



STURNS

BUSINESS RESCUE PRACTITIONERS

**MAKONJWAAN IMPERIAL MINING
COMPANY PROPRIETARY LIMITED**

“Lily Mine”

(Registration No. 1987/005176/07)

BUSINESS RESCUE PLAN

Published on 16 May 2016

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STURNS

STRATEGIC TURNAROUND SOLUTIONS

INTERPRETATION AND STATUTORY INFORMATION

INTERPRETATION AND STATUTORY INFORMATION

1. Interpretation & Preliminary

1.1 Introduction

On 7 April 2016, Robert Charles Devereux of Strategic Turnaround Solutions (Pty) Limited was appointed as Business Rescue Practitioner of the Makonjwaan Imperial Mining Company (Pty) Limited.

The appointment was made pursuant to a resolution passed by the Directors in accordance with Section 129 of Chapter 6 of the Companies Act 71 of 2008, as they were of the opinion that the Company was financially distressed and there appeared to be a reasonable prospect of rescuing the Company.

Section 150 of the Companies Act 71 of 2008, requires that the Practitioner, after consultation with the creditors, prepare a Business Rescue Plan for consideration and possible adoption at a meeting to be held in terms of Section 151. The contents of this Business Rescue Plan are furthermore set out in S150 and this information is required to facilitate affected persons in deciding whether or not to accept or reject the plan.

Accordingly, this Business Rescue Plan summarises the financial position of the Company, sets out observations with respect to the cause of the financial distress of the Company, outlines any offences that may have been committed by the officers of the Company and the extent of recoveries a liquidator could pursue (if the Company were to pass into liquidation) and provides recommendations of what further actions that can be considered in the best interest of creditors.

This Business Rescue Plan has been prepared following an inspection and analysis of documents of the Company and has been prepared for the benefits of the creditors and all affected parties.

1.2 Practitioner's statement of Opinion, Certification, Disclaimer and Statement of independence

The Practitioner has undertaken a proper assessment of the risks to his independence prior to accepting the appointment as Practitioner and I confirm that I have had no prior involvement with the business or its directors.

INTERPRETATION AND STATUTORY INFORMATION

Consequently in accordance with industry practice and legal precedent, I do not consider the above to adversely affect my independence or prevents me from accepting my appointment as Business Rescue Practitioner.

The Business Rescue Plan ("Plan") is formulated on information obtained from books and records recovered from the Company, the Directors, Management and interviews with relevant persons and it should be noted: Our investigations have been limited due to the time constraints placed on us by the Companies Act. There may be certain issues that require additional investigation for an absolute determination to be formed. Where appropriate, we have highlight these issues throughout the body of the Plan and to the extent necessary, have considered the possible impact of them when making our recommendations to creditors. It is normal for the Practitioner's report to creditors to not form conclusive views in relation to all areas of investigation. Should liquidators be appointed to the Company, the Liquidators will continue those investigations should there be a perceived benefit to creditors.

We have not carried out an audit of the Company's documents, nor have we had adequate opportunity to verify any of the information given to us by the Company except where expressly stated.

The statements and opinions given in the Plan are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated we reserve the right to alter any conclusions reached on the basis of any changes in, or additional to, information which may become available to us between the date of this Plan and the date of any subsequent meetings or reports.

Neither the Practitioner, nor Strategic Turnaround Solutions (Pty) Ltd, nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.

In considering the options available to creditors and formulating his recommendations, the Practitioner has made the necessary forecasts with respect to asset realisations and the quantum of total creditors. These forecasts and estimates may change as asset realisations progress and claims are received by creditors. Whilst the forecasts and estimates are the result of the Practitioner's best assessment in the circumstances, it should be noted that the ultimate deficiency and thus the distribution or outcome for creditors could differ from the information provided in the Plan.

Every effort has been taken by the Practitioner to ensure that the actual information provided appears to be accurate, complete and up to date and that the projections provided are estimates made in good faith on the basis of factual information and assumptions set out in this Business Rescue Plan.

INTERPRETATION AND STATUTORY INFORMATION

The actual information provided in this Business Rescue Plan appears to be accurate, complete and up to date and projections provided are estimates made in good faith on the basis of factual information and assumptions as set out in the Business Rescue Plan.

The Business Rescue Plan provides for a better return for Creditors than should the Company be placed into liquidation.



R C Devereux

Business Rescue Practitioner

16 May 2016

INTERPRETATION AND STATUTORY INFORMATION

1.3 Definitions

The headings of the clauses in the Business Rescue Plan are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this Business rescue Plan or any clause hereof. Unless a contrary intention clearly appears:

Words importing –

any one gender include the other two genders

the singular includes the plural and *vice versa*

persons include natural persons, created entities and *vice versa*

The following terms and / or expressions shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings

“Act”	means the Companies Act, Act 71 of 2008.
“Affected person”	means any shareholder, creditor, employee representative or employee of the Company.
“Adoption date”	means the date upon which the business rescue plan is approved.
“Auction value”	means an estimate of what will be realised when a sale of assets occurs on an unreserved open-bid auction where a sale is concluded upon the fall of the hammer to the highest cash bidder and which auction is reasonably well-advertised and attended by members of the public.
“Auditor”	means KPMG - Registered Auditors.
“AMCU”	means The Association of Mineworkers and Construction Union.
“Business Day”	means any day other than a Saturday, Sunday or official public holiday in the Republic of South Africa; as defined by section 5(3)(a)(b) &(c) of the Companies Act 71 of 2008.
“Business Rescue”	means Business Rescue proceedings as set out in Chapter 6 of the Companies Act 71 of 2008.
“Business Rescue Plan”	means this document prepared in terms of Section 150 of the Companies Act 71 of 2008.

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“Barbrook”	means Barbrook Mine (Proprietary) Limited, Registration number 1934/005344/07.
“CCMA”	means Commission for Conciliation, Mediation and Arbitration.
“CIPC”	means Companies and Intellectual Property Commission.
“Claims”	means when a company files for business rescue it owes monies to various affected parties. At business rescue date these parties need to prove to the business rescue practitioner that money is owed by the company. The practitioner will request that companies owed money prove this is due and will require all affected parties to complete a claim form so that the claim may be evaluated and either accepted or rejected.
“Concurrent Creditors”	means creditors who have neither secured nor preferred.
“Commencement Date”	means the date on which the Business Rescue commenced being 4 April 2016.
“Company”	means Makonjwaan Imperial Mining Company (Pty) Ltd, Registration number 1987/005176/07.
“Contracts”	means those contracts entered into by the Company with third parties, either prior to or after Commencement Date.
“Creditors”	means all persons natural and legal, having Secured Claims, Preferent Claims or Concurrent Claims against the Company.
“Creditors Committee”	means a Creditor Committee is formed when the number of these persons makes it difficult for the practitioner to deal with all persons. This committee is formed and consult with the practitioner.
“Days”	means business days.
“Director”	means the directors of the Company past and present whose names are set out in this document.
“DMR”	means Department of Mineral Resources.
“Disputed Claims”	means those Claims which have been logged by Creditors and have been rejected either in whole or in part by the BRP and which dispute(s) shall be determined Creditors in terms of the dispute mechanism.

INTERPRETATION AND STATUTORY INFORMATION

‘Employees Committee’	means an Employee Committee is formed when the number of these persons makes it difficult for the practitioner to deal with all persons. This committee is formed and consult with the practitioner.
“Employee”	means any temporary and permanent employee of the company.
“Insolvency Act”	means the Insolvency Act no.24 of 1936, as amended.
“Labour Act”	means Labour Relations Act, Act 66 of 1995, as amended.
“MIMCO”	means Makonjwaan Imperial Mining Company (Proprietary) Limited, Registration number 1987/005176/07.
“Management”	means the directors and senior management of the Company.
“Practitioner”	means a Business Rescue Practitioner as defined in terms of Section 138 of the Companies Act 71 Of 2008 in this instance Mr R C Devereux C.A.(S.A.) SAICA Registration number 00135571.
“Preferred Creditors”	means a creditor receiving a preferential right to payment.
“Post Commencement Finance”	means finance provided to the company once business rescue proceedings have commenced.
“PCF” Creditors”	means Creditors that provided post-commencement finance as contemplated in section 135 of the Companies act.
“South Africa”	means the Republic of South Africa.
“STURNS”	means Strategic Turnaround Solutions (Proprietary) Limited, Registration number 2011/115320/07.
“Secured Creditors”	means creditors of any loan or supply made after the commencement of business rescue.
“Solidarity”	means Solidarity Trade Union.
“SARS”	means South African Revenue Service.
“Taxation”	means the levying of tax.
“VAT”	means Value-added tax as defined in the Value.
“Vantage Group”	means Vantage Goldfields Limited and its subsidiary companies.

INTERPRETATION AND STATUTORY INFORMATION

“VGL”	means Vantage Goldfields (Proprietary) Limited, Registration number 1987/005398/07.
“VGSA”	means Vantage Goldfields SA (Proprietary) Limited Registration number 1993/006883/07.
“Water Affairs”	means the Department of Water Affairs and Forestry, responsible for the management and implementation of Water Affairs and Forestry policy, in the Republic of South Africa.

1.4 Structure of the Business Rescue Plan

Section A - Interpretation and statutory information

This section sets out the roles of the various parties within the Business Rescue Process, contains disclaimers, certificates, key dates and other issues. It also includes all statutory information about the Company.

Section B - Business rescue plan and business rescue information

This section cover all aspects of the business rescue. The reasons for distress, investigations into the affairs of the company, actions during business recue as well as the business rescue proposals and conditions upon which the business rescue plan succeeds.

Section C - Business rescue administration

This section sets out the voting procedures relating to the business, persons involved in the business rescue process, dispute resolution as well as other administrative matters.

Section D – Annexures

This section are all supporting documents to the Business Rescue Plan.

