



**PRIVATE AND CONFIDENTIAL**

Eskom Holdings SOC Limited  
 Megawatt Park  
 Maxwell Drive  
 Sunninghill

Attention:

Brian Molefe: Acting Chief Executive Officer  
 Vusi Mboweni, Acting Head: Primary Energy

with a copy to: Johann Bester: General Manager - Fuel Sourcing

**30 June 2015**

Dear Sirs

**HENDRINA COAL SUPPLY AGREEMENT : REVISED OFFER**

We refer to the meeting held at Eskom's offices on 11 June 2015 between your Mr Molefe and Mr Mboweni and our Mr Ivan Glasenberg and Mr Clinton Ephron. As discussed at the meeting, Optimum is willing to consider a compromise deal in relation to the renegotiation and extension of the Hendrina supply agreement. We have given consideration as to what sort of compromise would be feasible in the circumstances and, accordingly, we hereby submit this revised offer for Eskom's consideration. The proposed new agreement would supersede the existing Hendrina coal supply agreement and be in full and final settlement of all pending disputes and claims:

<b>Commencement Date</b>	1 July 2015
<b>Duration</b>	<ul style="list-style-type: none"> <li>The agreement will endure until a total quantity of 46,750,000 tonnes of contract coal ("<b>Total Contract Quantity</b>") has been supplied by Optimum to Eskom.</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>1 July 2015 to 31 December 2018 ("<b>First Period</b>") Base price ("<b>Base Price</b>"), as at 1 July 2015 ("<b>Base Date</b>"), of R300 per Ton (Moisture free), excluding VAT, for a CV of 23 megajoules/kg (Moisture free);</li> <li>1 January 2019 to 31 December 2023 ("<b>Second Period</b>") - Base price ("<b>Second Base Price</b>") as at the Base Date, of R570 per Ton (Moisture</li> </ul>

**Optimum Coal Mine (Pty) Ltd**

(Registration No: 2007/005308/07)

A Glencore Operation

Business Address: N11 Hendrina Road, Pullenshope Offramp, Pullenshope

Mailing Address: Private Bag X1201, Pullenshope, 1096, South Africa

Tel.: +27 13 2965111

Registered Address: 23 Melrose Boulevard, 1<sup>st</sup> Floor, Melrose Arch, Melrose North, Johannesburg, 2196, South Africa

Mailing Address: Suite No. 19, Private Bag X1, Melrose Arch, Johannesburg, 2076

Tel: +27 11 772 0600 Fax: +27 11 772 0697

Directors: R Cohen, C M Ephron, P Mahanye, T Ncube



	free); excluding VAT, for a CV of 23 megajoules/kg (Moisture free).
<b>Escalation</b>	<ul style="list-style-type: none"> <li>The Base Price for the First Period and the Second Period shall be escalated on each anniversary of the Base Date in accordance with a Price Adjustment Factor which is to be calculated in accordance with an escalation table to be agreed between Eskom and Optimum.</li> </ul>
<b>Quality Specifications and Adjustment</b>	<ul style="list-style-type: none"> <li>To be agreed between Eskom and Optimum</li> </ul>
<b>Quantity</b>	<ul style="list-style-type: none"> <li>The total quantity to be supplied by Optimum to Eskom for the balance of the term of the CSA from 1 July 2015 will, subject to below, be 46,750,000 tonnes or 5 500 000 tonnes per calendar year, except in respect of the 2015 calendar year where the quantity will be 2,750,000 tonnes for the period 1 July 2015 to 31 December 2015.</li> <li>Eskom shall be entitled, by no later than 31 December 2015, to implement and conclude a tender process to obtain bona fide written offers ("<b>Third Party Offers</b>") from third party coal suppliers (each a "<b>Third Party Supplier</b>" and collectively the "<b>Third Party Suppliers</b>") to supply a quantity of coal to Eskom at the Hendrina power station of not more than 5 500 000 tonnes per annum (ie 27 500 000 tonnes in aggregate) ("<b>Replacement Quantity</b>") during the period commencing on 1 January 2019 and ending on 31 December 2023 ("<b>Second Period</b>").</li> <li>If Eskom wishes to accept one or more Third Party Offers (each an "<b>Accepted Third Party Offer</b>"), it must notify Optimum accordingly in writing ("<b>Third Party Offer Notice</b>"), by no later than five Business Days after 31 December 2015, and provide the details of each Accepted Third Party Offer including the quantity, the price range (on a delivered basis to Hendrina power station), the quality, the penalty regime and any other relevant information.</li> <li>Optimum shall be entitled, by notice in writing to Eskom within fifteen Business Days of receipt of the Third Party Offer Notice, to require Eskom to enter into good faith negotiations with Optimum until not later than 31 March 2016 (such period, the "<b>Negotiation Period</b>") for the supply by Optimum to Eskom of the quantity that is the subject of the Accepted Third Party Offer ("<b>Accepted Quantity</b>") at the terms set out in in the Third Party Offer Notice or such other terms as may be acceptable to Eskom and Optimum. Eskom shall be precluded from concluding a contract in respect of the Accepted Third Party Offer during such Negotiation Period. If during the Negotiation Period, Optimum and Eskom reach agreement regarding the Accepted Quantity (or a portion thereof), then they shall conclude an addendum effecting the necessary changes to the CSA to give effect to such agreement.</li> <li>If Optimum elects not to require Eskom to enter into negotiations with Optimum, or if Optimum requires Eskom to enter into negotiations with</li> </ul>

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	Optimum but Optimum and Eskom are unable to reach agreement on the terms for the supply of the Accepted Quantity (or a portion thereof) during the Negotiation Period, the Total Contract Quantity shall be reduced by the Accepted Quantity (or a portion thereof in respect of which no agreement was reached) from the date on which Optimum advises Eskom that it does not require Eskom to enter into negotiations with Optimum or the date of expiry of the Negotiation Period, as applicable.
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We remain of the view that this offer represents a reasonable compromise for all parties in that it provides some limited relief for Optimum to allow it to continue operating while at the same time ensures long-term supply for Eskom until 2023 at its preferred efficient cost plus a fair return model.

This offer is valid until 31 July 2015.

We look forward to hearing from you.

Yours faithfully

Clinton Ephron

on behalf of  
**Optimum Coal Mine (Proprietary) Limited**

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