OSHO SA CEMENT (PTY) LIMITED

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11 December 2012

The Chairman
Ports Regulator
Private Bag X54322
Durban
4000

Dear Sir

RE: Comment on the National Ports Authority Tariff Application 2013/2014

Background

OSHO SA Cement (Pty) Limited is part of the Osho Group which has interests in exploration and mining, trading (of coal, chrome ore, manganese, steel scrap), shipping & logistics, reprocessing of waste rubber and cement production.

The Group has a presence in Australia, India, South Africa, Madagascar, Malawi, Turkey, and United Arab Emirates.

OSHO SA Cement aspires to be a leading force in cement production in Africa. In the first phase the Company has embarked upon setting up two cement grinding units, each having a capacity of 0.5 million tons per annum, in Richards Bay and Coega, at a total investment of R850 million. The grinding units are expected to be commissioned in 2014. The grinding units will use the latest state of the art, energy efficient technology and will assist in the replacement of imported cement (via the ports of Durban, East London and Port Elizabeth) with domestically produced fresh cement.

Osho SA Cement intends to import raw materials (clinker and Granulated Blast Furnace Slag) and process these raw materials to produce fresh cement locally. This beneficiation process ensures that employment is created in South Africa, and that South Africa receives a good-quality, affordable finished product. At the same time it ensures that pressure is not placed on our South African natural resources. This is particularly relevant in terms of limestone (the primary component of clinker), which has a limited number of deposits in which mining is commercially viable. Osho SA Cement would thus like to align itself with the government policy for raw material beneficiation as stated in the New Growth Policy.

Further, the import of the cement raw materials will assist in the better utilization of the return load of ships coming in on ballast. The cement produced will be distributed in the local area and inland, wherever possible by using the return load on rail wagons and road trucks (that bring in cargo to the port for export purposes).

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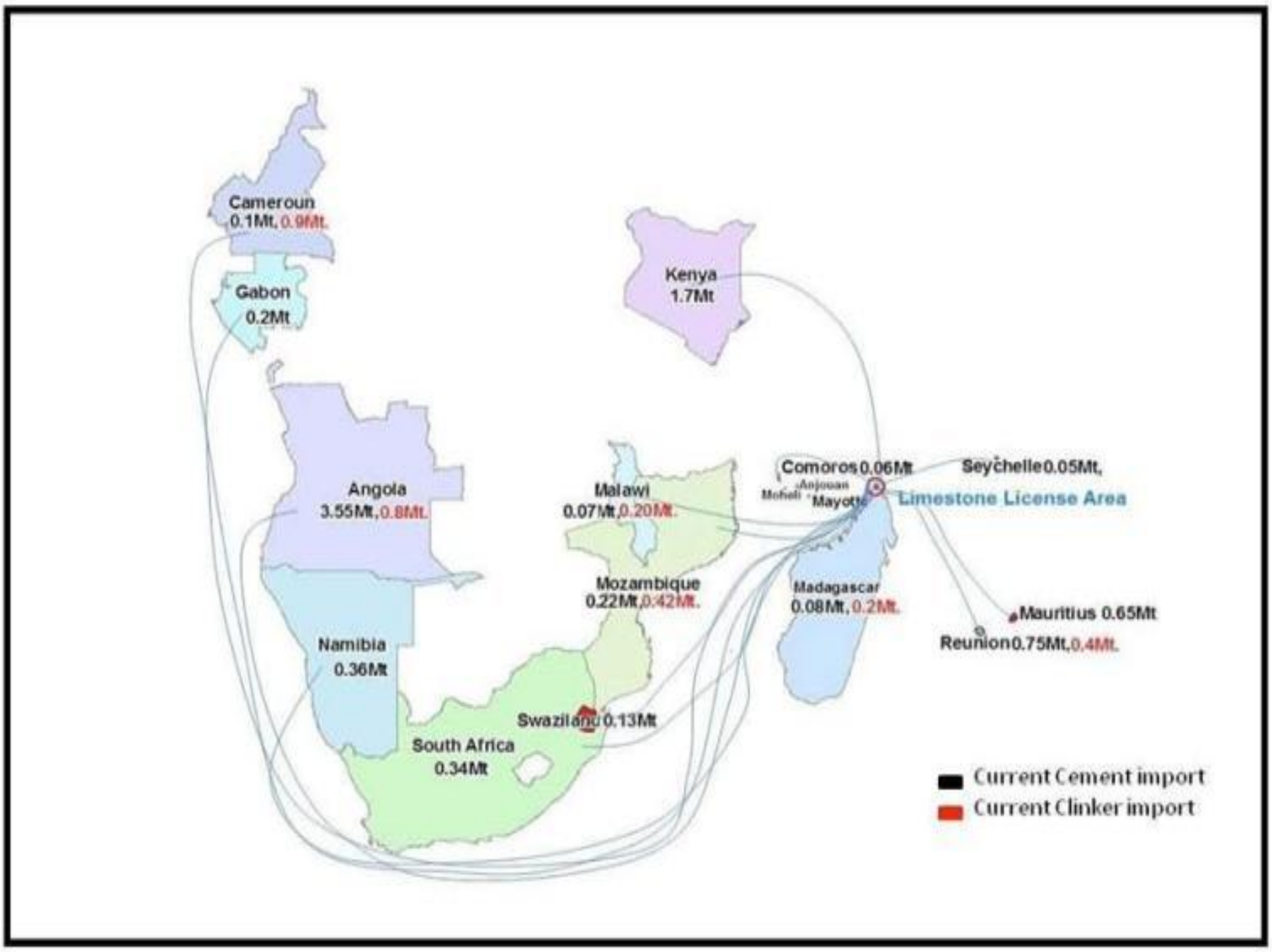
Cement produced at these grinding units will also be exported to other countries in the region namely Mauritius, Madagascar, Angola, Mozambique, Reunion, Comoros and Seychelles. These countries are currently importing in excess of 6 million tons per annum from Asian cement producers.