INTERPRETATION AND STATUTORY INFORMATION

1.5 Role of the Practitioner

During a company's business rescue proceedings, the Practitioner has full management control of the Company in substitution for its board and pre-existing management. The Practitioner may:

- may delegate any power or function of the Practitioner to a person who was part of the board or pre-existing management of the Company;
- may remove from office any person who forms part of the pre-existing management of the Company;
- or appoint a person as part of the management of a Company, whether to fill a vacancy or not;

The Practitioner is responsible for developing a business rescue plan to be considered by affected persons, and to implement any business rescue plan that has been adopted in accordance with Part D of Chapter 6 of the Companies Act 71 of 2008.

The independence of the Practitioner is a cornerstone of the business rescue process and the Practitioner must be, and be seen to be, independent.

1.6 Role of the Directors

During the business rescue proceedings the directors are to co-operate and assist the Business Rescue Practitioner and to deliver the books and records of the Company to that person. Furthermore the directors are to disclose all affairs of the Company as well as any material transactions involving the Company in terms of S 142 (3) of the Act.

During business rescue proceedings each director must also continue to exercise the functions of a director subject to the authority of the Practitioner, but is bound by the requirements of the Act regarding duties and financial interests.

To this effect the Practitioner requires each director and senior manager to confirm in writing and declare the state of the Company as at business rescue date and disclose material transactions, if any that may impact on the business rescue process.

INTERPRETATION AND STATUTORY INFORMATION

1.7 Actions by affected persons

If any Affected Person is in doubt as to what action should be taken arising from the contents of this Business Rescue Plan, such Affected Person, or Affected Persons are as advised to consult an independent attorney or other professional advisor in addition to any consultation with or without direction received from the Business Rescue Practitioner.

1.8 Key dates

Application for Voluntary Business Rescue	4 April 2016
Appointment of Business Rescue Practitioner	7 April 2016
First Employees meetings	21 April 2016
First Creditors meeting	21 April 2016
Date of Publishing the Plan	16 May 2016
Date of Voting on the Plan	25 May 2016

1.9 Proposal regarding the plan – informally by Creditors

In terms of S150(2)(a)(vi) of the Act a Practitioner is required to state whether the Business Rescue Plan includes a proposal made informally by a creditor of the Company.

The Business Rescue Plan developed and proposed does not include any proposals by Creditors.

Employees represented by Trade Union AMCU approached the Business Rescue Practitioner with a proposal to assist in the capitalisation of MIMCO. It was proposed that the Provident Fund accumulated Pension Contributions be withdrawn from Momentum and these funds be utilised for assisting in the recapitalization of the mine. The Practitioner applauded the Union for its efforts but explained that these Funds are best utilised for retirement purposes.

2. Statutory Information

2.1 History

Makonjwaan Imperial Mining Company (Pty) Limited was incorporated in 1987 and operates the Lily Mine that is in the Lilydale valley some 50 kilometres east of Barberton. The Company is part of the Vantage Goldfields Group whose ultimate holding Company is Australian owned.

The Lily Mine started as an open pit operation in 2000 and continued until 2008 when underground operations were started. An extensive drilling programme identified a Mineral Resource of 1.9 million oz. of gold in a shallow wide ore body. The independent bankable feasibility study completed in 2008 identified mineable ore reserves of 0.35 million oz. of gold.

Gold production was quickly ramped up to 25,000 oz. pa with 27,231 oz. produced last year in 2015. Future production is estimated at 30,000 oz. per year for the next 11 years.

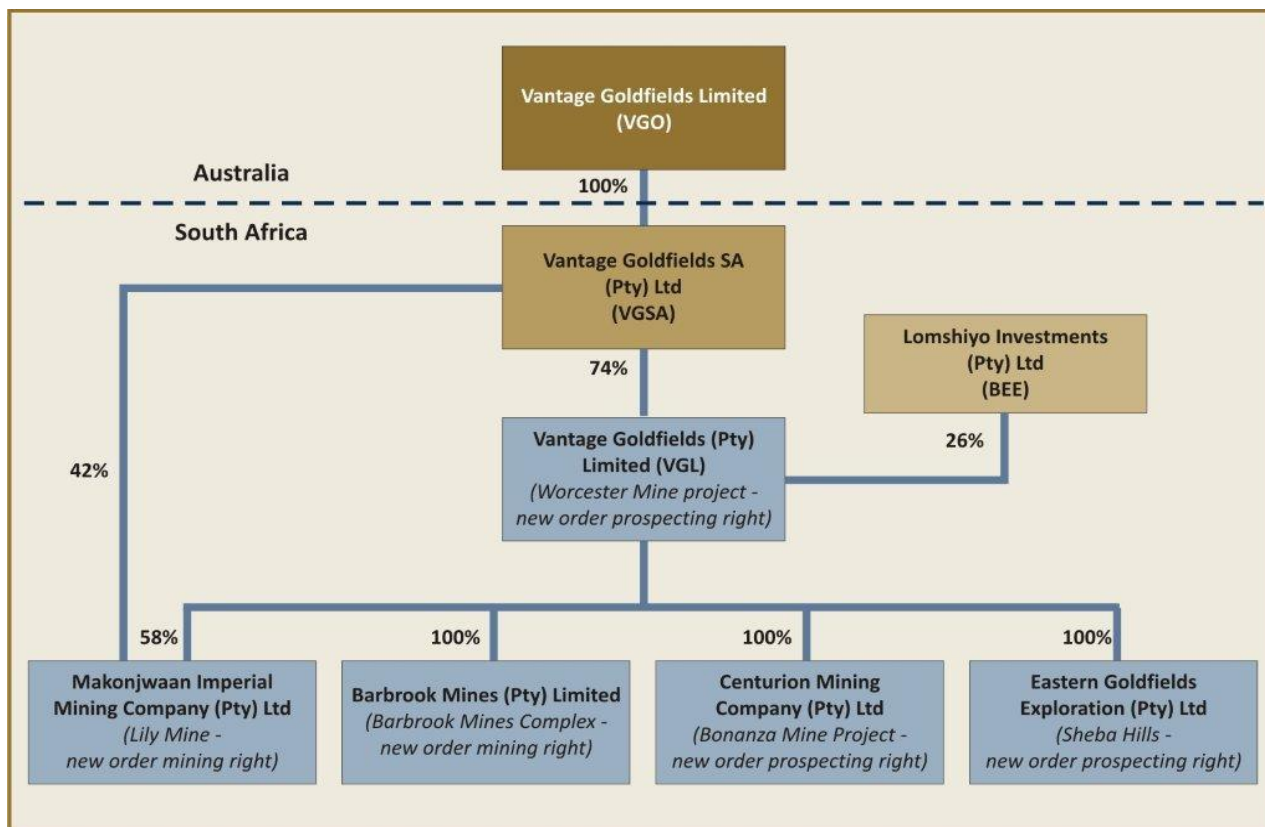
Unlike most labour intensive mines in South Africa, the Lily Mine is a fully mechanised operation employing some 500 skilled and semi-skilled personnel. This is possible because of the wide nature of the ore body which allows large trackless mining machinery to be utilized underground.

Virtually the entire labour force is sourced from the local community and most people reside within 20 km of the mine. The labour force is unionised and AMCU has 100% representation at the semi-skilled and unskilled level. There is a good working relationship between management and the union which has been in existence for many years.

The underground ore (approximately 30,000 tonnes per month) is hauled to the Central Metallurgical Complex (CMC) where it is processed. The processing plant is a conventional gold process using crushing, milling, CIP and gold recovery to produce bullion bars. Gold is transported by helicopter on a regular basis to Rand Refinery in Germiston for sale.

INTERPRETATION AND STATUTORY INFORMATION

2.2 Corporate Structure



2.3 Company Details

Name	Makonjwaan Imperial Mining Company (Pty) Limited
Registration number	1987/005176/07
Date of incorporation	20 October 1987
Registered address	Corner Streak and Jones streets Nelspruit Mpumalanga 1200
Principal place of business	Remaining Extent of Lilydale 324 JU

INTERPRETATION AND STATUTORY INFORMATION

Income tax number	9320003602
VAT number	4610106173
PAYE number	7450715026
Auditors	KPMG The Pinnacle 1 Parkin street Nelspruit Mpumalanga 1200

2.4 Officers and Shareholders

Directors	Michael McChesney	Appointed 1990/10/22
	Michael David Begg	Appointed 2014/05/15
	Derrick Wayne Short	Appointed 2004/11/01
	Charles James Bishop	Resigned 2004/11/01
	Robert Gordon Rainey	Resigned 2004/11/01
Shareholders	Vantage Goldfields (Pty) Ltd	116 ordinary shares
	Vantage Goldfields SA (Pty) Ltd	84 ordinary shares
	or	
	Vantage Goldfields (Pty) Ltd	58%
	Vantage Goldfields SA (Pty) Ltd	42%

2.5 Securities

Authorised ordinary share capital	1000 ordinary shares
Issued share capital	200 ordinary shares

The Company has no further securities in issue.

