

MAPOCHS MINE PROPRIETARY LIMITED

Minutes of Creditors meeting of Mapochs Mine Proprietary Limited ("Mapochs Mine" or "the Company")
Business Rescue Process held at Bowman Gilfillan Attorneys at 165 West Street Sandton, on Wednesday
6 May at 10:00.

PRESENT:

BUSINESS RESCUE PRACTITIONERS

Mr J Lightfoot (Business Rescue Practitioner (BRP))

Mr J Evans (BRP)

MAPOCHS MINE

Mr IJ Burger

Mr JJ Fourie

Mr J Bonnet

CREDITORS:

As per attendance register

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	<u>The meeting was conducted wherein a Power Point slide show was presented covering all aspects considered by the Business Rescue Practitioners to be relative to the objectives of the meeting</u>

1. THE BUSINESS RESCUE PROCESS:

The Business Rescue Practitioners noted that the Mapochs Mine Board had resolved to enter Business Rescue (BR) on 17 April 2015 and registered at CIPC on 20 April 2015. The appointed Business Rescue Practitioners (BRP's) are Messrs J Lightfoot and J Evans.

The statute governing Business Rescue became effective on 1 May 2011 and is therefore relatively new concept in South Africa, with few precedents and case law. The purpose of BR is to rescue a company in financial distress and to place it under temporary supervision of the

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Business Rescue Practitioner ("BRP"). Business Rescue places a moratorium on the claims of Creditors thereby providing an opportunity to restructure the Company and return it to sustainability. Where the BR process fails, the process is terminated and immediately be converted into liquidation of the company.

Objectives of this meeting:

- Explain the BR process
- The BRP's have to express an opinion on the prospects of success of the BR process.
- Engage with stakeholders and form a creditors committee

2. **THE BUSINESS RESCUE TIMELINE:**

The key dates of the process were explained, including the publication of the Business Rescue Plan on 28 May 2015 and subsequent creditors meeting within 5-10 days thereafter to approve the BR Plan. Attention was drawn to the likelihood of having to obtain approval from creditors for an extension to the deadline date for publication of the Business Rescue Plan

3. **THE REASON FOR FINANCIAL DISTRESS:**

Jacques Bonnet, the financial director of Mapochs Mine 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;
- The effect of an onerous supply agreement; and
- Weakening of global steel and vanadium markets and a severe reduction of domestic steel demand.

4. **THE PROSPECTS OF RESCUING THE COMPANY: THE BUSINESS RESCUE PRACTITIONERS' VIEW AS TO WHETHER OR NOT THERE IS A REASONABLE**

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PROSPECT OF RESCUING THE COMPANY, AS ENVISAGED IN TERMS OF SECTION 147 COMPANIES ACT, ALONG WITH RELATED, GENERAL INFORMATION IN THIS REGARD.

Mr Lightfoot noted that the depressed steel market had impacted negatively on the ability of the Company to be profitable but that the Business Rescue Process would hopefully provide the opportunity to turn around the Company.

An overview of the organisational structure, the current financial position as at 31 March 2015, including its assets and liabilities. The positive EBITDA achieved in Q1 was a landmark indicator of the potential of success of the BR process.

5. BACKGROUND, HISTORY AND SHAREHOLDING OF THE MAPOCHS MINE

The Mapochs Mine is situated in the Roossenekal area of Limpopo and mines titaniferous magnetite ore which is supplied to the two main customers, namely EVRAZ Highveld and Vanchem Vanadium Products (Pty) Ltd ("VVP").

5.1 Financial Performance

The Mine has successfully mined and supplied ore to its customers for many years. However the issues with pricing arrangements with customers and the renegotiation thereof would, going forward, determine the viability of the financial model of the Mapochs Mine.

Company equity and liabilities were discussed and explained on high level, including shareholder loans.

Recent trading history (Q1 2014) was viable, but reliable on an agreement between EVRAZ Highveld, VVP and the Mine on pricing arrangements of product.

6. ACTIONS TO DATE AND FUTURE ACTIONS:

BRP's actions to date were mainly focused on getting the Company operational, engaging the stakeholders, including the employees and unions, attending to outstanding debt, restoring operations and cash flow.

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Creditors have been engaged and the process was still ongoing. Creditors's support was appreciated.

Sourcing post commencement finance was a key focus of the BRP team.

