Contract Specifications for a physically settled Coal Futures and Options Contract

31 October 2013 Version 4

Definitions

The provisions of these Contract Specifications and the JSE Rules shall apply to all transactions in Coal Futures and Options contracts concluded on the JSE and to all Coal bought and sold in fulfilment of futures contracts on the JSE.

“Allocation notice” is the template prescribed by the JSE that is provided to both seller and buyer to confirm they have been matched in terms of the physical delivery process. The document will be made available by the close of business on Expiry Day.

"*Business day*" means days excluding Saturdays, Sundays and public holidays in South Africa. All times referred to in these Rules shall be Johannesburg, South African time unless otherwise specified.

“Buyer” and **“Seller”** shall mean the long futures holder and the short futures holder respectively. When a futures contract is physically settled in accordance with its terms, the **“Buyer”** and **“Seller”** shall mean the buyer and seller of the physical Coal.

“Coal” in the context of these contract specifications means the product underlying the JSE listed futures and options and shall mean crushed, bituminous coal of any origin of substantially uniform quality throughout, and free from all non-standard impurities and extraneous materials atypical of South African coals, the quality of which meets the Quality Specifications as defined, and which is delivered in accordance with these Rules.

“Delivery” shall mean the delivery of pre-approved Coal meeting the published JSE quality standards to the buyer at a JSE Registered ICT, in a clearly segregated stockpile.

“**Exchange for Physical**” means a transaction whereby a position in the physical Coal market is traded with an existing open futures contract position. The transaction may involve the JSE processing the actual delivery between the short and long position holder or alternatively facilitating the cash settlement between the parties at the current mark-to-market value.

“Expiry day” means the 1st Monday (if this is not a business day, the first business day prior) of the delivery month marking the last trading day of the contract.

“**Final delivery day**” is the business day where upon all required delivery analysis certificates are received and when final invoicing is completed.

“**Final invoice**” means the statement generated by the JSE and presented on Final delivery day on behalf of the seller to the buyer and takes into consideration the delivery weights from the JSE Registered ICT and analysis certificates from seller and buyer.

“JSE Registered ICT” shall mean an inland Coal terminal used for the storage and delivery of Coal registered as such with the JSE and complying with the requirements as stipulated in section 5 of this document.

“JSE Registered ICT Operator” shall mean the operator responsible for the storage of Coal, including the management of segregated stockpiles and also responsible for supervising the in- and out-loading of Coal to and from trucks and rail wagons. The requirements, duties and obligations of a registered ICT Operator are stipulated in sections 5 and 6.

“Notice Day” means the Monday (if this is not a business day, the first business day prior) preceding the Expiry Day.

“Random Allocation” shall mean the process by which the JSE shall match short position holders who wish to make delivery in fulfilment of a futures contract with long position holders.