INTERPRETATION AND STATUTORY INFORMATION

2.6 Historical Financial performance Annual Financial Statements 2010 to 2014

MAKONJWAAN IMPERIAL MINING COMPANY PROPRIETARY LIMITED					
STATEMENT OF FINANCIAL POSITION					
As at 31 December					
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	R'000	R'000	R'000	R'000	R'000
Assets					
Non-current assets					
Property, plant and equipment	373 944	262 051	249 083	179 742	154 442
Subsidiary company / Investment and loan	164	164	164	164	164
Environmental Rehabilitation Fund	851	767	653	585	561
Deferred tax asset	101 406	82 500	72 229	77 112	-
Total non-current assets	476 365	345 482	322 130	257 603	155 167
Current assets					
Inventories	26 452	21 731	19 173	11 711	7 117
Trade and other receivables	6 188	10 160	3 318	4 741	5 681
Cash and cash equivalents	11	60	38	78	128
Total current assets	32 650	31 950	22 530	16 530	12 926
Total assets	509 015	377 432	344 660	274 133	168 093
Equity and liabilities					
Capital and reserves					
Share capital	200	200	200	200	200
Share premium	81 011	81 011	81 011	81 011	81 011
Retained income/(accumulated loss)	163 652	118 963	81 447	16 622	(84 385)
Shareholder's interest	244 663	199 975	162 458	97 633	(3 373)
Non-current liabilities					
Long-term liabilities	193 612	107 755	110 094	148 907	146 220
Provisions	2 411	2 666	2 990	2 565	2 349
Total non-current liabilities	196 023	110 421	113 084	151 472	148 569
Current liabilities					
Trade and other payables	54 716	54 474	59 399	19 052	13 915
Current portion of long term liabilities	12 559	12 468	9 719	5 975	8 983
Bank overdraft	962	-	-	-	-
Total current liabilities	68 330	67 036	69 118	25 027	22 897
Total equity and liabilities	509 015	377 432	344 660	274 133	168 093

INTERPRETATION AND STATUTORY INFORMATION

Balance sheet

Property, Plant and equipment increased substantially with the increase in sustainable waste development and the additional trackless mining machinery to support the increase in production. The company also acquired its processing plant in 2014.

The company recognized a deferred tax asset in 2011 relating to the substantial unredeemed capital expenditure. The underlying assumption supporting the recognition of the deferred tax asset is that the company, on a long term basis, had become profitable.

Current assets increased substantially as result of increased consumable stock levels to support the ramp up in production levels.

Current liabilities, most notably trade payables, increased as result of the increased levels of production.

INTERPRETATION AND STATUTORY INFORMATION

MAKONJWAAN IMPERIAL MINING COMPANY PROPRIETARY LIMITED					
STATEMENT OF COMPREHENSIVE INCOME					
For the years ended 31 December					
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	R'000	R'000	R'000	R'000	R'000
Revenue	342 292	305 424	287 829	148 440	50 314
Cost of sales	(260 154)	(213 787)	(172 572)	(100 544)	(64 728)
PROFIT/(LOSS)	82 138	91 637	115 257	47 896	(14 414)
Other income	385	205	7	109	6
General and administrative expenditure	(16 747)	(12 864)	(13 906)	(23 729)	(17 732)
Exploration expenses	-	(274)	(305)	(7)	(105)
Other operating expenditure	(46 071)	(49 116)	(25 469)	-	-
PROFIT/(LOSS) AFTER OPERATING ACTIVITIES	19 705	29 588	75 583	24 269	(32 245)
Finance income	12	17	14	48	74
Finance costs	(3 035)	(2 410)	(1 937)	(1 946)	(1 810)
PROFIT/(LOSS) BEFORE INCOME TAX	16 683	27 195	73 660	22 370	(33 981)
Income tax income/(expense)	18 906	10 271	(4 883)	77 112	-
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	35 589	37 465	68 777	99 482	(33 981)

Income Statement

Over this period production was significantly increased from 6,000 ounces per annum to 25,000 ounces per annum in 2014. As a result gold revenues increased which consequently led to the improved profitability of the mine with the company having recorded a net loss in 2010 and a net profit for all the subsequent years.

Significant costs increases were experienced during this 5 year period most notably in the cost of labour, fuel and energy costs, and the maintenance of the underground trackless mining machinery.

The major fall in the gold price in mid-2013 reduced the profitability of the operations and adversely affected its ability to generate free cash flow.



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STRATEGIC TURNAROUND SOLUTIONS

BUSINESS RESCUE PLAN AND
BUSINESS RESCUE INFORMATION

3. Reasons for Financial Distress

Lily mine was fully operational functional gold mine as at 5 February 2016 showing a profit for the month of January 2016 of R 2,5 million. The unaudited annual financial statements of the Lily Mine show a profit of R 35 million for the financial year ending 2015.

On 5 February 2016 a force majeure event occurred at the Lily Mine forming a massive sinkhole. It is thought that a portion of the crown pillar on 4 Level failed causing a collapse which occurred at the upper western portion of the mine and adjacent to the main entrance to the mine. All employees working underground at the time of the incident were evacuated according to normal mine safety procedures but three surface employees were buried in the sinkhole and are still missing.

Mine Rescue Services were deployed and MIMCO employees with the assistance of the proto teams spent the next eight days in a desperate attempt to rescue the missing employees. Rescue operations were conducted from the emergency outlet shaft but were suspended when ground conditions were declared unsafe. A new rescue hole was drilled in an attempt to provide a safer second outlet. A decision was later made to permanently suspend rescue operations in the interest of safety.

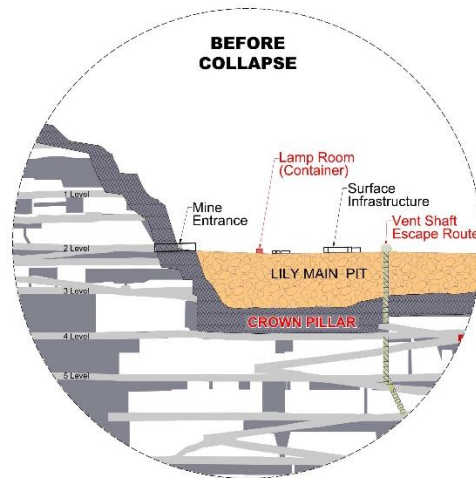
A comprehensive assessment of the entire mine was undertaken and, given that the main entrance to the mine was totally inaccessible, the mine has come to a complete standstill and thus is unable to access its ore reserves.

On 4 April 2016 the Company filed for business rescue as it was unable to mine and produce gold and consequently not able pay its debts.

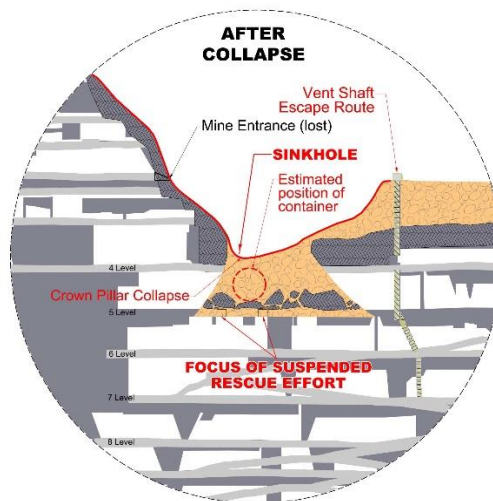
The reason for financial distress is not because of mismanagement or changes in the markets.

The mine was an operational gold mine prior to the 5th February disaster and with the correct recapitalisation will be resuscitated to its former output.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION



The above diagram shows the portion of the mine with the container prior to the collapse. The collapse occurred suddenly engulfing all items on the surface as well as a container with three employees still missing.



This diagram shows the effect of the collapse as well as the estimated position of the container

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

4. Actions during Business Rescue

4.1 Investigations into the affairs of the Company

In terms of section 141 the Practitioner must investigate the company's affairs, business, property, and financial situation, and after having done so, consider whether there is any reasonable prospect of the company being rescued.

Prospect of Rescue

The Practitioner has conducted the investigation as required. The following is relevant:

- The Company is financially distressed and there is a reasonable prospect of the company being rescued given that the conditions of the Business Rescue Plan are met. This is set out more fully in that section.
- Furthermore the prospects of rescue section sets out the market situation which reiterates that there is a market for the Company to continue.

Voidable transactions

The Practitioner has investigated the books of account, discussed with management and has received declarations from directors and there are no voidable transactions.

Reckless trading and fraud

There is no fraud or reckless trading.

Section 11.5 Inquiry of the Mine Health and Safety Act 29 of 1996

In terms Section 11.5 of the Mine Health and Safety Act an internal investigation by the Company into the reason for the collapse of the Crown Pillar at the Lily Mine is underway. This investigation is underway and is being conducted with the relevant Mine Management, Messrs Beech and Veltman of Hogan Lovell's Attorney's as well as SRK Consulting.

There is to date no evidence that the collapse of the Crown Pillar was due to negligence by management or due to design faults in the development of the mine. The mine currently remains closed at the insistence of the Business Rescue Practitioner and Management. No Section 54 notice in terms of the Mine Health and Safety Act has been issued by the DMR.

Licences

The Water Usage Licence has been submitted to the Department of Water Affairs but has been not yet fully granted pending the submission of final plans relating to the continuation of the existing slimes dams. Steffanutti and Stocks has been tasked with finalising this report. In the interim the Water Usage Licence has temporarily been extended until submission.

New Order Mining Right

The Company has a New Order Mining right that has been executed and is valid.

4.2 Actions taken by the Practitioner

Administrative Matters

Management Control

The Practitioner has operated between Johannesburg and the Office in Nelspruit mainly which is the place of business of the Company and took full management control of the company in substitution for its board and pre-existing management and supervised the operations of the Company. The Practitioner has:

- Secured and took possession of Company assets including the bank accounts;
- Notified the statutory authorities of our appointment;
- Instructed Directors to disclose all affairs of the Company;
- Received the books and records of the Company;
- Reviewed the statutory records of the Company;
- Reviewed the Audited group set of financial statements;
- Held the first meeting of creditors;
- Received and investigated claims from Creditors;
- Set deadlines for the submission of Creditors' claims was given;
- Convened meetings with the majority creditors;
- Convened a meeting with the employees where the employees appointed a Committee of Employees;
- Had meetings with Employees Committee and Employees;
- Commenced investigations with respect to possible voidable and other recoverable transactions;

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

- Reviewed the Bank statements for the last six months;
- Assumed control of the books of account;
- Investigated any legal claims against the Company;

Executive Meetings

During the period the BRP, the Directors of the Company and certain key senior management had regular meetings for the purposes of updating all parties on the development of the Business Rescue. Key decisions were made at these meetings.

Reporting to the CIPC

The Business Rescue Practitioner has complied with all statutory obligations under the Act and will render a monthly report to the CIPC as required in terms of the Act.

