Dear Shareholders,

**RE: Update on Shumba positioning with regard to the recent ‘Determination for the Procurement of 3,750 MW Coal Based Energy from outside South Africa’**

As you are aware from the Annual Reports of the company, your board and management have based the company’s projects investment plan and associated project development programmes upon the key strategic understanding that energy demand domestically and cross border would be a reality.

We are pleased to inform you that the Minister of Energy of South Africa, in consultation with the National Energy Regulator of South Africa, has now formally determined the following in relation to Cross Border electricity procurement:

- Energy generation capacity is needed to contribute toward South Africa’s energy security, including **3,750 megawatts** to be generated from Coal, from cross border projects;

- Electricity produced from cross border projects shall be procured through one or more IPP procurement programmes;

- The procurement programmes shall target connection to the Grid for the new generation capacity as soon as reasonably possible taking into account all relevant factors including the time required for procurement;

- The procurer in respect of the procurement programmes will be the Department of Energy;

- The electricity must be purchased by Eskom Holdings SOC Limited or by any successor entity to be designated by the Minister of Energy, as buyer (off -taker); and

- The electricity must be purchased from independent power producers;

8th March 2016
For Shumba and you as a shareholder this now means that the merits of our approach have been strengthened and that the company’s investment plan has been significantly de-risked, further underlining the potential for significant returns on your investment. Our two advanced baseload coal-fired energy projects, namely the Mabesekwa Export IPP (initially 600MWe) in the North East and the Sechaba Coal IPP (initially 300MWe) near Palapye are, as a result of this formalization by South Africa, ideally positioned to take the full investment required to bring bankable energy to the cross-border grids of Southern Africa. Shumba, your company, now has the opportunity to become a significant regional energy producer within the next 5 years.

We look forward to your continued support to bring our projects to full bankability and production as soon as practically possible. Thank you.

Please find attached the full Determination.

Yours Sincerely,

[Signature]

Mashale Phumaphi
Managing Director
DEPARTMENT OF ENERGY

COAL FROM CROSS BORDER PROJECTS
IPP PROCUREMENT PROGRAMME 2015

DETERMINATION UNDER SECTION 34(1) OF THE ELECTRICITY REGULATION ACT, 2006 (ACT NO. 4 OF 2006)

The Minister of Energy ("the Minister"), in consultation with the National Energy Regulator of South Africa ("NERSA"), acting under section 34(1) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (as amended) ("the ERA") and the Electricity Regulations on New Generation Capacity (published as GNR 399 in Government Gazette No. 34262 dated 04 May 2011) ("Regulations"), has determined as follows:

1. that energy generation capacity is needed to contribute towards energy security, including 3750 megawatts to be generated from Coal, from cross border projects which represents the capacity allocated to “Coal (PF, FBC, Imports)”, under the heading “New build”, for the years 2025 to 2030, in Table 3 of the Integrated Resource Plan for Electricity 2010-2030 (published as GN 400 of 06 May 2011 in Government Gazette No. 34263) ("IRP 2010-2030");

2. electricity produced from cross border projects as described above ("the electricity"), shall be procured through one or more IPP procurement programmes as contemplated in the Regulations, which may, where appropriate and having regard to all relevant circumstances including the urgent need to secure connection to the Grid as soon as possible for the power procured pursuant to this Determination, include tendering processes, direct negotiation with one or more project developers, or other procurement procedures including those undertaken in the host country by or in conjunction with a third party ("procurement programmes");

3. the procurement programmes shall target connection to the Grid for the new generation capacity as soon as reasonably possible taking into account all relevant factors including the time required for procurement, according to a schedule that may differ from the timetable set out in Table 3 of the IRP 2010-2030;
4. the electricity may only be sold to the entity designated as the buyer in paragraph 8 below, and only in accordance with the power purchase agreements and other project agreements to be concluded in the course of the procurement programmes; provided that this shall not preclude multi-buyer agreements or arrangements in terms of which, by agreement with the buyer, the electricity is sold to both the buyer and one or more third parties or related parties;

5. no power purchase agreement in respect of electricity from a cross border project shall be entered into unless adequate agreements, memoranda of understanding or arrangements are in place between the Government and the relevant foreign government or international organisation, as are necessary to enable such cross border project;

6. the procurer in respect of the procurement programmes will be the Department of Energy;

7. the role of the procurer will be to conceptualise and conduct the procurement programmes, including preparing any requests for information, requests for qualification, requests for proposals and/or all related and, associated documentation, negotiating the power purchase agreements, facilitating the conclusion of the other project agreements, and facilitating the satisfaction of any conditions precedent to financial close which are within its control;

8. the electricity must be purchased by Eskom Holdings SOC Ltd or by any successor entity to be designated by the Minister of Energy, as buyer (off-taker); and

9. the electricity must be purchased from independent power producers.

Concurrence to this Determination given by the National Energy Regulator of South Africa on the below mentioned date:

Signed: [Signature]
MR JACOB MODISE
CHAIRPERSON: NERSA
DATE: 03/02/2016

Determination made by the Minister of Energy on the below mentioned date:

Signed: [Signature]
MS TINA JOEMAT-PETTERSSON, MP
MINISTER: ENERGY