“**TFR**” shall mean Transnet Freight and Rail

Coal Contract Specifications

Futures contracts

2.1	**Trading Code**	COAL
2.2	**Trading and Physical Delivery Hours**	On Business Days within the following time periods: Trading: 09h00 to 17h00, admin period until 17h15. All physical deliveries in completion of futures contracts: 09h00 to 16h00.
2.3	**Quality Specifications**	Coal delivered as per these Rules shall meet the following quality specifications on an air dried basis. All quality specifications must be sampled and reported in accordance with the relevant International Standards Organization (ISO) standard, as amended from time to time. (a) Gross Calorific Value: Basis 26.5 MJ/kg; Minimum 26.0 MJ/kg (Gross Air Dried Basis) (b) Total Moisture: Basis 14.0%; Maximum 16% (As Received) (c) Ash: Basis 18.0%; Maximum 20.0% (AD) (d) Sulphur: Basis 1.1%; Maximum 1.2% (AD) (e) Volatile Matter: Basis 23.0%; Minimum 22.0% (AD) (f) Grindability Typical 45 – 70 Hardgrove Index (HGI) (g) Sizing: 50mm topsize, nominal, with maximum 20% passing 6mm sieve
2.4	**Contract Size**	Each standardised COAL contract traded on the JSE shall represent 500 metric tonnes, with physical delivery most optimally processed via a single stockpile representing 8500 metric tonnes although delivery of smaller multiples of the standard contract size is acceptable. A loading tolerance of 2.5% will be allowable during physical delivery.
2.5	**Delivery Allocation**	Delivery in completion of COAL futures contracts will be done either by Exchange for Physical or by Random Allocation.
2.6	**Seller's Delivery Obligations**	The seller may not schedule delivery of Coal to the ICT earlier than the first calendar day and not later than the second Monday of the delivery month. The seller must complete delivery of Coal no later than the last Monday of the delivery month.
2.7	**Quoted Currency and Minimum Tick Size**	Prices shall be quoted in Rands and cents per metric tonne. The minimum price fluctuation shall be R0.25 per metric tonne.
2.8	**Expiry Day**	Trading in any delivery month shall cease at the close of business on the 1st Monday of the delivery month and be known as the Expiry Day. Notice of delivery is required by the Monday prior to the Expiry Day. Pre-notice of delivery to the ICT may commence 30 calendar days prior to Expiry Day.
2.9	**Expiry months**	All calendar months will be available. The listing programme will ensure 6 consecutive calendar months are available followed by quarterly months of March, June, September and December listed as per market demand.
2.10	**Initial Margin**	Will be determined by the JSE in terms of its Rules from time to time and published by notice to the market participants. The JSE will impose additional initial margin requirements on market participants that have open positions in delivery months. On commencement day of the contract this margin will be set at R20 000 per contract, increasing to R50 000 per contract on Expiry Day and maintained during the delivery month.
2.11	**Position Limits**	The JSE reserves the right to prescribe position limits applicable to the spot delivery month based on the available capacity at the registered ICT's. The position limits will be applicable to all participants (defined as a member or registered client) or group of participants and will be applied as from 5 business days before the Expiry Day. Initially the position limit will be 68 contracts or 34000 tonnes and will be reviewed on a regular basis.
2.12	**Price Limits**	There will be no price limits applicable
2.13	**Exchange Fees**	Futures: R75.00/contract- including VAT
2.14	**Delivery Fees**	R1000.00/contract – including VAT

Coal Contract Specifications

Option contracts

2.15	**Trading Code**	COAL
2.16	**Trading Hours**	09h00 to 17h00, admin period until 17h15 all South African Business Days
2.17	**Underlying instrument**	A JSE COAL futures contract
2.18	**Options Type**	American style options
2.19	**Contract size**	One contract = One Futures contract representing 500 metric tonnes
2.20	**Contract months**	March, June, September and December
2.21	**Price Quotation**	Options will be quoted in ZAR per nominal of the COAL contract
2.22	**Strike price intervals**	R20.00 per metric tonne
2.23	**Expiration date**	Options will expire at 17h00 on the tenth business day prior to the Expiry day of the futures contract
2.24	**Exercise criteria**	Options are American style with the long position holder able to exercise the option position at any time during trading hours up to and including the expiration date. All in-the-money options will be automatically exercised by the JSE at expiration.
2.25	**Daily mark-to-market**	The JSE will determine the daily m-t-m in accordance with the published processes. The JSE reserves the right to introduce a volatility surface for valuation purposes.
2.26	**Exchange fees**	Options: R40.00/contract- including VAT

Coal Trading Specifications

3.1 Contract Price

(a) The contract price is quoted in South African currency per metric tonne, with minimum fluctuations of twenty five cents per metric tonne.

(b) The JSE reserves the right to introduce price limits which will then limit the maximum daily price movement either up or down based on the previous days mark-to-market.

(c) The contract price, subject to sections (d) through to (k) below, reflects the full consideration payable by the buyer for delivery of a segregated stockpile of Coal at an approved JSE Registered ICT.

(d) The seller is responsible for payment of storage and handling charges in terms of the published rates of the JSE Registered ICT. When possession of the Coal has been transferred from the seller to the buyer, the buyer will assume these responsibilities.

(e) The contract price on invoicing, must be adjusted for the final quantity and quality of the Coal cargo as determined by the JSE and in accordance with these contract specifications. The JSE's decision(s) in this regard shall be final and binding.

(f) The Coal shall be of substantially uniform quality throughout and free from all non-standard impurities and extraneous materials atypical of Coal

(g) The commodity specifications applicable to a Contract Price Basis of 26.5 MJ/kg on a Gross Air Dried basis are set out below.