Engagement with the Media

The Business Rescue Practitioner has endeavoured to ensure the goodwill and reputation of the Company and Group remains intact during the Business Rescue Process. The Business Rescue Practitioner has engaged with a variety of media, public relations and has dealt with various stakeholder enquiries. The Practitioner has also issued various press statements.

Trading

The Company has ceased trading and will remain a non-trading entity until a new decline has been developed and it is safe to reopen the Mine. Stock, fixed assets and consumables have been secured and where possible have been sold to Barbrook Mine.

Insurance

The Practitioner together with management have reviewed the insurance cover to ascertain whether it is suitable for the Company. The resultant decreased premium has occurred and the Business Practitioner will continuously review the cover.

Labour

A review all Employees has been undertaken and in particular their length of service, leave pay and other liabilities that may impact on the Business Rescue Process.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

At the first meeting of Employees convened on 21 April 2016 the concept on Business Rescue was explained. Various questions regarding the Business Rescue process was addressed and minutes to this effect issued to the affected parties.

Various meetings have subsequently been held with the Unions, representatives and the Human Resources Department.

Labour relations and the Unions

Meetings have been held with AMCU and Solidarity trade unions. These meetings and dealings have taken place with the regional leadership as well with National Leadership. Meetings have been most constructive and supportive of the Process.

Formal meetings outlining the Business Rescue Plan has been presented to the various leadership structures.

AMCU remain the recognised Trade Union. Solidarity is recognised as an affected party under Business Rescue.

Severance

The Company has from resources within the Group, been able to pay February and March salaries and wages and is currently in the process of raising funds to pay the April remuneration. These negotiations have been slow and have affected operations within the Group.

Consequently, on 11 May 2016 the Business Practitioner has entered into discussions with the various affected parties to offer severance packages. This process is underway and allows for secondment of certain Employees to Barbrook.

Creditors

At the first creditors meeting held on 21 April 2016 the situation regarding the Company was discussed and elaborated upon. The creditors attending the meeting consisted mainly of:

- Trade suppliers
- Insurers
- Attorneys and Credit Insurers representing Suppliers
- Other creditors
- Trade unions

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

The creditors debated the setting up of a Creditors Committee but this appeared to be troublesome.

The Practitioner is of the opinion that no creditors committee should be formed as the single amount due to a main creditor is in the region of R 5 million rand and the Business Rescue Practitioner is able to deal with the creditors as required.

The Practitioner proposes to issue a status report each fortnightly to all affected parties once the Business Rescue Plan has been adopted.

Banks

The Business Rescue Practitioner has engaged with the Group Bankers, The Standard Bank of South Africa and is in communication with them regarding the Business Rescue Process.

Legal

The Company is not involved in any legal actions at present. This represents litigation against third parties as well as litigation being pursued against the Company.

Engagement with the DMR

The Business Rescue Practitioner has engaged with the DMR and will ensure all regulatory requirements are adhered to. Furthermore the DMR pledged their support of the Rescue Process.

Asset based finance

Certain equipment that is financed through banks and third parties is inaccessible due to the collapsed shaft. The Practitioner has suspended some contracts for the duration of the Business Rescue Process.

Post Commencement and Funding

The Practitioner is actively canvassing Banks, Financial Institutions, Investors and the likes for investment into the Group as well as for Post Commencement Funding for the Company.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Auditors

The Practitioner has engaged with the Auditors and discussed the Business Rescue Process. It has been agreed that the audit for the year ended December 2015 be delayed until such time it is determined that the Company is a going concern.

Department of Higher Education

The Practitioner has engaged with the Department of Higher Education to have access to the SETA training schemes as well as to access funds from the CCMA, National Skills Fund and Lay Off Scheme so as to facilitate training for all employees.

Department of Social Development

The Practitioner has engaged with the Department of Social Development and various initiatives have been undertaken to assist the community as well as employees. This includes counselling, food parcel and food voucher assistance amongst others.

Rescue and recovery of the Container

The Rescue operations on the mine ceased as it was declared unsafe to continue rescue and retrieval operations. The mine was declared unsafe and closed by management and the decision was endorsed by various experts namely Professor F Malan, Messrs W Joughin, A Naismith and R Armstrong. The DMR has also accepted this decision.

Whilst no S54 notice in terms of the Mine Health and Safety Act has been issued the Practitioner continues to keep the Mine closed.

Rumour has it that the Container has been sighted by 'Illegal Miners' and despite calls to come forward and advise management and the Practitioner, these persons are not forthcoming. These statements have caused consternation in the public domain as well as within the Community.

Management and the Practitioner have on numerous occasions made decisions to send a team underground under strict safety conditions with the sanction of the DMR. It has now been agreed that this may occur on the following terms.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

No person is to go underground until such time that a detailed risk assessment be conducted by a person competent in rock engineering, and a report be prepared and recommendations from the risk assessment be presented to the DMR. A decision will then be made at a later date if a team will be dispatched underground to investigate these allegations.

5. Financial position at Business Rescue Date

5.1 Balance sheet

The Balance Sheet of the Company as at business Rescue Date is as follows:

MAKONJWAAN IMPERIAL MINING COMPANY PROPRIETARY LIMITED			
STATEMENT OF FINANCIAL POSITION			
31 March 2016			
	<u>As at Date of</u> <u>Business</u> <u>Rescue</u> R	<u>Adjustment by</u> <u>BR Practitioner</u> R	<u>After adjustment</u> <u>by BR</u> <u>Practitioner</u> R
Assets			
Non-current assets			
Property, plant and equipment	392 113		392 113
Subsidiary company / Investment anc	164		164
Environmental Rehabilitation Fund	919		919
Deferred tax asset	101 406		101 406
Total non-current assets	494 603	-	494 603
Current assets			
Inventories	15 899	-	15 899
Trade and other receivables	3 128	(3 128)	0
Cash and cash equivalents	(1 393)		(1 393)
Total current assets	17 634	(3 128)	14 506
Total assets	512 237	(3 128)	509 109
Equity and liabilities			
Capital and reserves			
Share capital	0		0
Share premium	81 011		81 011
Retained income/(accumulated loss)	200 676		200 676
Profit for the year	(39 302)	3 128	(36 174)
Shareholder's interest	242 386	-	242 386
Non-current liabilities			
Long-term liabilities	187 721		187 721
Provisions	2 309		2 309
Total non-current liabilities	190 030	-	190 030
Current liabilities			
Trade and other payables	63 433		63 433
Current portion of long term liabilities	16 388		16 388
Total current liabilities	79 821	-	79 821
Total equity and liabilities	512 237	-	512 237

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

5.2 Analysis of assets and liabilities at Business rescue date

Fixed assets

Fixed Assets			
R 000			
<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net carrying Cost</u>
Mine Development Costs	333 990	82 235	251 755
Metalurgical Plant	100 694	14 534	86 160
Mobile Plant	101 674	51 034	50 640
Furniture & Equipment	4 100	3 704	396
Land & Buildings	891	331	560
Plant & Equipment	2 115	1 613	502
Motor Vehicles	1 387	711	676
	<u>544 851</u>	<u>154 162</u>	<u>390 689</u>
Rehabilitation assets	1 566	899	667
Mineral rights	2 772	2 015	757
	<u>549 189</u>	<u>157 076</u>	<u>392 113</u>

Mine development costs are costs and infrastructure incurred to develop ore bodies, to define mineralisation in existing reserves and to establish or expand productive capacity.

The Metallurgical Plant is the plant required to process the ore.

Mobile Plant is all plant and equipment that is operated underground as well as on the surface during the mining operations.

Rehabilitation assets – when provisions for closure and rehabilitation are recognised the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation is recognised in property, plant, equipment and is depreciated accordingly.

Mineral rights are capitalised at cost and depreciated.

A detailed fixed asset register and independent valuation report is available on request from the BRP.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Deferred tax asset

The deferred tax asset of R 101 million arises mainly due to temporary differences in the tax calculation due to Unredeemed capital allowances of R 204 million which is available for offset against future income.

Inventories

Inventories	
R 000	
<u>Description</u>	<u>Cost</u>
Reagents	1 353
Explosives	297
Repair and Return Stock	726
Diesel	158
Consumables	13 365
	<u>15 899</u>

Trade debtors

Trade debtors are generated through the sale of bullion and sometimes Gold concentrate. All debtors have paid the amounts due at Business Rescue date.

Long term Liabilities

Long term liabilities	
R 000	
<u>Description</u>	<u>Cost</u>
Intercompany loan	173 770
Finance leases	
Standard Bank Asset finance	5 006
Sandvik	7 314
Wesbank	1 631
	<u>13 951</u>
Provisions	
Provision for Rehabilitation	2 309
	<u>190 030</u>

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

The Vantage Goldfields loan is a shareholders loan with no fixed repayments but by intent is of a long term nature and is not payable on demand and settlement can be deferred for a period of longer than 12 months.

The loan has been subordinated to the amount of R 40 million in favour of the other creditors.

The Finance leases are secured by certain mining assets included in fixed assets as follows:

Standard Bank	Sandvik 30t dumper
Standard Bank	Sandvik 30t dumper
Standard Bank	Scissors Lift
Wesbank	Conveyer system

Current Liabilities

Current liabilities	
R 000	
<u>Description</u>	<u>Cost</u>
Trade payables	63 433
Accruals	1 169
Proto teams - Lily rescue	945
Other	224
Payroll liabilities	15 364
Control accounts	1 895
SARS - PAYE	1 211
Management bonus - 2015	379
Exchange rate differences	159
Overtime	2 163
Leave pay	4 497
13th Cheque	5 060
Provisions	(146)
Income tax	93
Audit	60
Maintenance	659
WCA	(958)
	<u>79 820</u>

Bank Overdraft

The Bank overdraft is secured by way of a cession of debtors.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

5.3 Income Statement at Business Rescue Date

MAKONJWAAN IMPERIAL MINING COMPANY PROPRIETARY LIMITED	
STATEMENT OF COMPREHENSIVE INCOME	
31 March 2016	
	<u>As at Date of Business</u>
	<u>Rescue</u>
	R
Gold Sales	42 223
Silver sales	181
COS Gold Inventory	(9 880)
Total Revenue	32 524
Cash operating costs	
Mine development	(11 156)
Mine stoping	(7 850)
Processing	(12 122)
Engineering	(11 426)
Technical services	(3 448)
Mine Administration	(6 887)
Mine Overheads and security	(2 266)
Total Cash operating costs	(55 155)
Cash Operating profit/(loss)	(22 631)
Depreciation	(9 000)
Operating profit/(loss)	(31 631)
Corporate expenditure	(1 200)
Exploration	-
Royalty tax	-
Net Finance charges	(400)
Profit/(loss) in sale of assets	-
Loss on foreign exchange	-
Impairment charge	-
Sundry expenses	(6 084)
Sundry income	13
Total Other costs	(2 858)
Profit/(loss) for the period	(39 302)

The losses are as a result of costs incurred for the months of February and March mainly associated with the Mine rescue and payment of salaries for February and March.

