

Tegeta's R7bn bonanza

On 2 September 2016, Eskom signed a seven year R7 billion coal contract with the Gupta/Zuma-owned Tegeta Exploration and Resources. It was signed without any tender. Two months later Eskom decided to mothball the power station.



SECTION 6: QUALITY OF COAL

21. Contract Coal Quality

21.1 The Supplier shall ensure that each quality parameter of the Contract Coal Delivered to Eskom in terms of this Agreement shall comply with the Quality Specifications set out in the fourth column of Table 3 hereunder.

Table 3: Contract Coal Quality Specifications

Quality Parameter	Unit	Expected Quality	Quality Specifications	Measurement basis
Calorific Value	MJ/kg	24.2	≥22.5	Air Dried
Total Moisture	%	8.6	≤10.0	As Received
Inherent Moisture	%	4.0	Not applicable	As Received
Ash	%	28.0	≤28.5	Air Dried
Aberrative Index (Eskom Mining House Method)	mgFe/4kg	<425	≤425	Air Dried
Sulfur	%	1.00	≤1.20	Air Dried
Volatiles	%	21.0	≥20.0	Air Dried
AFI (initial deformation)	°C	>1900	≥1900	Not applicable
Sizing				
+50mm	%	≤5.0	≤5.0	Not applicable
-3mm (cumulative)	%	≤35.0	≤35.0	
-1mm	%	≤15.0	≤15.0	

All parameters are measured to 1 (one) decimal place, except AI and AFI which shall be measured to the nearest integer and sulphur to the nearest 2 (two) decimal places.

21.2 The Supplier shall meet the requirements of the Quality Specifications defined in this Agreement and by washing 50% of the produced coal shall meet these specifications.

21.3 The Supplier shall ensure that no Ultra-fines are added or blended into the coal to be Delivered to Eskom.

22. Determination of Coal Quality

22.1 The Parties shall implement the provisions of clause 23 or clause 24, whichever is applicable, for the purpose of determining coal qualities, certification, reporting and resolution of disputes relating to the qualities of coal Supplied in terms of this Agreement.

22.2 Where facilities for the determination of coal quality, for payment purposes, are available at the Power Station or Eskom nominated site, Contract Coal qualities shall be determined at such Power Station or Eskom nominated site.

22.3 Where facilities for the determination of coal quality, for payment purposes, are not available at the Power Station or Eskom nominated site, Contract Coal qualities shall be determined at the Mine.

Fourth Addendum to the Coal Supply Agreement between ESKOM HOLDINGS SOC LTD and KOORNFONTEIN MINES (PTY) LTD executed at Megawatt Park, Sunninghill



This done and signed at Megawatt Park on the 2 day of September 2016 in the presence of the undersigned witnesses.

For and on behalf of ESKOM HOLDINGS SOC LTD (who warrants that he is duly authorised hereto)

Name: Matshela Koko
Capacity: Group Executive

AS WITNESSES:

- Full Names: Alexandra Nteta Signature: [Signature]
- Full Names: Lehlo Mabula Signature: [Signature]

This done and signed at Megawatt Park on the 2 day of September 2016 in the presence of the undersigned witnesses.

For and on behalf of KOORNFONTEIN MINES (PROPRIETARY) LIMITED (who warrants that he is duly authorised hereto)

Name: Ravendra Nath
Capacity: Authorised Signatory

AS WITNESSES:

- Full Names: Ugeswari Govender Signature: [Signature]
- Full Names: Sunitha Sathyan Signature: [Signature]

Fourth Addendum to the Coal Supply Agreement between ESKOM HOLDINGS SOC LTD and KOORNFONTEIN MINES (PTY) LTD executed at Megawatt Park, Sunninghill

Monthly Quantity	Minimum Monthly Quantity	Maximum Monthly Quantity
200 000	150 000	240 000
4 600 000	3 680 000	5 620 000
0	160 000	240 000
0	3 680 000	5 620 000
0	160 000	240 000
0	3 680 000	5 620 000
0	160 000	240 000
0	3 680 000	5 620 000
0	160 000	240 000
0	3 680 000	5 620 000

an expected CV of 23.0MJ/kg As Received (CV of 24.2) and inherent Moisture of 4.0%.

in a Year and for which the Supplier has to be carried over to the next Year.

sure to ensure that all Delivery and Off Take in any day and Month so as to comply with the

of the first Month of each Quarter specify, in the Technical Liaison Meeting, the quantity of Contract Coal that shall be Supplied for each Month of the subsequent Quarter such that:

Fourth Addendum to the Coal Supply Agreement between ESKOM HOLDINGS SOC LTD and KOORNFONTEIN MINES (PTY) LTD executed at Megawatt Park, Sunninghill

40.2 breach of other material provisions

If a Party breaches any other material provision of this of such material provision for 30 (thirty) Business Days requiring that Party to rectify that breach, the aggrieved Party may, at its option:

- to sue for immediate specific performance obligations under this Agreement; or
- to cancel this Agreement in which case written notice given to the defaulting Party, and the cancellation of the notice.

40.3 breach of general provisions

If a Party breaches any other general provision of this of such general provision for 30 (thirty) Business Days requiring that Party to rectify that breach, the aggrieved Party may, at its option:

SECTION 10: FORCE MAJEURE MATTERS

10. Force Majeure

41.1 general

41.1.1 For the purposes of this Agreement, an except

41.1.1.1 which prevents or restricts either performing all or any of that Party's (in terms of this Agreement;

41.1.1.2 beyond the reasonable control of the

41.1.1.3 not the direct or indirect result of a breach of its obligations under this Agreement

41.1.1.4 could not have been (including by reason of) overcome by the Affected Party, is

Fourth Addendum to the Coal Supply Agreement between ESKOM HOLDINGS SOC LTD and KOORNFONTEIN MINES (PTY) LTD executed at Megawatt Park, Sunninghill

Treasury did not "fully support" the deal:

On 17 August, Treasury told Eskom they could sign the R7bn contract but only if there were no other suppliers in the area. Instead of issuing an RFP, Eskom boss Matshela Koko signed the contract two weeks later. Only after the contract was signed Eskom told Treasury that there were other suppliers. Treasury then instructed Eskom to do market research to determine if Tegeta's coal was the cheapest option.

Higher price:
Previously Koorfontein delivered a 21.2 CV (calorific value) coal. In this contract Eskom asked for a higher 23 CV coal, upping the price from R376 to R414 per ton.

Increased quantities:
Eskom increased the quantities of coal from 135,000 tons per month to 200,000 tons per month, but after just 6 months Tegeta was 400,000 tons behind on deliveries.

No get-out-of-jail-free card:
In November - two months after the contract was signed - Eskom decided to mothball Komati power station. Komati will be closed in 2019/20. However, Eskom can't cancel the contract - they only have two options: pay Tegeta out or divert the coal. Eskom says if necessary they will divert the coal. Eskom refuses to say whether the officials that signed the contract were aware that Komati was on the chopping block, but confirmed that research into the financial viability of Komati had been ongoing for several months.