	Unit	Basis	Rejection
Gross Calorific Value (Air Dried)	MJ/kg	26.50	< 26.00
Total Moisture (As Received)	% Weight	14.0	> 16.0
Ash (Air Dried)	% Weight	18.0	> 20.0
Total Sulphur (Air Dried)	% Weight	1.10	> 1.20
Volatile Matter (Air Dried)	% Weight	23.0	< 22.0
AFT - IDT (reducing atmosphere)	°C	1,300	
Sizing (nominal)	mm	0x50	
Undersize (-6mm)	%		Max 20% < 6mm
Oversize (+50mm)	%		Max 10% > 50mm

(h) The final invoicing price of the cargo physically delivered shall be calculated in metric tonnes in accordance with the formula below ("Final Price"):

$$\textit{Final Price} = \left(\textit{Traded Price} * \frac{Actual\ CV(GAD)}{26.5} \right)$$

where:

"**Taded Price**" means the marked to market closing price on Expiry Day.

"**Actual CV**" means the gross calorific value (air dried basis) as per the Final Determination of Quality;

(i) For any Actual CV below the relevant rejection level in section 3.1(g), Buyer has the right, to reject the Coal or to request the JSE to adjust the Final Price to place the Buyer in the position that he would have been, had the Coal met the CV requirements. The JSE shall review all the facts and circumstances at its disposal and it may appoint its own expert to confirm the quality of the Coal delivered. Any decision by the JSE in this regard shall be final and binding on the parties. The Buyer and Seller shall be jointly responsible for any costs that the JSE may incur in adjusting the Final Price of the Coal which costs shall be paid on demand to the JSE.

(j) For any other delivered specifications above the relevant rejection levels in section (g), Buyer has the right, to reject the Coal or to request the JSE to adjust the Final Price to place the Buyer in the position that it would have been, had the Coal met the prescribed requirements. The JSE shall review all the facts and circumstances at its disposal and it may appoint its own expert to confirm the quality of the Coal delivered. Any decision by the JSE in this regard shall be final and binding on the parties.

(k) The contract price is exclusive of any value added tax (“VAT”). VAT may be added to the contract price on invoicing at the time of physical delivery and is payable by the buyer.

3.2 Ownership and risk

Ownership and risk of the Coal are transferred from the Seller to the Buyer when the Seller has effected Valid Delivery of the Coal to the Buyer and when the Buyer has effected payment of the purchase price, as set out in the Final Invoice, to the Seller.

3.3 JSE

All contracts are (without prejudice to any other provision of these contract specifications) subject to the JSE procedures as may from time to time be adopted by the JSE, provided always that, if any conflict between the JSE procedures and this contract specification arises, the provisions of these contract specifications will prevail. The JSE may at its discretion at any time alter or add to the administrative procedures and any such amendment must be circulated to derivatives members and may affect existing as well as new contracts.

3.4 Exclusion of liability

The JSE is not responsible for the condition of the Coal nor is the JSE liable for any damages or losses caused by any acts or omissions of any JSE Registered ICT. Persons acquiring ownership of Coal, placing Coal at any JSE Registered ICT’s or taking delivery of Coal from JSE Registered ICT’s will accordingly have no claim against the JSE or its representatives for any loss or damages caused or incurred, however such loss or damages may arise or be caused.

No holder of a final invoice nor any other person will have any claim against the JSE, or any derivatives member, representative or employee, arising from any breach or wrongful act or omission of the JSE Registered ICT, including but not limited to non-delivery or defective delivery, unsuitability or poor quality, or the insolvency of a JSE Registered ICT.

Should any dispute arise between any parties relating to the transfer of the Coal cargo, such persons agree that their claims will be limited to monetary claims and that no person will be entitled to claim that they retain ownership or a real right to the product represented by the final invoice. In particular, no person will be entitled to vindicate property alleged to belong to such person and to the extent necessary waives any vindicatory remedies.

3.5 Margins

Initial margin payable in terms of the contract, as determined by the JSE, is specified from time to time by the JSE. Initial and all other margin will be held by the JSE and the trading member and/or the clearing member on behalf of market participants until all obligations arising from any positions have been fulfilled

3.6 Valid delivery

Valid and acceptable delivery against an open futures position will only be accomplished if the long position holder is able to take possession of the Coal held in the segregated stockpile.