5.4 Contingent Liabilities

Rehabilitation costs are fully covered by cash reserves as required in the Mineral and Petroleum Resources Development Act.

The Company is not engaged in any litigation nor has the Company any litigation against it.

The Company has signed no guarantees or suretyship for any third party.

As a result of the force majeure event that occurred on 5th February 2016, the Company has committed to pay the families of the three missing persons R 200 000 each as well as compensating each employee trapped underground an amount of R 50 000. The number of employees affected is 75. The total contingent liability is thus R 4 350 000 and is catered for in the Business Rescue Plan.

No contingency is anticipated as a result of the judgement by the South Gauteng High Court ruled in favour of mineworkers' to launch a **silicosis** class action suit against mining companies.

6. Business Rescue

6.1 Prospect of Rescuing the Company

Gold bullion as a Strategic Investment

In terms of the document published by Delray publishing – Strategic Investment – The \$60 000 Gold Report - the world is increasingly moving away from the US Dollar as the reserve standard and into gold. More central banks continue to shun the US Dollar and hoard precious metals and in particular gold that will increase in price.

China intends that it wants gold backed Yuan currency.

The global market for gold is a small one compared to other commodities like oil or copper. It thus has limited liquidity and large buyers can inadvertently push the price up.

A combination of a rising gold price and falling Rand is a good hedge investment.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Rand to USD exchange rate - The Economy Forecast Agency

Table. USD to ZAR Forecast By Month.

Year	Month	Open	Max	Min	Close	Average	Month%Ch	Total%Ch
2016	May	14.22	15.21	14.17	14.59	14.55	2,60%	2,60%
2016	June	14.59	15.25	14.59	14.95	14.85	2,47%	5,13%
2016	July	14.95	15.24	14.64	14.94	14.94	-0,07%	5,06%
2016	August	14.94	15.62	14.94	15.31	15.20	2,48%	7,67%
2016	September	15.31	16.00	15.31	15.69	15.58	2,48%	10,34%
2016	October	15.69	16.40	15.69	16.08	15.96	2,49%	13,08%
2016	November	16.08	16.37	15.73	16.05	16.06	-0,19%	12,87%
2016	December	16.05	16.78	16.05	16.45	16.33	2,49%	15,68%
2017	January	16.45	17.20	16.45	16.86	16.74	2,49%	18,57%
2017	February	16.86	17.63	16.86	17.28	17.16	2,49%	21,52%
2017	March	17.28	17.65	16.95	17.30	17.30	0,12%	21,66%
2017	April	17.30	18.00	17.30	17.65	17.56	2,02%	24,12%
2017	May	17.65	17.68	16.98	17.33	17.41	-1,81%	21,87%
2017	June	17.33	18.12	17.33	17.76	17.63	2,48%	24,89%
2017	July	17.76	18.15	17.43	17.79	17.78	0,17%	25,11%
2017	August	17.79	18.27	17.55	17.91	17.88	0,67%	25,95%
2017	September	17.91	18.73	17.91	18.36	18.23	2,51%	29,11%
2017	October	18.36	18.80	18.06	18.43	18.41	0,38%	29,61%
2017	November	18.43	18.43	17.67	18.03	18.14	-2,17%	26,79%
2017	December	18.03	18.85	18.03	18.48	18.35	2,50%	29,96%
2018	January	18.48	18.78	18.04	18.41	18.43	-0,38%	29,47%
2018	February	18.41	18.90	18.16	18.53	18.50	0,65%	30,31%
2018	March	18.53	19.02	18.28	18.65	18.62	0,65%	31,15%
2018	April	18.65	19.20	18.44	18.82	18.78	0,91%	32,35%

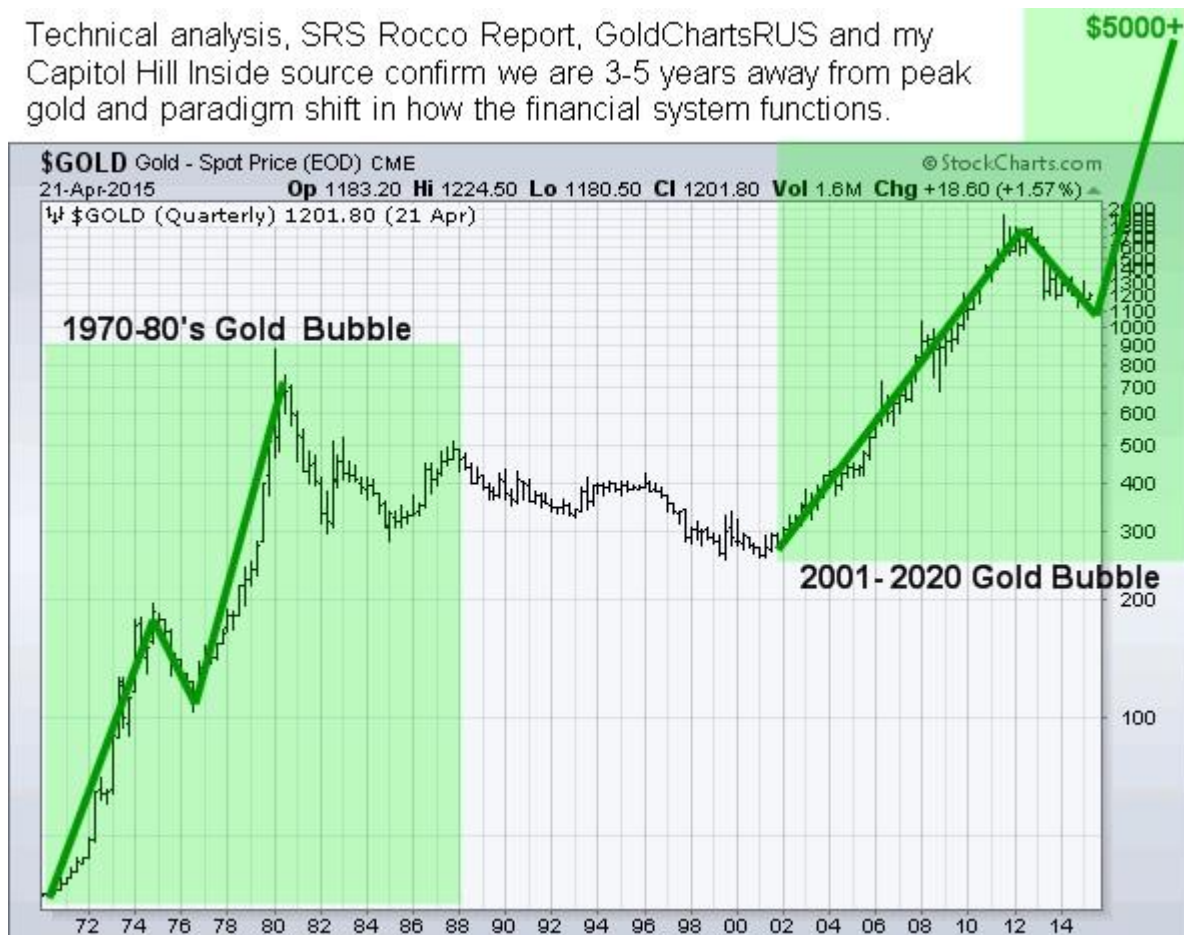
Dollar to Rand forecast for April 2017.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Gold price

The following is a forecast of the gold price

Technical analysis, SRS Rocco Report, GoldChartsRUS and my Capitol Hill Inside source confirm we are 3-5 years away from peak gold and paradigm shift in how the financial system functions.



Vantage Goldfields and Lily Mine Reserves

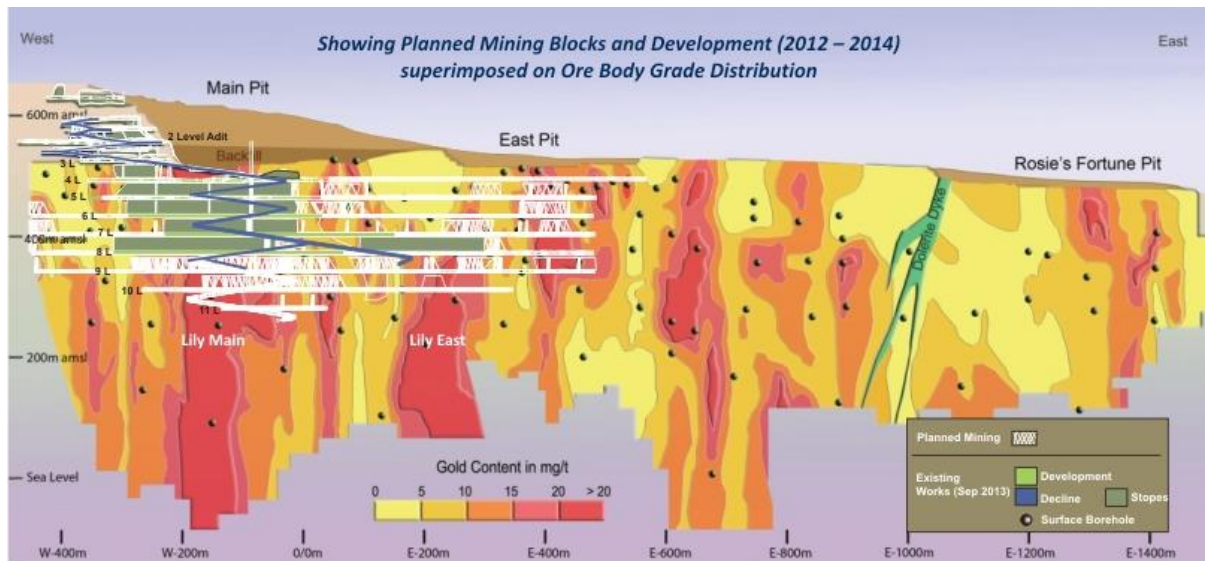
A comprehensive report conducted by Minxcon as independent competent persons confirms the reserves of the Group inclusive of MIMCO reserves.

