

## SUMMARY RECORD OF DISCUSSION

Meeting Name: Exploratory Discussions on Sustainable Hendrina Coal Supply

<b>Date:</b> 24 November 2015	<b>Time:</b> 15h00 -16h20	<b>Venue:</b> Huvo Nkulu Boardroom	<b>Meeting No.:</b> 01/2015
<b>Attendees:</b>			
Shaun Blankfield (Glencore) (SB)		Matshela Koko (Chairperson) (MK)	
Piers Marsden (Marsden Associates) (PM)		Suzanne Daniels (SD)	
Peter van den Steyn (PvdS)		Edwin Mabelane (EM)	
Nazeem Howa (Oakbay) (NH)		Ayanda Nteta (AN)	
Ashu Chawla (Oakbay) (AC)			
Ronica Ragavan (Oakbay) (RR)			

The Chairperson opened the meeting and welcomed all.

Emergency evacuation procedure was explained to all.

Chairman's opening remarks: Eskom is managing a tight system and Hendrina is key to the system. Therefore it is important to rescue the mine to ensure security of electricity supply.

PM indicated that the BRPs were looking at disposing the interest to Oakbay. The Due Diligence commenced 9 days ago and is currently underway. The purpose of the meeting was seek the support of Eskom to understand Eskom's concerns and what it needed to see out of the process.

Oakbay confirmed that the Due Diligence started 9 days ago and it is committed to a 30 day due diligence period with a definitive agreement to be in place by 15 December 2015.

Eskom questioned what would be the arrangement for the period 1-15 December.

PM advised that an extension of the current arrangement was anticipated and that a formal request for the extension of the current dispensation until such time as there is a definitive agreement in place, would be sought. SB confirmed that funding has been secured and will be extended until agreement was reached. He reiterated that there would be no interruption of coal supply and the amendments to the current funding arrangements were currently being effected by Glencore's legal team.

The Chairman emphasized the Eskom position: Eskom's priority is security of supply. There is a coal supply contract in place until 2018. Eskom expects Optimum Coal Mine to honour the contract at the contracted price until 2018. Eskom will not waive its penalty claim.

He noted that the Koorfontein supply contract expires in December 2015. It appeared that the Koorfontein disposal and that of the export allocation are separate to that of OCM. This gave rise to the question of how does OCH survive beyond the life of the Koorfontein contract. He further questioned the financial strength of the new buyer ; firstly would it be able to sustain a loss of ZAR 130M per month and secondly, how will the buyer survive without Koorfontein Contract and the export allocation? He postulated that if OCM were to be ring-fenced, Eskom was not convinced that it will survive on its own and hence he was compelled to engage in a discussion regarding OCH, and not OCM, in totality.

PM indicated that the BRP's view of the claim differed to that of Eskom. In addition, there was a ZAR 2.7bn of senior secured bank debt held by the Banking Consortium which will need to be evaluated by Oakbay. The BRP has had open discussions with Oakbay on this debt. PM confirmed that there was no engagement around the OCH solution and from a Glencore perspective, it may be open to this but at the moment Oakbay was dealing with the transaction from an OCM perspective.

NH confirmed that Oakbay would like to close the transaction as soon as possible. It had wanted clarity in respect of the key issues. While the Eskom position was very clearly stated, it had wished to seek clarity on the following key issues (i) was the price negotiable? NH confirmed that he understood the Eskom position to be that the contract price was to remain the same until contract expiry, subject to the current terms and conditions of the contract. (ii) Could the parties start discussions beyond 2018? It was confirmed that the Eskom position was understood by the parties to be that the discussions relating to what happens beyond 2018 are off the table. (iii) Would Eskom consider a waiver of the penalty claim? It was also clear that Eskom was not prepared to waive the penalty claim.

NH confirmed that Oakbay was dealing with it from an OCM perspective and that it did not have a mandate to talk regarding OCH.

It was concluded that the Eskom position was now clear to all parties and that Oakbay required a mandate to take the discussion further. NH requested to reconvene with the Business Rescue Practitioner and Glencore at 17h30 to discuss further. The Chairman reiterated that the parties would not have Eskom consent should it be limited to a transaction at OCM level. While it was supportive of a transaction with Oakbay, it would not be supportive were it to be limited to OCM level. The Chairman insisted that Eskom needs to know by the weekend that there is a prospect at OCH level to rescue the mine.

The meeting closed at 16h20.

Minutes submitted by: Ayanda Nteta

Approved by:



\_\_\_\_\_  
Matshela Koko  
Chairman

Approved by:

\_\_\_\_\_  
On behalf of:  
BRP's

Approved by:

\_\_\_\_\_  
On behalf of:  
Oakbay