Coal Delivery Process

Origin and Delivery Point

4.1.1 The Coal shall be delivered in Mpumalanga Province as a segregated stockpile at seller's preferred delivery facility, being a JSE Registered ICT.

4.1.2 Seller shall, at the Seller's expense, appoint an independent Laboratory at the mine to sample, analyse and pre-qualify, in accordance with ISO standards, all cargoes of the commodity to be delivered to the Delivery Point and to provide a certificate ("**Delivery Analysis Certificate**") showing details of the determination and pre-qualified Coal cargo.

4.1.3 Buyer shall, at Buyer's expense, appoint an independent Laboratory at the Delivery Point to sample, analyse and determine, in accordance with ISO standards, all Cargoes of the Commodity to be delivered and to provide a certificate ("**Delivery Analysis Certificate**") showing details of the determination.

4.1.4 Each sample taken by the buyer's independent Laboratory at the Delivery Point shall be split into two clearly segregated parts as follows:

a. One to be forwarded for buyer's coal analysis, and

b. One to be kept by ICT Operator as umpire sample.

4.1.4 Coal cargoes of any origin may be delivered in completion of a futures contract provided it meets the defined quality standards and is fully suited to bulk rail or road transport.

4.1.5 The underlying origin, traceable to the mine(s) responsible for supplying the Coal cargo, must be clearly identified.

Delivery Notices

4.2.1 Trading in any delivery month shall cease at the close of business on the 1st Monday ("**Expiry Day**") of the delivery month. All short position holders (sellers) shall initiate the delivery process by giving notice of their intention to deliver ("**Intention of Delivery Notice**"), via their respective derivative members, on the Monday ("***Notice Day***") prior to the Expiry Day. Delivery can only be processed on an existing short futures position.

4.2.2 Short position holders who have given notice of delivery may unwind these positions for the remainder of the trading period notwithstanding the fact that they have given notice of delivery in respect of these positions. After the expiry day no market participant may unwind its positions and all notices of delivery by short position holders will be randomly allocated to long position holders.

4.2.3 Seller's notice to the JSE will be accompanied by the name of the JSE Registered ICT where that Seller has Coal or where he intends to deliver Coal for the specific delivery month. Seller's notice to the JSE shall further be accompanied by a confirmation notice issued by a JSE Registered ICT, confirming the availability of a pre-qualified Coal cargo of specified quantity and quality held at that ICT, in favour of each Seller.

4.2.4 Where Seller has not yet made delivery to the JSE Registered ICT for the delivery month, Seller shall ensure that the JSE Registered ICT confirms in writing to the JSE of the ICT's availability to receive the Coal cargo and scheduled date to complete the delivery. The Seller shall also provide the JSE with the analysis results and certificate of origin of the pre-qualified Coal cargo

4.2.5 All short positions holders that have not given notice of delivery are obliged to close out such short positions in the market before close of business on Expiry Day.

4.2.6 The closing price (mark-to-market) on the Expiry Day is the reference price at which all physically settled contracts will be closed taking into consideration any quantity and quality adjustments. All payments between buyer and seller shall be settled by 12h00 on the business day following the Final Delivery day and processed by the JSE. All payments between depositor and JSE Registered ICT for storage and handling charges will be settled directly between the parties.

4.2.7 All physical deliveries notified for delivery in completion of a futures contract are processed on the exchange in one of the methods outlined below. Whichever method is utilised, the Allocation Notice is provided on Expiry Day once delivery has been allocated. Only once the Coal has been delivered to a segregated stockpile will the Final Invoices be generated by the JSE and distributed during the afternoon of the Final Delivery Day.

Methods of Delivery

Method 1 - Exchange for Physical ("EFP")

The EFP process is followed when both long and short position holders notify the JSE that the stock delivered by the short position holder must be allocated to a specific long position holder at a specific ICT. The long and short position holders shall inform the JSE in writing of their EFP Agreement. On receipt of this written notification, the JSE shall remove the underlying commodity covered by this futures contract from its random allocation pool. The JSE will process the EFP at the same mark-to-market price of the Expiry Day including any premiums that have been agreed upon between the parties.

