



# MATUSON

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## ASSOCIATES



**RS Advisors**

**MAPOCHS MINE PROPRIETARY LIMITED  
("MAPOCHS")  
FIRST MEETING OF CREDITORS**

DATE: 06/05/2015

# MAPOCHS MINE (PTY) LTD BUSINESS RESCUE FIRST CREDITORS' MEETING



## Agenda

- Welcome
- The Business Rescue Process
- Business Rescue Timeline
- Background
- Reasons for Financial Distress
- Actions to Date
- Liquidation vs Business Rescue
- The Way Forward
- Opinion by Practitioners
- Proof of Claims
- Creditors' Committee

# BUSINESS RESCUE PROCESS (“BRP”)



**The Directors signed and filed a Resolution placing the Company into Business Rescue on 17 April 2015, which resolution was confirmed by the CIPC on the 20 April 2015.**

## **About Business Rescue:**

- The new Companies Act of 2008 became effective 1 May 2011
- Business Rescue is a relatively untested process in South Africa
- There is limited case law and precedent
- Business Rescue involves proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for –
  - the temporary supervision of the company, and of the management of its affairs, business and property;
  - a temporary moratorium on the rights of claimants against the company or in respect of property in its possession.

# REASONS FOR FINANCIAL DISTRESS



- Jacques Bonnet the financial director of Mapochs deposed an affidavit supporting the commencement of business rescue, which includes the following grounds on which the business rescue resolution was founded:
  - The Company does not have adequate funding to meet its financial obligations for the short term, this is as a result of, inter alia -
  - Historical operational difficulties at the steelworks (EVRAZ Highveld Steel and Vanadium Limited (“Highveld”), the Company’s main customer and sole shareholder);
  - The filing by Highveld for business rescue, which places in doubt the Company’s ability to source funding that it historically obtained from Highveld; and
  - The effect of an onerous supply agreement
  - Weakening of global steel and vanadium markets and a severe reduction of domestic steel demand.

# BUSINESS RESCUE PROCESS (“BRP”)



## The Primary objective of Business Rescue

- The development and implementation of a plan that:
  - Either
    - A) Rescues the company by restructuring its debt and equity in a manner that maximizes the likelihood of the company continuing its existence on a solvent basis.
  - Or
    - B) If that is not possible, results in a better return for the company’s creditors or shareholders than would result from the immediate liquidation of the company.

# BUSINESS RESCUE PROCESS (“BRP”)



## The appointment of the Joint Business Rescue Practitioners

John Lightfoot and John Evans were appointed as the Joint Business Rescue Practitioners and the appointments were confirmed by the CIPC on 21 April 2015.

- In terms of the Act, the Practitioners are required to notify all Affected Parties of their appointment within five business days and convene a meeting of all Affected Parties within ten business days.
- The main objectives of today’s meeting are as follows:
  - The Joint Business Rescue Practitioners need to express an opinion as to whether they believe there is a reasonable prospect of Business Rescue being successful
  - Appointment of a Creditors’ Committee
  - Receipt of claims from Creditors