The report covers the project overviews as well as capital required to expand all mines in the Group. Despite the setback on the Lily Mine the Company has ore reserves estimated to be 4.9 million Tonnes of ore with a life of mine of approximately 11 years.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

The report is dated June 2015 and is included as Annexure D of this Business Rescue Plan. This report sets out the details of the reserves as well as its value.

Lily Mine Reserves



Conclusion

One must conclude that the ailing Rand, rising Gold price and Substantial Reserves of the Lily Mine show a prospect to rescue the business.

6.2 Business Rescue Plan Proposals

The Business Rescue Plan is based on two premises:

- Job retention;
- The ability to reopen the Lily Mine and achieve production capacity and profitability.

This will be achieved by implementing the following projects and initiatives.

NEW ACCESS AND RESCUE AND RECOVERY OF THE CONTAINER.

Decline development and Ventilation

Following the collapse of the Crown Pillar at Lily Mine on 5 February 2016 access to the mine has been lost and as a result all mining operations have ceased. Furthermore the area has been declared unsafe and all rescue and recovery operations have been suspended.

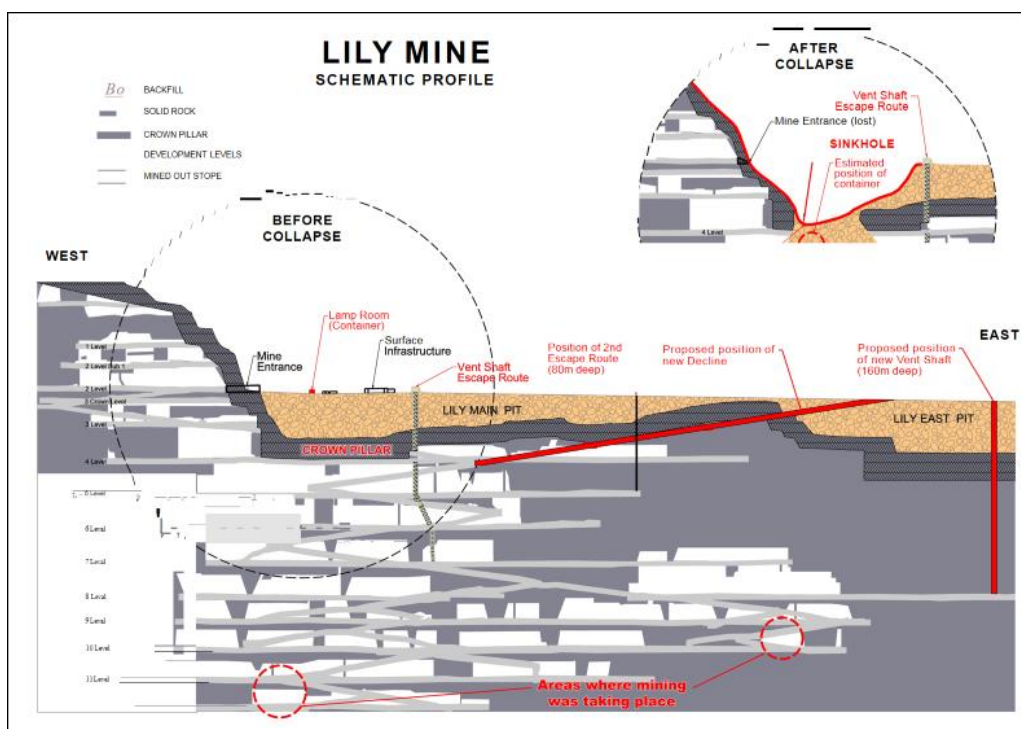
There is therefore a need to establish a new decline or entrance and a new ventilation shaft.

Existing staff and infrastructure will be utilised on this development.

At the same time this design must ensure that existing equipment can be used in both rescue and recovery efforts as well as in the production processes of the mine.

The new access decline will be located south of the East Pit and be about 320 metres long and will link to an elevation between 5 and 6 level.

The existing ventilation shaft which also acts as an emergency exit shaft has been compromised. A new ventilation raise needs to be established and will connect 8 Level East to the surface. This is illustrated as follows:



BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Surface Infra Structure

Most of the surface infrastructure was located in the vicinity of the mine and was destroyed by the Crown pillar collapse. These need to be re-established and include:

- Power supply
- Water supply
- Compressed air supply
- Workshops
- Lamp room
- Pumps

Infrastructure not destroyed needs to be relocated to the new portal site.

Re-Commissioning

The underground equipment and infrastructure has been stranded underground since February 2016 and will require refurbishment and repair before operations underground commence.

Costs and design

The design of the various capital project has been completed and discussions and presentations are continuing with the DMR and authorities.

The cost of the project is anticipated to be approximately R 190 million as follows;

The direct cost of the project:

Summary of Capital Cost	
Description	R 000
New decline	72 301
Surface infrastructure	29 472
Vent Shaft	12 845
Re- commissioning	3 416
Contngency	11 803
Total	129 837

It is anticipated that the working capital to restart operations is about R 30 million a month for two months. An additional R60 million is therefore required over and above the direct costs of the Access Decline.

The Preliminary design report conducted by Bara Consulting is attached as Annexure B

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Timing

This project will take between 6 to 8 months long.

Rescue and recovery the Container

The rescue and recovery of the container forms an integral part of this Business Rescue Plan and this project is incorporated in the access decline development.

The new access decline has been designed to provide access to level 5. It is believed that the container is located above the crown pillar some 50 to 80 meters below ground. The access decline will provide access to the Crown Pillar area which will allow a dedicated team to conduct a rescue and recovery operation and locate the container.

Ex Garcia Payments to Families and Employees

During the rescue and recovery period commitments to compensate the families and employees were made from various quarters. The compensation was as follows:

R 200 000 to the three families of the Employees trapped in the Container

R 50 000 each of the seventy five employees underground at the time of the incident

This commitment amounts to R 4,35 Million. During the investigations in to the affairs of the Company it is apparent that no one director, management nor a collective of directors has the mandate or the limit of authority to make such a decision nor was it taken by them.

The Company therefore denies these commitments, but together with the Practitioner will honour the Ex Gracia payments as stated.

The Practitioner therefore acknowledges these liabilities and furthermore acknowledges the commitment of R 4,35 million to these families and employees. These payments of R200 000 to the three families and R50 000 to the seventy five employees will be paid on an Ex Gracia basis. The money will be paid by 30 July 2016.

These payments are not in any way to be construed as an admission of guilt nor seen as setting a precedent for future requests of payments of this nature in any form or purpose. It must be noted that this statement forms an integral part of this Business Rescue Plan and will be binding on the Company.

SECONDMENT TO BARBROOK MINE

Finance

The Barbrook Mine is located in the vicinity of the Lily Mine.

Although the mine is operating it relies on the Lily Mine for a significant portion of its resources. These include specialist personal such as geologists, engineers and the like, as well as shared services such as stores, the magazine, human resources, accounting and the likes.

The closure of the Lily Mine has placed a tremendous financial burden on the Barbrook Mine as it requires the shared services to continue its operations but is now required to finance them fully. It is therefore imperative that the Barbrook Mine raise capital as part of this Business Rescue Process to finance the required additional expenditure for a period but more importantly raise additional capital for Capital expenditure purposes. This will allow the Mine to invest in the necessary infrastructure to increase production and thus move from a marginal mine to a successful mine.

This will require an investment of some USD 2.5 million.

Contractor

The Barbrook mine currently utilises the services of a Mining Contractor namely Amarenii. This Company currently deploys 200 people on a contract basis to the Barbrook Mine.

The contract with Amareni has been terminated to the extent that skills will be replaced from the Lily personnel and seconded to Barbrook. Key skills that are not available in the Vantage Goldfields but resident in Amareni dictate that Amareni provides those skills.

It is anticipated that a further 95 people will be seconded to Barbrook Mine. It is anticipated that this change will occur in the month of May and Barbrook will guarantee payment of May salaries and wages to these employees.

Cost

The total of 95 employees will be transferred to Barbrook at a maximum cost of R 1.5 million.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

DAYLIGHT TAILINGS PROJECT

This is a project that will be undertaken by Barbrook Mine. All risks and reward will accrue to this mine.

Barbrook Mine owns and has access to a tailings dump nearby. It is the intention to access these dumps and reprocess the tailing and extract what gold is still contained in these tailing. The project entails providing access to the dump to allowing tailing to be transported to the processing plant. It also requires the dump to be cleared of trees and vegetation.

The geological and feasibility study is complete and it is recognised that the project will produce marginal income. The project has been initiated to utilize the Lily Processing Plant and other equipment for which Barbrook will pay a rental fee per ton. This will be approximately R 0.7 million per month and will allow MIMCO to pay its basic financial obligations such as security etc.

It will also retain the services of 132 employees.

This is an 8 month project.

It is anticipated that 25000 tons milled at 1.6 grams per ton, with a gold recovery rate of 50% will yield about 18 kilograms of gold per month.