Method 2 - Random Allocation

All short position holders that have not closed out their positions on or before Expiry Day shall be randomly allocated to existing long position holders at the close of business on Expiry Day. The random allocation methodology works as follows:

The allocations of short position holder (seller) will be randomly allocated to any long position holder (buyer) who has a position equal to or greater than the seller's position e.g. if a 17,000 tonnes (34 contracts) seller's position is tendered, all buyers who have a 34 futures contract position (500 tonne contract size) will be randomly allocated for delivery.

If no buyers position exists that is equal to or greater than the seller's position being tendered, delivery will be split into Coal cargos ideally matching 8500 tonnes (17 contract) however if this is not possible the minimum 500 tonnes will be on a lot basis, e.g. a 17,000 tonne seller's position will be split into possibly 8,500 tonne position held by the same buyer and then multiples of 500 tonnes held by smaller buyers.

Responsibilities of sellers and buyers on Expiry Day

4.3.1 The Seller shall, no later than 12h00 on Expiry Day, submit final delivery notice to the JSE via JSE Registered ICT. Such notice shall confirm and/or be accompanied by the following:

a) Final tonnages to be delivered;

b) Copy of Delivery Analysis Certificate

c) Copy of certificate of coal origin

d) Contact details of delivery location;

e) Delivery schedule confirming commencement and anticipated final delivery dates to the ICT;

f) Name and contact details of appointed logistics company; and

g) Confirmation and sign-off by JSE Registered ICT that the Coal cargo will be accommodated and date when Buyer can begin scheduling trucks or wagons.

The JSE will ensure that this information reaches the Buyer on the same day.

4.3.2 As soon as possible after receipt from the JSE of an Allocation Notice, the Buyer shall begin procuring services from TFR or any other logistics service provider to ensure the Coal cargo can be moved. The Buyer shall provide the JSE Registered ICT with all the necessary documentation to ensure the product can be coordinated and out loaded efficiently.

4.3.3 The Buyer is required as per 4.1.3 to submit the Delivery Analysis Certificate no later than 24 hours following the last road truck delivery by the Seller to make up the Coal cargo as per the Allocation Notice.

Responsibilities of JSE Registered ICT following Allocation Notice

4.4.1 The JSE Registered ICT will be responsible for confirming receipt of the pre-qualified Delivery Analysis Certificate from the Seller's independent Laboratory and then also confirm the final net weights of the Coal on which Final Invoicing will be based. The confirmation will be required in the JSE prescribed format no later than 12 hours following delivery of all the Coal to the ICT which the Buyer will be able to access in fulfilment of the Seller's delivery obligations.

Delivery

4.5.1 Delivery shall commence as per Seller's delivery schedule described in 4.3.1 and shall be completed when the Coal is available to the Buyer at the JSE Registered ICT.

4.5.2 The day that delivery is completed by the Seller and on which the Buyer receives information about the final amount of Coal making up the total delivery quantity shall be referred to as the "***Delivery day***".

4.5.3 The net weight as determined by the JSE Registered ICT shall be final and binding on the parties and form the basis of the Final Invoice.

Timing of Inspection

4.6.1 Buyer shall deliver to the JSE copies of the Delivery Analysis Certificates on the quality of the Coal cargo delivered and inspected pursuant to these Rules no later than 24 hours from Delivery day.

4.6.2 If the Buyer fails to provide the JSE with the results of such inspection, in accordance with 4.6.1 above, such inspection results will not be used to determine the quality of the Coal cargo delivered as specified in 4.7.1 below.

4.6.3 The Seller shall have delivered to the JSE copies of Delivery Analysis Certificates on or before Notice Day as per the pre-qualified Coal cargo.

Final Inspection Results

4.7.1 The JSE shall determine the average of the results of the quality tests performed by the buyer's and seller's respective inspection companies. The average result shall determine whether the Coal delivered meets the required quality specifications, with the final quality referenced in the final invoicing process as described in 3.1 (h).