# BUSINESS RESCUE TIMELINE

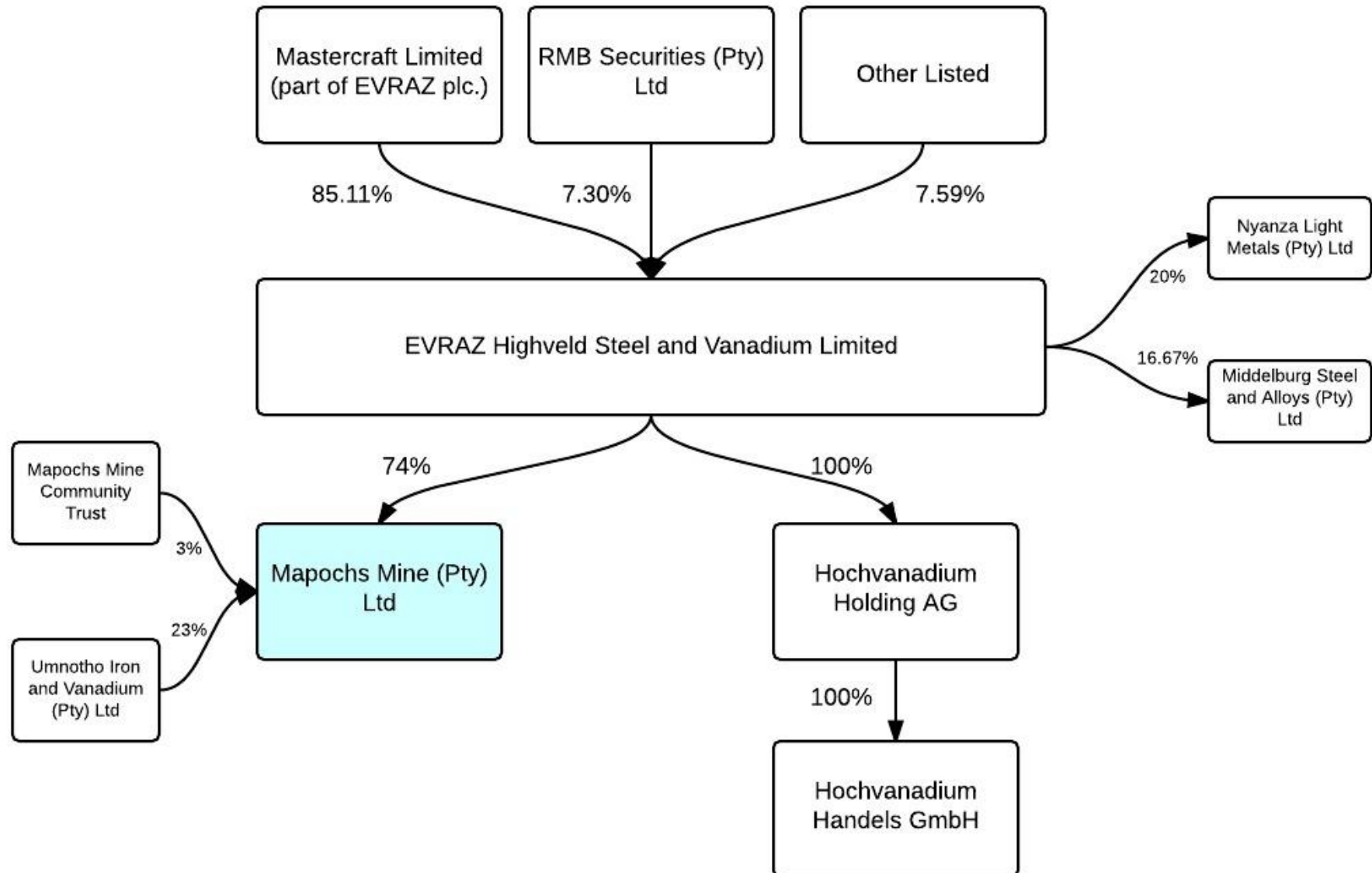


## Key Dates:

- |   |                      |
|---|----------------------|
| 1. Resolution Signed  | 17 April 2015        |
| 2. Commencement of Business Rescue Proceedings              | 20 April 2015        |
| 3. Appointment of Joint Practitioners                       | 21 April 2015        |
| 4. First Meeting of Employees                               | 28 April 2015        |
| 5. First Meeting of Creditors                               | 6 May 2015           |
| 6. Publish the Business Rescue Plan                         | 28 May 2015          |
| 7. Meeting to consider and approve the Business Rescue Plan | 5-10 days thereafter |

