



To: Doug Ewing, Shoaib Moosa

Memorandum

From: Giel van Niekerk
CAPE OIL & MARGARINE

Date: 19 June 2006

Subject: Coal cost savings

Over the past few months we had conducted tests on both our Boilers to improve on our coal usage. In order to achieve a reduction in coal usage, a chemical (Manganese oxide) is sprayed over the coal bed in the Boiler at measured intervals. This helps improve combustion and a more complete combustion of the coal is obtained. In order to obtain results that are trustworthy, before and after data was compared that had similar steam generation and boiler conditions. The following improvements were noted.

The coal to steam ratio improved from 8.28 tons of steam per ton of coal to 8.55, giving an improvement of 0.27 tons of steam per ton of coal. This represents an improvement in coal usage of 3.26%. On average with a steam consumption of 7 500 tons per month. It would mean a reduction in coal usage from 905.8 tons to 876.27 tons. A saving of 29.53 tons per month.

At our current cost of coal (R550/t) it means R16 241.50. Subtracting the cost of chemical of R7 696 per month, it means that we achieved a saving of R8 545.50 per month.

Further savings are anticipated in that Boiler tube cleaning should be able to be done less frequently. This however will only be determined later when we open the boiler that is currently under test.

In view of the above, I strongly recommend that we continue with this program and ascertain what further saving will be achieved. Take note, that as our steam demand will be reducing, so to will the amount of chemicals required. This would mean that we could still expect a saving of +/- 3% even though we generate less steam.

Giel