4.7.2 If the average result confirms that the Coal delivered does not meet the required quality specifications or if any other dispute exists between the Buyer and the Seller, the JSE will consider all the facts and information at its disposal and the JSE will perform an independent analysis using a sample from the disputed stockpile. The JSE shall then determine the quality specifications of the Coal delivered and it shall use this determination to calculate the purchase price of the Coal payable by the Buyer to the Seller. The parties are jointly responsible for any costs that the JSE may incur in this regard which costs shall be payable on demand to the JSE and the JSE’s decisions in determining the quality of the Coal delivered shall be final and binding on the parties.

Failure to effect valid delivery in fulfilment of a futures contract

4.8.1 If the Coal tendered for delivery does not meet the defined quality specifications within the boundaries as defined in section 3.1 (g), and the umpire analysis confirms this, the seller has failed to fulfil his delivery obligations as set out in these Contract Specifications, In these circumstances, the Buyer has the right to demand delivery of Coal that meets the quality specifications by no later than the last calendar day of the delivery month at the JSE Registered ICT of original delivery or to request the JSE to adjust the Final Price to place the Buyer in the position that he would have been, had the Cargo complied with the CV requirements. Any decision by the JSE in adjusting the purchase price shall be final and binding on the parties and the Buyer shall forthwith make payment of the purchase price determined by the JSE to the Seller. The Buyer and Seller shall be jointly responsible for any costs that the JSE may incur in determining and/or adjusting the final price of the Coal which costs shall be payable on demand to the JSE.

4.8.2 If the Buyer demands replacement of the Coal as contemplated in paragraph 4.8.1 the seller shall post a further amount of initial margin equal to 100% of the total contract value of all contracts listed in the seller’s Notice of Delivery Schedule. Such initial margin shall be posted by the seller with the JSE by no later than 12h00 on the next Business day following rejection.

4.8.3 If the Seller fails to replace the Coal or to post the further amount of initial margin or to pay the amount determined by the JSE in terms of paragraph 4.8.1, the Seller shall be in default as set out in section 12 of the JSE Derivatives Rules.

Final Settlement Price

4.9.1 Providing that the Coal is not rejected as per 4.8.1, the Final Invoice records the mark-to-market price on Expiry day subject to quality adjustments defined in section 3.1 relying on the final net weight as provided by the JSE Registered ICT.

Payment

4.10.1 No later than the following Business day that the buyer receives from the JSE Final Invoice, the buyer shall post any outstanding funds to the JSE to ensure that the buyer is able to pay the full purchase price of the Coal under all contracts covered by the invoice.

4.10.2 The JSE will facilitate payment to the seller via the Clearing Member within 24 hours from Final Delivery day in accordance with the JSE’s settlement procedures. The full payment amount as described in 4.9.1 will be paid to the seller.

Alternative Delivery Procedure

4.11.1 A Seller or Buyer may mutually agree once they have been matched through the Random Allocation Process, to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by these Rules. In these circumstances, trading members shall execute an Alternative Delivery Notice in the form prescribed by the JSE and shall deliver such Notice to the JSE. The delivery of an executed Alternative Delivery Notice to the JSE and any transactions concluded pursuant to such notice fall outside of the ambit of the JSE' Rules and the JSE's regulatory duties and responsibilities. Consequently the payment, the delivery and/or any other obligation are not guaranteed by any member or clearing member of the JSE nor are such transactions governed by the JSE's Rules.

4.11.2 In delivering such Notice to the JSE, trading members shall indemnify the JSE against any liability, cost or expense it may incur for any reason as a result of the execution, delivery or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Notice, the JSE will release all amounts held as margin on behalf of the market participants to the transaction(s) contemplated in the Alternative Delivery Notice.

Requirements for the JSE Registered Inland Coal Terminal (ICT)

ICT Operating Parameters

5.1.1 The ICT must have a *minimum Coal ground storage capacity of 34,000 metric tonnes*. The minimum amount that may be delivered in fulfilment of a futures contract is *500 metric tonnes.*

5.1.2 The ICT must be located to ensure that *third party access is possible via both road and rail networks.* It is the responsibility of the ICT owner to ensure and maintain easy access to the Coal receiving and dispatching areas.

5.1.3 The ICT must be able to deliver Coal to rail wagons at a *minimum load-out rate of 1400 metric tonnes per hour*. The ICT must be able to accept a minimum of 50 rail wagons for loading at any one time.