# BACKGROUND

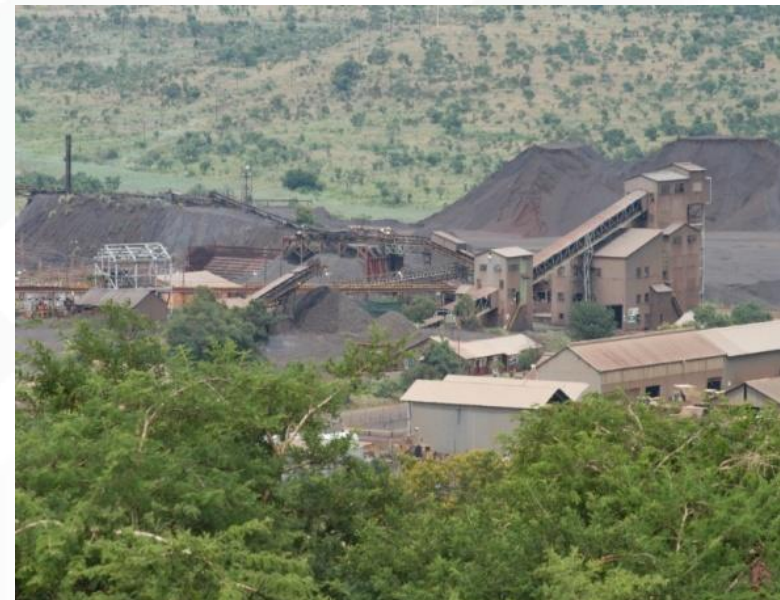
- The Group structure is as follows:





## BACKGROUND AND HISTORY

- The Mapochs Mine is located on the Eastern Lobe of the Bushveld Igneous Complex, located near Roossenekal, 140 kilometres north-east of eMalahleni.
- Open Cast Mining significantly contributing to global vanadium supply
- The mine has two customers:
  - Vanchem Vanadium Products – Ore fines – 680kt
  - Highveld Steel – Lump ore – 1680kt
- 140 employees, 420 contractors
- The ore is transported to both customers via a dedicated railway line that links the three businesses.



# BACKGROUND AND HISTORY



Drilling and blasting



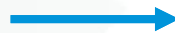
Excavating of ROM,  
loading and hauling



Tipping into Primary Crusher



Lump ore +8mm to 30mm



Jet Scrubber is used to wash mud and  
fines from the ore



Despatch

## HISTORIC TRADING PERFORMANCE

| Trading History (R 000's)                    | 2014             | 2013             | 2012             |
|--|------------------|------------------|------------------|
| Saleable ore produced (Kilotonnes)           | 2,305            | 2,068            | 1,514            |
| Ore Sales (Kilotonnes)                       | 2,104            | 1,937            | 1,593            |
| <b>Sales Revenue</b>                         | <b>691,428</b>   | <b>674,559</b>   | <b>437,075</b>   |
| <b>Less Operating Costs</b>                  |                  |                  |                  |
| Labour                                       | (71,054)         | (64,624)         | (51,175)         |
| Mining and contract services                 | (250,052)        | (230,896)        | (167,714)        |
| Chemicals, Fuels & Health & Safety           | (64,108)         | (73,752)         | (56,978)         |
| Other costs                                  | (74,414)         | (73,752)         | (41,886)         |
| Change of ROM inventory                      | (51,588)         | 49,286           | 12,938           |
| <b>Total Production cost</b>                 | <b>(511,216)</b> | <b>(393,738)</b> | <b>(304,814)</b> |
| Change in saleable ore inventories           | 36,211           | (29,291)         | (20,549)         |
| <b>Total Cost of Sales</b>                   | <b>(475,005)</b> | <b>(423,029)</b> | <b>(325,363)</b> |
| <b>Gross Profit</b>                          | <b>216,423</b>   | <b>251,530</b>   | <b>111,712</b>   |
| Logistics Cost                               | (60,896)         | (58,221)         | (43,964)         |
| Other income and costs                       | (39,258)         | 12,011           | 5,099            |
| <b>Net operating profit</b>                  | <b>116,269</b>   | <b>205,320</b>   | <b>72,846</b>    |
| EBITDA                                       | 130,686          | 219,041          | 81,750           |
| Pricing/Subsidy disputed by<br>Evras/Vanchem | 204,259          | 172,106          | 101,500          |