Logistical movement of Cement



The total direct employment created by the grinding units would be about 300, together with other indirect employment opportunities; additionally 350 people will be employed per site during the construction phase. The plant will also promote skills transfer and development of artisanal skills within the local population in the area. The Osho Cement projects would thus stimulate the local economy around Port Elizabeth and Richards Bay, respectively, and will have numerous socio-economic benefits for the region, including the employment of a range of skilled, semi-skilled and unskilled labour. In addition, there will also be the transfer of technology and skills associated with installation, operation of equipment and maintenance.

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Preliminary assessments indicate that our projects will produce cement cost effectively and will have a positive impact on the local economy since cement is a crucial input in construction and infrastructure and is vital for the development of the country. This is in line with the Government's Strategic Infrastructure Project and will support the promotion of manufacturing and industry in South Africa.

Our projects' financial feasibility study highlights a few areas in which we kindly require assistance from the Ports Regulator.

Tariffs on Clinker

One of the challenges that we have come across during our feasibility study is the extremely high cargo dues currently being charged on imported clinker.

As per the 12th edition of the Port Tariffs issued by the Transnet Ports Authority, the cargo dues on imported cement and clinker stand at R22.07 per ton. The tariffs proposed for 2013/2014 are even higher, with a suggested cost of R23.26 per ton.

This is adversely affecting the feasibility of this investment. Therefore we kindly request that the Ports Regulator review the suggested tariffs based on below justifications. The following is our reasoning and motivating for a reduction in the cargo due for imported clinker:

1. Clinker is a raw material used for the production of cement and being a substantially lower valued product, should in our view not have the same cargo dues as being levied on cement, which is a finished product.

2. Clinker and cement are recognized as two separate products by the South African Revenue Service. Under the SARS tariff schedule of September 2012, cements are classified under section 25.23.2 (Portland Cement) while clinker is classified under section 25.23.10 (Cement Clinkers). Clinker should therefore also have its own category for cargo dues at a more reflective tariff.

