

MEDIA RELEASE

SAFCOL KWAZULU-NATAL FORESTRY ASSETS SOLD TO SIYAQHUBEKA CONSORTIUM

The Minister of Public Enterprises, Mr Jeff Radebe, and the Minister of Water Affairs and Forestry, Mr Ronnie Kasrils, are pleased to confirm the sale of 22 000 hectares of SAFCOL commercial forestry assets in KwaZulu-Natal to the SiyaQhubeka Consortium. This forms part of the process of restructuring of state forests. The transaction, valued at close to R100 million, has been approved by the Competition Commission and has now become effective following the fulfillment of all conditions precedent.

The Consortium comprises Mondi Limited and its empowerment partner Imbokodvo Lemabalabala Holdings (I.L. Holdings). The consortium's shareholding amounts to 75 per cent, with Mondi holding an initial 65 per cent and I.L. Holdings 10 per cent. I.L. Holdings is chaired by Moses Molefi and counts black business representatives and traditional leaders among its shareholders. Government, through SAFCOL, the National Empowerment Fund and employees, will hold 25 per cent of the shares and the remaining 15 per cent will be divided between the employees and Government. Mondi has agreed to facilitate the sale 14 per cent of its interest in SiyaQhubeka shareholding to rural black timber farmers, neighbouring communities (including local traditional leaders) and the empowerment shareholders thereby reducing its shareholding over time to 51 per cent. The important initial steps for this will be the establishment of appropriate structures and communication to these stakeholders.

The land on which the plantations are situated will not be sold but will be leased by the Department of Water Affairs and Forestry. SiyaQhubeka will pay an annual rental of R5,3m which in time will be passed on to successful land claimants and other community groups. The Department of Land Affairs and the Provincial Government will be involved in these processes.

Minister Radebe has expressed his satisfaction with the outcome of the transaction: "I want to congratulate all the parties involved in this transaction who worked long and hard to make this vision a reality. This project is tangible proof of the good that can come from a partnership between business and the community. We have been determined to improve black and community representation in this sector, and we are delighted with these developments."

Minister Kasrils indicated that the sale is part of Government's rural development strategy: "The transaction will contribute to the economic development of KwaZulu-Natal and has had the full support of the provincial government. We have also worked closely with labour. We are proud of the way in which the forestry landscape is changing and we believe that forestry can make a major contribution to rural development."

The Ministers pointed out that one of the most important outcomes of the process is the decision to remove forest plantations from part of the western shores of Lake St. Lucia. This decision was taken jointly between the two Ministers and the Minister of Environmental Affairs and Tourism. The plantations will be phased out over five years, and the rehabilitated land will be incorporated into the Greater St. Lucia Wetland Park, adding 11 000 hectares to the park. In addition, SiyaQhubeka has supported moving the boundary fence of the park to include a sizeable portion of its plantations, allowing for better management and freer movement of animals. This is a world-first for commercial plantation forestry and a World Heritage Site.

"This is a victory for conservation and a boost to the development of the Greater St Lucia Wetland Park and is evidence of Government's commitment to deliver jobs, empowerment and regional economic growth," said Valli Moosa Minister of Environmental Affairs and Tourism. "Without this land, the Greater St Lucia Wetland Park (GSWLP) would be like a magnificent jigsaw puzzle with a significant piece missing," added Moosa.

"In removing this land from the restructuring and sale of state forests, Government has taken a visionary step. Several tourism investment sites

such as Perriers Rock on the eastern shores of Lake St Lucia are being incorporated into the park and will be put out to tender along with other sites as a first phase of investment in the GSLWP”, added Moosa.

Commenting on the transaction, Chief Executive Officer of Mondi Limited, Andrew Thompson said, “Our partnership with Imbokodvo Lemabalabala and SAFCOL allows Mondi to concentrate its hardwood pulpwood supply around Richards Bay. Simultaneously we are able to further economic empowerment and promote efficient environmental management of assets.”

SiyaQhubeka plans to convert the lease area from pine plantation to fast-growing hardwood pulpwood plantations over a five-year period and will maintain Forestry Stewardship Council (FSC) certification. The conversion process will create significant new employment as well as opportunities to develop small and medium enterprises. It will provide options for further value-added processing by Mondi and its plants in Richards Bay.

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