5.1.4 The ICT will furnish the JSE with copies of the RSR Permit as well as the approval from Transnet for the use of the rail siding.

5.1.5 It is a requirement that in-motion rail weighing equipment be made available at a JSE-registered ICT, with load-cell technology fitted to the loading equipment.

5.1.6 The ICT will have front end loading equipment that would be used to load the consignment as well as to manage the segregated stockpile on the siding floor.

5.1.7 The necessary water browser equipment will be in place to suppress dust of the relevant stockpiles.

5.1.8 Any new ICT application will require *confirmation through a JSE appointed auditor*, of the ICT's maximum ground storage and rail capacity, ease of access, suitability of mechanical equipment, and general in- and out-loading capabilities under reasonable weather conditions. Any costs associated to this process will be for the account of the ICT applicant.

5.1.9 The property whereon the registered ICT is situated could be *owned by the ICT owner or alternatively a minimum one year lease* of the property must be in place. The JSE reserves the right to call for additional guarantees from the ICT should the lease near expiry. Only one lessee per ICT site is admissible at any given time.

Decision by JSE final

5.2.1 With any new ICT application specific to the storage of Coal, an official market notice will be distributed affording JSE Commodity Derivatives members 15 business days to provide comment regarding the new application. The decision of the JSE shall be final in approving or rejecting such application.

Deregistration of a JSE Registered ICT

5.3.1 The JSE will deregister the ICT with immediate effect if it fails to meet any of the requirements as set out in sections 5 and or 6 of these Contract Specifications.

5.3.3 In the event of a change of ownership of approved and registered ICTs, the new ICT owner/operator and all its registered terminals have to meet the requirements as set out in sections 5 and 6. If any of these requirements are not met, the ICT owner and/or its relevant registered delivery points will be deregistered with immediate effect.

5.3.4 Once deregistered, the ICT will continue to comply with these requirements, meet and honour all its obligations and commitments as JSE registered ICT until all Coal stored in terms of the JSE Rules and

Contract Specifications have been delivered to the Buyers. In particular the ICT will meet its obligations to provide the holder of the Allocation Notice with the required ring fenced stockpile of pre-qualified quality, of the defined quantity at the registered ICT for the relevant delivery period.

5.3.6 The JSE reserves the right to appoint a collateral manager to manage the deregistration process.

Voluntary deregistration of an approved ICT

5.4.1 An ICT operator must apply in writing to the JSE if it intends to give notice of deregistration of an approved ICT. The JSE will publish the application by notice to all Commodity Derivatives members. The members will be afforded 15 business days to lodge any objections to the intended deregistration of the ICT as a JSE delivery location.

5.4.2 If the JSE is of the opinion that the application for deregistration of the ICT will be prejudicial to the interests of any party or to the JSE, it may prescribe further conditions for the intended deregistration of the approved ICT.

5.4.3 The JSE will publish its decision relating to the intended deregistration of an approved ICT by notice to the applicant and Commodity Derivative Members.

5.4.4 Once deregistered, the ICT will continue to comply with these requirements, meet and honour all its obligations and commitments as JSE registered ICT until all Coal stored in terms of the JSE Rules and Contract Specifications have been delivered to the Buyers. In particular the ICT will meet its obligations to provide the holder of the Allocation Notice with the required ring fenced stockpile of pre-qualified quality, of the defined quantity at the registered ICT for the relevant delivery period.

Further Requirements and Responsibilities for the JSE Registered ICT

Experience, Expertise and Equipment

6.1.1 The main duty of the ICT is the in- and out-loading of Coal to and from trucks and rail wagons and to weigh the consignments. The ICT may also wash and upgrade Coal (where applicable) and will move Coal to and from segregated stockpiles.

6.1.2 The ICT management shall have a well referenced one year successful operational track record, in the opinion of the JSE, and have adequate experience and technical expertise in the handling and stockpiling of Coal.

6.1.3 Each individual ICT shall be operated by properly trained and qualified personnel.

6.1.4 The ICT must employ *suitable truck and rail weighbridges, as well as on-site facilities for truck and stockpile sampling*. All necessary mechanical equipment must be in good working order for the effective and expeditious in-loading, storage and out-loading of Coal in bulk under all weather conditions, according to generally accepted ICT operating practices.

