the existing Integrated Water and Waste Management Plan (IWWMP) and Integrated Water Use License (IWUL) in terms of the National Water Act (Act No, 36 of 1998) (NWA) (*Mpumalanga Department of Water Affairs (DWA) is the competent authority*).

Below are the Listed Activities according to Government Notices R544, R546, R545 Activity Numbers.

R544 Activity	Assessment Activities description as per Listing Notice 1 (GN No. R544)
11	The construction of facilities or infrastructure for the transmission and distribution of electricity: <ol style="list-style-type: none"> i. Outside urban areas or industrial complexes with a capacity of more than 33 kV but less than 275 kV; or ii. Inside urban areas or industrial complexes with a capacity of 275 kV or more.
12	The construction of facilities or infrastructure for the off-stream storage of water including dams and reservoirs, with a combined capacity of 50 000 cubic metres or more, unless such storage falls within the ambit of activity 19 of Notice 545 of 2010.
22	The construction of a road, outside urban areas: <ol style="list-style-type: none"> i. With a reserve wider than 13.5 metres; or ii. Where no reserve exist the road is wider than 8 metres; or iii. For which an environmental authorization was obtained for the route determination in terms of Activity 5 in GN 387 of 2006, or Activity 18 in Notice 545 of 2010.
47	The widening of a road by more than 6 metres, or the lengthening of a road by more than

	1 kilometre – i. Where the existing reserve is wider than 13.5 metres; or ii. Where no reserve exists, where the road is wider than 8 metres.
R545 Activity	Assessment Activities description as per Listing Notice 2 (GN No. R545)
5	The construction of facilities or infrastructure for any purpose or activity which requires a permit or license in terms of national or provincial legislation governing the generation or release of emissions, pollution or effluent and which is not identified in Notice No. 544 of 2010 or included in the list of waste management activities published in terms of Section 19 of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) in which case that Act will apply.
15	Physical alteration of undeveloped, vacant or derelict land for residential, retail, commercial, recreational, industrial or institutional use where the total area to be transformed is 20 ha or more.
20	Any activity which requires a mining right or renewal thereof as contemplated in Sections 22 and 24 respectively of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

3.1 Klipspruit South Colliery EMP

A Section 102 amendment has been applied for at the Department of Mineral Resources (DMR) for inclusion of the open cast mining operation at the Klipspruit South Colliery. The Environmental Impact Assessment (EIA) and Environmental Management Programme (EMP) will be compiled to focus on the environmental and social impacts of the open cast operation and its associated activities.

3.2 Klipspruit South Colliery water use authorisation

In accordance with Section 21 and Section 49 of the NWA, an amendment to Klipspruit Colliery's IWUL (Licence No. 24075037) and IWWMP will be applied for to the DWA. The amendment will be applied for to amend the IWUL and IWWMP to include Klipspruit South as an open cast operation.

It is likely that the amendment of the IWUL for Klipspruit South will include water uses as defined in terms of section 21 of the NWA:

- Section 21 (g): Disposing of waste in a manner which may detrimentally impact on a water resource; and
- Section 21 (j): Removing, discharging or disposing of water found underground if it is necessary for the effective continuation of an activity.

4 ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

4.1 Environmental Impact Assessment (EIA) process

Digby Wells will compile the various environmental reports which will form part of the EIA process. The process will aim to identify environmental and social concerns that will also yield mitigation measures. During the Scoping Phase all persons interested or affected by the project will be informed of the proposed specialist studies to be undertaken and a project overview in order to enable them to provide inputs. The following is a list of the specialist studies to be undertaken and a more detailed description on the individual terms of references will be outlined in the Scoping Reports.



- Topography Assessment
- Soil and Land Capability Assessment
- Land Use and Land Use Plan
- Biodiversity Plan
- Rehabilitation Plan
- Heritage Assessment
- Socio-economic Assessment

- Surface Water Assessment
- Groundwater Assessment
- Climate and Air Quality Assessment
- Noise Assessment
- Blasting and Vibration Assessment
- Closure Cost Assessment
- GIS and Mapping

These Scoping Reports will address the requirements for NEMA, and the MPRDA. The environmental regulatory process is divided into the Scoping, Impact Assessment and Decision Making phases as seen in Figure 1 below:

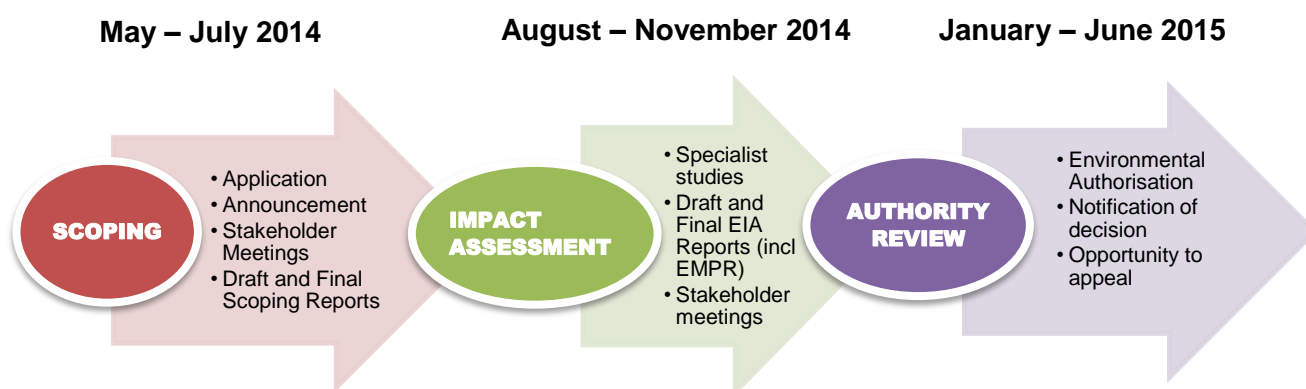


Figure 1: EIA/PPP Process to be followed

5 PUBLIC PARTICIPATION PROCESS

In an effort to maximise stakeholder participation an integrated Public Participation Process (PPP) will be implemented in terms of MPRDA, NEMA and NWA. As part of the PPP, Interested and Affected Parties (I&APs) will have the opportunity to participate in the environmental regulatory processes. Below are the proposed dates for the EIA process phases during which I&APs can partake.

- **Project Announcement phase:** June 2014, I&APs to be provided with background information about the proposed project and requested to register as an I&AP.
- **Scoping phase:** June – September 2014, a detailed project description and terms of reference for specialist studies is included in the Scoping report and made available to I&APs for comment. Stakeholder meetings will be held during this phase.
- **Environmental Impact Assessment phase:** Specialist studies will be conducted and the Draft and Final EIA / EMP reports will be made available to I&APs for comment. It is anticipated that stakeholder meetings will be undertaken during May / June 2015.
- **Decision-making phase:** The authorities' decisions about the proposed project will be communicated to I&APs once received.

BACKGROUND INFORMATION DOCUMENT

MRA, WULA AND ENVIRONMENTAL AUTHORISATIONS FOR KLIPSPRUIT SOUTH COLLIERY
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Stakeholders can register as I&APs by submitting Comment and Registration Sheet, formal comments or relevant contact details to the Stakeholder Engagement Office. I&APs will be informed about the availability of reports and scheduled stakeholder meetings via their preferred means of communication (email, post or fax). Contributions from stakeholders will assist in informed decision-making for authorities and provides information to be considered by the project team and specialists conducting studies. All comments can be submitted using the contact details which appear on the cover page or as part of the Comment and Registration Sheet.

Stakeholder Engagement Office

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