Source: Management

# FINANCIAL POSITION

## ASSETS AS AT 31 MARCH 2015

|                               | R 000's        |
|-------------------------------|----------------|
| <b>Non-Current Assets</b>     |                |
| Property, Plant and Equipment | 112 307        |
| Restricted Cash               | 33 702         |
|                               | <hr/>          |
|                               | <b>146 009</b> |
| <b>Current Assets</b>         |                |
| Inventories                   | 84 367         |
| Trade and Other Receivables   | 127 775        |
| Prepayments                   | 14 455         |
| Cash and Short-Term Deposits  | 2 682          |
|                               | <hr/>          |
|                               | <b>229 279</b> |
|                               | <hr/>          |
| <b>TOTAL ASSETS</b>           | <b>375 288</b> |

Source: Management

# FINANCIAL POSITION

## LIABILITIES AS AT 31 MARCH 2015



R 000's

### EQUITY AND LIABILITIES

#### Capital and Reserves

**-1 806 070**

#### Non-Current Liabilities

Shareholder Loans

1 705 095

Provisions - Long Term

206 575

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**1 911 670**

#### Current Liabilities

Trade and Other Payables

219 318

Provisions - Short Term

50 369

**269 687**

### TOTAL EQUITY AND LIABILITIES

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**375 288**

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*Source: Management*

# FINANCIAL PERFORMANCE

## CONSOLIDATED Q1 (JANUARY - MARCH 2015)



| Trading History (R 000's)                 | Q1 2015         | Cost per T    |
|---|-----------------|---------------|
| Saleable ore produced (Kilotons)          | 420             | 219.41        |
| Ore Sales (Kilotons)                      | 475             | 207.27        |
| <b>Sales Revenue</b>                      | <b>135,700</b>  |               |
| <b>Less Operating Costs</b>               |                 |               |
| Labour                                    | (16,982)        | 40.39         |
| Mining and contract services              | (46,905)        | 111.55        |
| Chemicals, Fuels & Health & Safety        | (13,300)        | 31.63         |
| Other Costs                               | (15,068)        | 35.84         |
| <b>Total Production cost</b>              | <b>(92,255)</b> | <b>219.41</b> |
| Change in saleable ore inventories        | (6,170)         |               |
| <b>Total Cost of Sales</b>                | <b>(98,426)</b> | <b>207.27</b> |
| <b>Gross Profit</b>                       | <b>37,275</b>   |               |
| Logistics Cost                            | (15,428)        |               |
| Other income and costs                    | 108             |               |
| <b>Net operating profit</b>               | <b>21,955</b>   |               |
| EBITDA                                    | 25,945          |               |
| Pricing/Subsidy disputed by Evras/Vanchem | 32,159          |               |

Source: Management

## ACTIONS TAKEN TO DATE

- Business Rescue
  - Administration
  - Notifications
- Meeting of Employees / Representative Unions
- Financial Management
  - Cash Flow Analysis
  - Critical Payments
- Turnaround Plan
- Review of Current Agreements and Contracts
- Post Commencement Finance
- Creditor Queries

# BUSINESS RESCUE VS LIQUIDATION

## ■ The Business Rescue Plan

- The Business Rescue Plan will be approved if:
  - a) it is supported by the holders of more than 75% of the creditors' voting interests that are voted, AND
  - b) the votes in support of the proposed plan include at least 50% of the independent creditors' voting interests if any, that are voted.