Continued supply and generating cash flow were key to keeping the Company operational towards sustainability and in that suppliers are being engaged for their continued support.

7. **BUSINESS RESCUE PLAN:**

The BRP's will publish a BR Plan that has to be sustainable and approved by stakeholders, amongst which the creditors. The BR plan will detail the payment plan of all historic debt.

The BR Plan has to be supported by 75% of the Company's creditors, of which 50% should be of independent creditors. The BR Plan would be voted on at the second creditors' meeting. If the plan is not approved the BR Process is converted to liquidation process.

The BR Plan will assess the possible dividend to creditors in both BR and liquidation scenarios.

8. **BR VERSUS LIQUIDATION:**

BR provides a moratorium on claims and legal proceedings against the Company to provide the Company with the opportunity to restructure its business and operations towards sustainability. Stakeholder buy-in into the BR program, and in particular the creditors of the Company, was key to the success of the process.

The BR fee is determined at an hourly prescribed tariff. The BR would approach the Creditors forum for the approval of a higher market related fee.

Loss of the mining right of the Mine was the biggest risk if BR was delayed for an extended period or if liquidation was the outcome of the process.

The BRP were also considering selling of the business as part of the BR Plan.

9. **OPINION OF THE BRP'S:**

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The BRP's are of the view that there is a reasonably good prospect of BR success, provided the process was supported by all stakeholders.

The BRP's has a duty to monitor progress of the process and report on its prospects until it is no longer in financial distress or if the process has to be converted into liquidation.

It is the BRP's 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; and
- That the Business Rescue Process should achieve a better result than the liquidation of Mapochs.

10. **TURNAROUND PLAN**

The Company has commenced and continues with an internal turnaround plan to motivate the employees, to cut operation costs and optimise efficiencies.

11. **SUBMISSION OF CLAIMS AGAINST THE COMPANY TO THE BUSINESS RESCUE PRACTITIONERS:**

All claims have to be submitted to the BRP's at johnevans@rsadvisors.co.za and ilightfoot@matusonassociates.co.za

12. **CREDITORS' COMMITTEE:**

It was noted that Phillip Reynolds would take nominations for the creditors committee, the purpose which was to advise the BRP's. The Committee should be representative of the creditor stakeholder group. In particular creditors with technical knowledge of the operations of the business are invited to serve on the committee to advise the BRP's on the technical side of the process.

13. **GENERAL DISCUSSION / QUESTIONS:**

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13.1 Question:

Why does the Mine BR plan depend on the EVRAZ Highveld BR plan

Response:

The EVRAZ Highveld supply is critical to the BR Plan of the Mine as that supply is the majority of supply.

13.2 Question:

Can the supply market of the Mapochs Mine be opened up beyond current customers?

Response:

Alternatives customers if any, will be considered as part of the process, should the current customers supply not continue to be a viable option.

13.3 Question:

With regards to the BR Process NUMSA was only informed of the process when the BRP's were introduced. It was imperative that NUMSA was consulted on all aspects of the process.

Response:

The Unions will be involved in the process as the support of the unions and employees were key to the success of the process.

13.4 Question:

A number of creditors have not been paid for months. Apparently equipment has been removed from the Mine in circumstance of payment default.

Response:

Support of contractors and suppliers in keeping the Mine operational during this process, was critical to the success of the process. Pre-commencement debt will be addressed in the BR Plan, where post-commencement debt will be dealt with separately.

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13.5 Question:

Is it certain that creditors will lose money in the process?

Response:

Approved BR Plan has to detail what creditors will receive and compare returns between BR dividends and Liquidation payments. Usually pre-commencement payments in BR are structured as full and final settlements

13.6 Question:

Were the Shareholder loans subordinated?

Response:

Yes

13.7 Question:

Is liquidation the only alternative to BR Plan?

Response:

No, creditors can request an alternative plan or request amendments to the BR Plan. Our preference is that once the BR Plan is published, all comments has been considered and would be approved.

13.8 Question:



The financials indicates a significant shortfall. Did the Mine submit a claim to EVRAZ Highveld?

Response:

The matter is receiving attention and a claim will be submitted in due course.

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There being no further business, the meeting adjourned at 11h00.

BRP Johan Evans: 
BRP John Lightfoot: 

Date: 29 May 2015