3. There is a vast difference in the physical properties of cement and clinker. Clinker (in the form of particles averaging around 30mm in size) is much easier to handle than cement, which is a fine powder. Airborne cement dust can cause tremendous air pollution in the port facility if not handled extremely carefully whereas clinker will not. Bulk Clinker does not require specialized infrastructure at the discharge port while cement not only requires specialized offloading equipment, but also silos for storage in bulk.

4. Same pricing of cargo dues on clinker and cement (Clinker: raw material / Cement: finished product) is leading to the import of cement to the coastal regions. South African cement manufactures are struggling to compete with imports due to the prohibitive cost of transporting cement from inland manufacturing plants. The unintended consequences of the import of finished cement include a negative effect

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on the cement industry with regard to investment, job creation, economic growth as well as the transfer of skills to South African citizens to mention a few. Worldwide, setting up of cement grinding plants is incentivized. This is particularly the case at coastal areas where availability of suitable grade limestone for cement making is a constraint, and therefore the investor needs to invest considerably more in order to obtain and transport extenders to the plants.

5. Our grinding units will promote competition in the cement manufacturing space, which during the recent years has been under severe scrutiny in South Africa by The Competition Commission for forming cartels and for maintaining high prices through price manipulation.

6. South Africa is a net exporter of bulk raw materials and this result in most dry bulk cargo vessels returning to South Africa empty on ballast. This in turn affects the pricing of shipping as the outgoing cargo needs to carry the cost of both shipping legs, making South African exports less competitive. With Osho aiming to import raw materials for its processing, Osho will actually promote more efficient use of shipping vessels, bringing down net shipping costs.

Our sincere request to the Ports Regulator is to please kindly review and reduce the cargo due tariff on Clinker as the high tariff has a negative impact on setting up grinding units for a cement manufacturer such as ourselves. We would propose that the clinker should be assigned cargo dues of R 2 / ton. Further to compensate for any loss in revenue the cement tariff should be increased commensurately. Since cement is imported in larger volumes as compared to clinker, any increase in cargo dues for cement may not be very large.

Tariffs on Granulated Blast-Furnace Slag (GBFS)

The second point we would like to bring to attention are cargo dues for the importation of Granulated Blast-Furnace Slag (GBFS). GBFS is currently not recognized as a separate product category in the TNPA tariff 12th Edition and hence may attract a tariff of R58.85 per ton as uncategorized imported bulk cargo. This figure is set to rise to R62.03 in 2013/2014. GBFS, as you may be aware, is a very low value material. It is produced as a by-product from the blast furnace of steel plants and is used in the production of various cement products (Portland Slag Cement, Blastfurnace Cement as well as Composite Cement).

Osho SA Cement finds the cargo dues for uncategorised imported bulk on GBFS to be extremely high, as it represents cost that is even higher than the value of the product.. The price of GBFS, available on the international market, starts from $5.50 per ton. Therefore Osho SA Cement believes that the classification of GBFS and pricing of cargo dues as an uncharacterized imported bulk will restrict the importation of GBFS altogether thereby not

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only affecting the production of cement locally but also leading to a loss of potential revenue for TNPA.

In addition, given modern port facilities, GBFS is easy to offload, being somewhat comparable to sand.

Recently the World Trade Organisation went on record to promote the use of GBFS as the greenest extender available on the market. This can be attributed to two facts; firstly the product would otherwise be occupying land-fills and deteriorating the quality of environment. Secondly the use of GBFS reduces the pressure on local resources as it eliminates some of the need to produce new extenders by utilizing an existing product. Above mentioned benefits results in huge reductions in carbon emissions and a more sustainable approach to meeting the demand for cement in a growing economy.

Thus in conclusion, based on the preceding arguments, we sincerely request the Ports Regulator to kindly recognize GBFS as a separate product category and while tariffs may not be directly proportional to value, some accordance should be provided to assign GBFS more appropriate cargo dues, in line with other low value raw materials. We would accordingly propose R 1.5/ ton as cargo dues for GBFS.

Yours Sincerely

Edward Volek

General Manager – Cement

Osho SA Cement (Pty) Ltd