TRAINING AND UPSKILLING PROGRAMME

A project has been initiated with the Department of Higher Education and Training and The Mining Qualifications Authority. Meetings have been conducted with the Chief Director SETA Coordination as well as with the Chief Executive Office of The Mining Qualifications Authority.

Together with these Departments and with the assistance of the CCMA, National Skills Fund and the Labour Lay off Programme, training will commence soonest.

A task team from Government and MIMCO has been set up to identify skills transfer, training on Mining Issues as well as providing for skills to be transferred to the local community.

Devcom will also be engaged to assist with the Community. It is a Strategic Communications Agency that engages with communities and conducts a skills transfer exercise that allows the community to identify opportunities within itself.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

6.3 Conditions for the Business Rescue Plan to succeed

An amount of R 200 million needs to be raised by way of loan or equity or both within the Group or Company to develop the Access decline and reopen the mine. Furthermore Barbrook Mine needs to be recapitalised to ensure its sustainability.

Employees need to be paid.

Creditors need to be paid.

The mine needs to be reopened and operate at a profit.

6.4 Effects of Business Rescue Plan

Effects on Creditors and Agreements

The effect of the Business Rescue Plan is set out below and the Creditors receive a better return in Business rescue than in a Liquidation.

Class	Business Rescue Dividend Offered
Preferred Secured Concurrent	R 1-00 R1-00 0,25 cents

Preferred Creditors

Preferred Creditors are the amounts due to employees and these will be paid in full. A dividend of R1-00 in the R1-00 will be paid for all pre and post commencement amounts due.

Secured Creditors

Secured creditors will be paid an amount R1-00 in the R1-00 for monies owing prior to the business rescue date.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Suspension of Contracts – Secured Creditors

The following contracts have been suspended in terms of S136 (2) (a) for the duration of the business rescue proceedings:

Standard Bank	Contract 380 229 230 031	Sandvik TH430 Dump Truck
Standard Bank	Contract 380 229 230 032	Sandvik TH430 Dump Truck
Standard Bank	Contract 380 229 230 033	Scissors Lift
Sandvik mining and Construction		Sandvik TH430 Dump Truck

The contracts have been suspended as this equipment has been trapped underground and will be reused when the mine is reopened. Once the mine is reopened the contacts will resume.

In terms of S 136 (3) of the Act these creditors are entitle to assert a damages claim against the company only for damages. Should a Company wish to assert a claim of damages against the company the quantum and rational of such a claim must be agreed upon by the Practitioner prior to the Practitioner filing a notice terminating business rescue proceedings as a result of substantial implementation of the Plan.

Other Contracts – Secured Creditors

The following contract will continue for the duration of Business rescue as this equipment is required for the operation of the Barbrook Mine. This is as a result of common and shared services between the two operations.

MIMCO will continue to pay the specified monthly instalments monthly and honour the terms of the agreement.

Standard Bank	Contract 380 229 230 034	Caterpillar 930 Wheel Loader
---------------	--------------------------	------------------------------

Concurrent Creditors

Concurrent creditors will be paid an amount R0-25 in the R1-00 for monies owing prior to the business rescue date.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Suspension of Contracts – Concurrent Creditors

The following contract have been partly suspended in terms of S136 (2) (a) for the duration of the business rescue proceedings.

KAL Tyre Mine Tyre Rental Agreement

This contract relates rental due as a result of utilisation of tyres on a rental basis. These tyres are fitted to equipment trapped underground and this contract will resume once the mine is reopened.

Rock Mining 30t Dump Truck EGC30SX
Rock Mining Tamrock Drill Rig

Other Contracts – Concurrent Creditors

The following contract will continue for the duration of Business rescue as this equipment is required for the operation of the Barbrook Mine. This is as a result of common and shared services between the two operations.

MIMCO will continue to pay the specified monthly instalments monthly and honour the terms of the agreement.

Merchant West 55B AA Spector meter

In terms of S 136 (3) of the Act these creditors are entitle to assert a damages claim against the company only for damages. Should a Company wish to assert a claim of damages against the company the quantum and rational of such a claim must be agreed upon by the Practitioner prior to the Practitioner filing a notice terminating business rescue proceedings as a result of substantial implementation of the Plan.

Property available to pay Creditors

There is no property available to sell to pay creditors claims.

Moratorium

In terms of the Company's Act and in particular S133 the commencement of Business Rescue Proceedings places a moratorium on legal proceedings against the Company. The moratorium will remain in place in terms of S133until the Business Rescue Practitioner files a Notice of Substantial Implementation of the Plan with the CIPC.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Effect on the Holders of each class of the Company's Securities

There is only one class of security holder and two shareholders namely VGSA that holds 42% of the ordinary share capital and VGL that owns the balance of 58% of the share capital.

The Business Rescue Plan allows for funding on the basis of a combination of loan funding and equity funding.

Should a combination of loan and equity funding occur that does not affect rights of the holders of the Company's securities no vote is required on the adoption of the Business Rescue Plan.

However the Holders of the Company's Securities are willing to release control of up to 26% of the Company by way of an issue of additional ordinary shares. The shareholders will therefore have to vote for the adoption of the plan in terms of S 152 (3) of the Act.

No debt equity swap transaction is contemplated.

Effect on Employees

It is intended to offer Employees a Severance Package that is equal or more beneficial than a retrenchment package. Severance will include:

- April Salaries, allowances and overtime will be paid immediately when monies are available;
- All leave and notice period due;
- Leave Pay;
- Leave Pay will not be deducted from the severance if leave is in the negative as a result of the disaster that occurred on 5 February 2016;
- One week is payable for each complete year of services.

Once the mine reopens employees may reapply for their positions and they will be treated as a preferential applicant and will be reemployed under the same and terms and conditions as previously.

Certain employees may be seconded to Barbrook Mine and will be paid by Barbrook mine. Under these circumstances there will be no change to their terms and conditions of employment.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Effect on the Company

The compromise offered to the concurrent creditors will result in an increase in reserves of R 0.75 for the Company. This amounts to an increase in reserves of at least of R 46 287 999.

The Company will by way of third party debt, or a combination of third party debt and shareholder loan debt or a combination of third party debt and equity raise the money to develop the access decline and reopen the mine.

Once the Company is fully operational it will continue in the normal manner.

The projected balance sheet, income statement and cash flows are attached as Annexure G.

The following assumptions have been made for the purposes of these projections:

- A going concern is assumed for the period
- It is assumed that the access decline is completed in the period at a cost of R 200 million
- In this model an interest rate of 5% is used and a moratorium on payments is assumed for 12 months.
- No equity has been calculated in this model but the lower interest rate and moratorium on the loan will compensate for this

6.5 Business Rescue vs Liquidation

The detailed liquidation and distribution account is included in the Business Rescue Plan and is attached as Annexure D.

The benefit to affected persons of adopting the Business Rescue Plan compared to a liquidation are as follows:

Class	Liquidation Dividend		Business Rescue Dividend Offered
	Low	High	
Preferred	R1-00	R1-00	R 1-00
Secured	R1-00	R1-00	R1-00
Concurrent	R0-06	R0-15	0,25 cents

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Quantum

According to the liquidation a distribution account of the Company at business rescue date, the dividend that would be received by Creditors would be significantly lower than the dividend that is offered in Business Rescue.

Timing

The Business Plan will be implemented in a far shorter time frame than in liquidation proceedings.

The anticipated time period estimated for completing the Business Rescue Plan is about 15 months.

The average time to conclude a liquidation process of this nature can take up to 36 months.

Employees

One of the fundamental principles of the Business Rescue Process is the concept of job retention. Under the proposed plans eventually all jobs will be retained.

During the Business Rescue Process, the Plan caters for various job initiatives than retain jobs as well as up skill people and communities. During that period employees will receive remuneration.

Employees that would be retrenched under Business Rescue will receive full retrenchment packages. First payments will be made as funds are made available. In liquidation employees would be entitled to receive a maximum on R 28 000 per staff member to the extent that there are funds available. Such payments would only be made once the final liquidation and distribution account has been approved. This occurs at the end of the liquidation process.

In a liquidation all jobs are lost immediately and in this case it is high unlikely that a liquidator can trade in the Company to retain some jobs.

The estimated impact on the closure of the mine is 9000 persons. This is based on employees having too support at least 10 dependants in the community.

Fees

The fees payable to the Business Rescue Practitioner are significantly lower the costs of a liquidation.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

The estimated fees a liquidator would be entitled to in terms of the liquidation is approximately R 20 million based on the realisation of assets.

Effect on mining operations

During the Business Rescue Process the Company may continue to operate within the various projects in a controlled environment and in an orderly fashion. Stricter controls will be held over the assets and under Business Rescue the significant amount of assets, value and otherwise, trapped underground may be retrieved and set into operation to the benefit of affected parties.

Should the Company go into liquidation it would have a significant effect on the Barbrook operation as many services are shared thus reducing the cost burden. These costs are essential the Barbrook operations and will place this operation under tremendous financial pressure.

In the event of a final liquidation the Mining Right that vests in the Company will revert to the State.

Effect on the Community

The communities in the Lilydale Valley and various other areas are dependent on the Lily Mine and a liquidation will have a devastating effect on them.

Receiver of Revenue

SARS rank as a Concurrent Creditor under Business Rescue, but under liquidation they rank as a Preferred Creditor which has an effect on the Liquidation Dividend.

Related Parties

Related party transactions such as Inter Company and Shareholder Loans **may participate in the dividend in the liquidation process** whilst in this Business Rescue Plan they do not receive a distribution.

Effect on the Group

The liquidation of MIMCO will have an adverse effect on the Group as the Lily Mine is the main revenue producer in the Group

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

6.6 Timing of implementation of proposed Business Rescue Plan

Time related milestones

It is anticipated that the raising of Funding for the reopening of the mine be completed by 30 June 2016. By this time it is anticipated that all development plans and approvals from the authorities have been obtained.