## ■ Moratorium

- The formal moratorium under Business Rescue allows “breathing space” to formulate, propose and implement a Business Rescue Plan.
- During Business Rescue Proceedings, no legal proceeding, including enforcement action against the company, may be commenced or proceeded with in any forum, without the written consent of the Practitioners or with the leave of court.



# BUSINESS RESCUE VS LIQUIDATION

## ■ Fees

- In Business Rescue the fees are significantly less and are based on a set tariff or by agreement.
- In a liquidation, fees are based on fixed percentages of the gross value of assets realised, irrespective of the third party costs incurred in achieving such realisations.

## ■ Loss of Mining Right

- In Business Rescue, the mining rights should be preserved.
- In terms of Section 56(d) of the MPRDA, the Company's mining right may well lapse if liquidated.

# THE WAY FORWARD

1. Business Continuity
  - a) Keep operations running
2. Post Commencement Finance
  - a) Conclude post commencement finance agreement to cater for critical post commencement supplies and operational costs
3. Strategic investor
  - a) Continue negotiations with interested parties
  - b) Attempt to conclude binding agreements
4. Business rescue process
  - a) Administration of claims
  - b) Preparation of Business Rescue Plan
5. Turnaround plans
  - a) Facilitate the implementation of existing a turnaround plans

# PROSPECTS

- Two key issues that determine the prospects and future of MAPOCHS are:

- **A successful turnaround at EVRAZ Highveld Steel and Vanadium Limited to ensure the steelworks has a future.**

- **Resolution of issues relating to the supply contracts between Mapochs Mine and its customers EVRAZ Highveld Steel and Vanadium Limited and Vanchem Vanadium Products (Pty) Ltd**

## OPINION OF THE JOINT PRACTITIONERS



**It is our view that, notwithstanding inevitable risks and challenges, there is a reasonable prospect of the business rescue being successful, based on the following :**

- The ongoing support of key stakeholders in the process
- The demand for ore from the two customers of the business
- The ability to conclude a potential corporate transaction
- The likelihood of procuring Post Commencement Funding
- That the Business Rescue Process should achieve a better result than the liquidation of Mapochs.

# OPINION OF THE JOINT PRACTITIONERS



## Opinion:

The Practitioners are of the opinion that there is a reasonable prospect of achieving a Business Rescue. Various options will be investigated, together with input from management, shareholders and creditors.

# TERMINATION OF BUSINESS RESCUE



Should the Joint Practitioners at anytime conclude that there is no reasonable prospect for the company to be rescued, the Practitioners must advise affected persons and apply to court for an order discontinuing the proceedings and placing the company into liquidation.

The Business Rescue Process can also be terminated in the following circumstances:

- The Plan proposed is rejected and proceedings are not extended
- The Court orders the setting aside of the resolution that initiated the BRP
- The Court orders the conversion of the BRP into liquidation
- The Practitioner and board conclude that the company is no longer in financial distress
- The Practitioner files notice of substantial implementation of the approved Plan

# PROOF OF CLAIMS



- **Claims**

- Outstanding amounts for services rendered and goods delivered prior to the commencement of Business Rescue are in the moratorium.
- A claim form will need to be submitted for such amounts. These Claims will be reconciled to the Company's records and any discrepancies investigated.
- The Business Rescue Plan will set out a comparative recovery estimate to creditors both in business rescue and liquidation.

# CREDITORS COMMITTEE



- One of the main objectives of today's meeting is to form a Creditors' Committee
- Functions, Duties and Membership of this Committee
  - Consult the Practitioners on any matter relating to the business
  - Receive and consider reports relating to progress
  - Members need to be independent creditors or their authorised agents
- It is our view that the input of a pro-active Creditors' Committee will add significantly to the process and will be helpful in achieving the goals of Business Rescue.



## CREDITORS COMMITTEE

- We seek nominations for the Creditors' Committee from the following:
  - SARS
  - Credit Insurers
  - Trade Creditors with technical expertise



**MATUSON**  
ASSOCIATES



**RSAdvisors**