**Head Office**

Megawatt Park, Maxwell Drive Sunninghill Sandton

PO Box 1091 Johannesburg 2000 SA

Tel +27 11 800 4852 Fax +27 86 668 2072 www.eskom.co.za

|  |  |  |
| --- | --- | --- |
| Messrs. Marsden and Van Den Steen  |  | Date: |
| Joint Business Rescue Practitioners  |  | 4 November 2015 |
| Optimum Coal Mine (Pty) Ltd (In Business Rescue)  |  |  |
|  |  |  |
| BY EMAIL  |  |  |
|  |  |  |
|  |  |  |

Dear Sirs

**OPTIMUM COAL MINE (PTY) LTD (IN BUSINESS RESCUE): OPTIONS**

1. Receipt of your correspondence dated 3 November 2015 is hereby acknowledged.
2. Eskom agrees that a viable business rescue plan needs to be tabled by the practitioners and it has assumed that such plan would have been formulated with sufficient degree of certainty as to the options available to OCM.
3. It is with grave concern that Eskom notes the continuous threat of liquidation at the same time as you are seeking constructive engagement between the parties. As a Glencore operation, OCM should enjoy far more than conditional funding for limited time periods. There appears to be no concerted commitment on the part of OCM and its operators to meaningfully engage on the issues without resorting to veiled threats of discontinuation of supply and recently, liquidation. I would request that you desist from these types of tactics with immediate effect.
4. You would appreciate that Optimum supplies one of Eskom’s key contributors to the national power system. Hendrina Power Station is a stalwart in the Eskom fleet. Glencore was fully aware of the dynamics and history relating to the nature of the coal supply agreement and its structure as its representatives undertook before the Competition Tribunal that it would honour the contract. Eskom raised its concerns at the time and those concerns concerning the behaviour of Glencore may well be in the process of being realised as we witness the tactics being deployed in the current engagement with Eskom.
5. Accordingly, Eskom is appalled at the blatant disregard OCM displays for the impact that threats of liquidation has on the precarious balance of energy security and commercial viability. Glencore surely cannot be perceived to be acting in the national interest when it threatens to cut off the fuel supply of a key strategic asset.
6. I do not need to spell out the fiduciary duties of directors to you as business practitioners and I am sure your clients have been appropriately advised as to the implications of their actions.
7. As matters stand currently, Eskom may be compelled to seek intervention from such institutions such as the Tribunal, the Department of Mineral Resources and service providers to ensure meaningful engagement with OCM. It may also be an appropriate time for Eskom to review the engagement with Glencore from a portfolio perspective.
8. Your earlier correspondence indicated possible options, one of which was the sale of Optimum to third parties. Eskom is happy to engage in a roundtable discussion with such third parties to establish the veracity of the offer(s). You have repeatedly emphasized the limited time available to explore such options and Eskom would be willing to enter into such discussion provided that it aims to find a solution.
9. Eskom’s rights remain reserved at all times.
10. I look forward to receipt of your proposed engagement plan per return correspondence.

Yours sincerely

Matshela Koko

**GROUP EXECUTIVE: GENERATION**