6.1.5 The ICT will have environmental compliance in place with the relevant local authorities, and mine-specific health and safety requirements will be implemented. Copies of the Environmental Management Plan and Safety Accreditation compliance certificates are required to be sent to the JSE as and when updated.

Legal and Financial Standing

6.2.1 The ICT shall be a legal entity registered in the Republic of South Africa.

6.2.2 The ICT shall be in good financial standing and credit, and shall have adequate financial resources to meet its operational commitments for a minimum of 6 months.

6.2.3 The ICT will be required to submit annual financial statements and be able to provide a minimum of 3 years audited financial statements.

Compliance with Rules of the JSE and JSE Coal Futures Contract

6.3.1 The ICT is bound by, and shall comply with, the Rules of JSE, and these SA Coal Futures Contract Specifications.

6.3.2 The ICT warrants that it will not conclude any concurrent storage agreements that may have terms that are inconsistent or in conflict with these Rules and/or Contract Specifications in respect of commodities stored in terms of JSE Coal. In the event of such inconsistency or conflict, the provisions of these Rules and/or the Contract Specifications will prevail.

Record keeping, Inspection and Reporting

6.4.1 The ICT shall maintain proper records, including the date of receipt of the individual road trucks, date of completion of the delivery and details of the segregated stock pile, received gross weight and delivered quantity, buyer's and seller's sample certificates and ICT location of Coal to enable the JSE to verify and audit the Coal stored by the ICT.

6.4.2 The JSE is entitled to appoint a suitably qualified person to ascertain whether the ICT operator complies with the rules and directives of the JSE.

6.4.3 The ICT shall provide the JSE with an electronic summary of all tonnages facilitated for the month. The ICT shall, to the satisfaction of the JSE, ensure:

6.4.4.1 that a copy of all electronic JSE Allocation Notices are stored for easy access;

6.4.4.2 that a register is maintained of all JSE Coal cargoes received on behalf of sellers making delivery;

6.4.4.3 that a register is maintained of all JSE Coal out loaded as per the Allocation Notice;

6.4.5 The ICT shall furnish the JSE with a list of employees authorized to interact with the JSE in terms of facilitating physical deliveries.

6.4.6 The ICT shall submit monthly returns in the prescribed format to the JSE reflecting the total tonnage of Coal handled per location as represented by JSE Allocation Notices. The returns must be approved by a senior member of the management team and will remain confidential within the JSE.

Insurance

6.5.1 ICT shall have current and adequate 3rd Party Insurance to the value of R5 million and provide evidence of this on an annual basis.

6.5.2 All other insurance cover will be for the seller or buyer's own account involved in the physical delivery process.

Disputes

7.1 The ICT shall report all disputes relating to these requirements and Coal stored or delivered by it, as soon as they occur, directly to the JSE.

7.2 Any dispute that may arise between an ICT and the owner of Coal that has been delivered or received in fulfilment of a party's obligations in respect of a futures contract listed and traded on the JSE, will be resolved by arbitration.

7.3 The provisions of the Arbitration Act, 1965 (Act No 42 of 1965) shall apply to the arbitration proceedings. The arbitration shall be held at the offices of the JSE and the arbitrator shall be appointed by the JSE. The JSE and/or the arbitrator may request any party to such a dispute to furnish the arbitrator with written particulars of the dispute and the JSE and/or the arbitrator may call for additional information relating to the dispute, if necessary.

7.4 Subject the arbitrator's award, the parties shall be jointly liable for the costs of the arbitration and shall be obliged to pay to the JSE such amount as the JSE may determine before the arbitration proceedings commence. Should any party fail or refuse to pay on demand any costs due, an award dismissing his claim or defence with costs shall be made by the arbitrator.

7.5 The arbitrator shall make his award within five days of the conclusion of the arbitration proceedings. The arbitrator shall give due weight to the customs and practices of the JSE applicable to transactions concluded on the Commodity Derivatives market of the JSE. The arbitration proceedings shall be conducted without any legal representation by any of the parties unless the arbitrator in his sole discretion decides otherwise. The arbitrator's award shall be final and binding on the parties and the arbitrator shall not be obliged to give reasons for his award.