The Company will require a further 8 months to complete the development of the new access decline. This timing is then to 31 March 2017.

The Company then requires to trade profitability so we may assume a further 2 month is required. This timing is then is to 31 May 2107.

Payment of Affected Persons may be around May 2107.

Circumstances when the Business Rescue Plan will end

The Business Rescue will end if the Business Rescue Plan is proposed and rejected and no Affected Person or Affected Persons act to extend the Business Rescue Plan in the manner contemplated in the Act.

If the Business Rescue Plan is adopted and implemented and the Business Rescue Practitioner has filed a notice of substantial implementation of the Business Rescue Plan with the CIPC.

A court orders the conversion of the Business Rescue to liquidation proceedings.

6.7 Receiver of Revenue

The Receiver is classified as a concurrent in Business Rescue whilst in a liquidation scenario the Receiver of Revenue is classified as a Preferred Creditor. The following is relevant.

VAT

Submission all VAT returns are up to date as well as payments.

SA Normal Taxation

Tax returns have been submitted and assessed for the period up to December 2011 and the Company has no taxes payable as it has significant capital allowances claimable as it is a Mining company.

BUSINESS RESCUE PLAN AND BUSINESS RESCUE INFORMATION

Tax Returns for the period to 2015 have not been submitted but completed. The Company has been seeking clarity on the total capital allowances accumulated, available for offset against future income. According to these calculations no taxation is payable.

The Practitioner has requested extension until the 30 June 2016 to submit all these returns.

Provisional Taxation

Provisional tax returns have been submitted and all payments up to date.

PAYE

All PAYE returns have been submitted.

All payments to SARS regarding PAYE are up date except for the following:

The return for the Month of April reflects a Nil Return as Salaries and Wages for April have not been paid. Payment for March of approximately R 1.5 million is outstanding as the Company does not have the cash resources to pay these monies yet. This amount has been recognised in the Business Rescue Plan.



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7. Appointments and reports

Direct appointments

Strategic Turnaround Solutions (Pty) Limited.

RC Devereux

Appointed Senior Business Rescue Practitioner

Chartered Accountant South Africa and Senior Business Rescue Practitioner

Registered with South African Chartered Accountants Institute - Membership no 00135571

GTHD Holtzhausen

Senior Business Rescue Practitioner

PhD Entrepreneurship - *University of Pretoria - Business Rescue Strategies*

Bachelor of Commerce - *University of South Africa*

Master of Business Leadership - *University of South Africa*

Postgraduate certificate in Advanced Taxation - *University of South Africa*

Diploma in Insolvency Law and Practice - *University of Pretoria*

HJ Kruger

Junior Business Rescue Practitioner

Bachelor of Science (Actuarial and Financial Mathematics) - *University of Pretoria*

Diploma in Insolvency Law and Practice - *University of Pretoria*

G Cremen

Partner Insolvency and Business Rescue Division – Hogan Lovells Incorporated

OJ le Roux

Attorney principal at O le Roux and Associates

Labour attorney

Accountants@Law

Forensic auditors and investigators

Mine Management

M McChesney

Chief Executive Officer

BSc degrees in Civil and Mining Engineering, PMD

M Begg

Operations Director

BSc (Hons) Geology.

D Short

Chief Financial Officer

BCompt Accounting Degree and Diploma in South Africa Mining Taxation

Legal mining

Warren Beech

Head of Mining Division – Hogan Lovells

Nicolas Veltman

Partner Mining Division – Hogan Lovells

External valuations

CV Asset Management (Pty) Limited

C Verhoeven

Pr.Eng (mech)

M. IngB B. Ing (mech)

Reports

During the Business Rescue Process the Practitioner has relied on various reports generated by the following professional firms:

Bara Consulting (Pty) Limited

Bara Consulting undertakes studies, due diligence, detailed design and operational support to the mining industry world-wide. Responsible for the design report of the new access decline.

SRK Consulting

SRK is an independent, international organization of professional engineers and scientists providing a comprehensive range of technical consulting services to natural resource industries. The Company supplies Geology and Geotechnical services to the Group.

Minxcon

Minxcon has provided services in the Geo economics field and has assisted in the valuation of ore reserves.

8. Dispute resolution

Save as provided for in section 133 of the Act, in respect of all or any disputes by the BRPs on Claims submitted by Creditors, PCF Creditors and Employees, which disputes include, but are not limited to, disputes on the existence or otherwise of Claims, on quantum of the Claim, security claimed by a Creditor, the nature of the security, the extent and value of the security and the like of such dispute can only be resolved in accordance with the dispute mechanism outlined below.

The dispute mechanism procedure will be as follows:

All creditors who have received notification from the BRPs of a dispute are within 15 days after the Additional Claims Period, to contact the BRP and to meet with him during this period in an attempt to reach agreement on the dispute.

If the Creditor does not avail itself of this 15 day opportunity or if after having availed itself and the dispute is not resolved within the 15 day period, the Creditor will be afforded 7 days calculated from the date of expiry of the days 15 days to nominate one of the Advocates from the list below as an expert (not as an arbitrator or mediator) to preside over and to resolve the dispute. Should the Creditor not make this nomination the BRP will do so on its behalf and this nomination will be binding on the Creditor. The list of these advocates are:

N Cassam;
J. Suttner;
G Wickins;

The advocate when nominated and who agrees to accept such appointment (hereinafter referred to as the "expert") will endeavour to complete his mandate within 30 days of his appointment or within such further time period as the expert in his sole discretion may determine. To the extent that any expert as nominated by the Creditor or Employee refuses to act or is not available to act, the Creditor or Employee, or if he refuses or does not do so within three days of being requested by the BRP, the BRP is then obliged to choose another advocate from the above list until one such advocate is available to act and is agreeable to act.

The expert will in his sole and absolute discretion determine:

- the venue at which the dispute is to be resolved;
- the rules, regulations and procedures that will govern the determination of the dispute;
- the date for the determination of the dispute;

BUSINESS RESCUE ADMINISTRATION

- will give his award and determination within 5 days of the completion of the process as determined by him;
- will as part of his award and determination determine who is liable for the costs of the determination such costs to include his costs, legal costs, venue costs, recording equipment, transcript of evidence and the like.

The Creditor agrees that, save for any manifest error the determination of the expert will be final and binding on the Creditor, the company and the BRP and will not be subject to any subsequent review or appeal.

The expert shall be entitled to make an award for costs in his discretion.

The Creditor, the Employee, the Company and the BRP agree to use their utmost endeavours to ensure that the entire dispute is determined by the expert within the 30 day period as set out above.

9. Ability to amend the Business Rescue Plan

- 9.1 Provided that any amendment will not be prejudicial to any of the Affected Persons, The BRP shall have the ability, in his sole and absolute discretion, to amend, modify or vary any provision of this Business Rescue Plan, provided that at all times the BRP act reasonably. The amendment will be deemed to take effect on the date of written notice of the amendment to all Affected Persons.
- 9.2 It is specifically recorded that the provisions of paragraph 9 shall mutatis mutandis apply to the extension or reduction of any timeframes by the BRP.

10. Voting at the meeting

A meeting will be convened in terms of Section 151, at which the practitioner will:

Introduce the proposed business rescue plan for consideration by the creditors and if applicable, by the shareholders;

Inform the meeting whether the Practitioner continues to believe that there is a reasonable prospect of the company being rescued;

Provide an opportunity for the employees' representatives to address the meeting;

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Invite discussion, and entertain and conduct a vote, on any motions to;

Amend the proposed Plan, in any manner moved and seconded by holders of creditors' voting interests, and satisfactory to the Practitioner or:

Direct the Practitioner to adjourn the meeting in order to revise the Plan for further consideration; and Practitioner; or

Call for a vote for to approve or disapprove the adoption of the proposed Plan.

The Voting Form and Proxy form will be distributed with the Notice to attend the meeting as well as the requirements for affected parties to vote.

11. Practitioners Remuneration

The effective date of the letter of Engagement is 7 April 2016 and continues until the Business Rescue process is substantially implemented, or when the Company is placed into liquidation.

The letter of engagements sets out the responsibilities of the Practitioner, the Directors and the Company and encompasses a confidentiality agreement as well as addendums.

The remuneration contract between the Practitioner and the Company is attached as Annexure E and is summarised as follows:

Fees are based on the prescribed rates for a large sized Company based on their Public Interest Score. The Company has a Public Interest Score of 911 which classifies it as large sized business.

Fees are payable weekly and are as follows;

Mr RC Devereux:	R 2 000-00 per hour up to a maximum of R 25 000-00 per day;
Dr GTD Holtzhauzen:	R 2 000-00 per hour up to a maximum of R 25 000-00 per day;
Mr HJ Kruger:	R 1 500-00 per hour;
Administrative Services:	R 1000-00 per hour;

BUSINESS RESCUE ADMINISTRATION

A contingency fee is payable as follows upon the successful implementation of the business rescue plan:

The Company agrees to pay a contingency fee to the Practitioner of 2,5% raised to rescue the company by way of investment or loan, whether in the Company or the Group, to a maximum of R 5000 000 (Five million rands) (exclusive of VAT) as provided for in section 143 of the Act.

It is payable once the Business is taken out of Business Rescue in terms of S 132 (2) b of the Companies Act 71 of 2008 and subject to the approval of any equity transaction being approved by the shareholders who's consent shall not be unreasonably withheld.



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ANNEXURE A
SUMMARY OF CREDITORS



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ANNEXURE B

BARA NEW ACCESS DESIGN AND PRELIMINARY REPORT



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ANNEXURE C

REPORT OF MINERALS ASSETS



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ANNEXURE D

CERTIFICATE OF VALUATION OF ASSETS



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ANNEXURE E

LIQUIDATION AND DISTRIBUTION ACCOUNTS



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ANNEXURE F

PROJECTION FOR 3 YEARS



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ANNEXURE G

COSTING OF PROJECTS



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ANNEXURE H

PRACTITIONER'S REMUNERATION