

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

REPORT OF THE JOINT LIQUIDATORS LDR VAN DER MERWE,TW VAN DEN HEEVER, EM MOTALA & LM PONT, IN TERMS OF SECTION 402 OF THE COMPANIES ACT NO 61 OF 1973 AS AMENDED TO BE SUBMITTED AT A SECOND MEETING OF CREDITORS, MEMBERS & CONTRIBUTORIES TO BE HELD BEFORE THE MAGISTRATE RANDBURG ON WEDNESDAY 7 MARCH 2007 AT 9:00AM

ORDER OF THE COURT AND MEETINGS

| | |
|--|--|
| Nature of Liquidation | Court application by Societe Des Mines De Loulo SA |
| Date of liquidation | 1 February 2006 |
| Date of provisional Order | 1 February 2006 |
| Date of Final Order | 2 August 2006 |
| Provisional appointees | LDR VD MERWE, TW VD HEEVER, EM MOTALA & LM PONT |
| Date of 1 st meeting of creditors | 19 September 2006 |
| Final appointees | LDR VD MERWE, TW VD HEEVER, EM MOTALA & LM PONT |

GENERAL AND STATUTORY INFORMATION

Registrar of Companies

- 1 According to the Registrar of Companies the company was incorporated under registration number 2003/026882/07

Registered Address

- 2 The registered address of the company is Cnr. Hendrik Verwoerd & Will Scarlet, Randburg.

Directors

- 3 It appears from my investigations the following persons consented to serve as directors:

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

| | | |
|-----|--------------------------------------|----|
| | | |
| 3.1 | Mooseman Robert Werner | £ |
| 3.2 | Dodd David Sidney | £ |
| 3.3 | Mcrae Gordon Andrew | £ |
| 3.4 | Hook Wolfgang | £ |
| 3.5 | McCrae Robert | \$ |
| 3.6 | Van der Merwe Ockert Rudolph | \$ |
| 3.7 | Redman Clinton Fraser Dominic Cayley | \$ |
| 3.8 | Van Wyk Andre Albertus | \$ |
| 3.9 | Menesses Gregory Emmanuel | \$ |

4 The records of the company do not correspond with the records of the Registrar.

£ Indicates directors according to the records of the registrar of Companies;

\$ Directors according to the audited financial statements (as at 1 February 2005) signed on 16 September 2005.

Share Capital

5 According to the audited financial statements dated 16 September 2005, the authorised share capital of the company is R2000 divided into 2000 ordinary shares par value shares of R1 each.

6 The issued share capital of the company is 2000 ordinary par value shares of R1 each.

7 It appears from information on hand that the shares were held as follows as at the date of liquidation:

| | | |
|-----|--------------------|-----|
| 7.1 | Ferroman (Pty) Ltd | 30% |
| 7.2 | Mcrae GA | 30% |
| 7.3 | Dodd DS | 30% |
| 7.4 | Mooseman RW | 10% |

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

The estates of McCrae, Dodd and Mooseman have been sequestrated and their respective shares now vest in the trustees of their insolvent estates.

Business of the Company

- 8 The main business of the company was providing minerals process engineering and project management services to the mining industry.

Auditors

- 9 The auditors of the company are BDO Spencer (JHB) Inc, who also acted as Company Secretary

STATEMENT OF AFFAIRS

- 10 We have not been place in possession of a Statement of Affairs as required in terms of Section 363 of the Companies Act No 61 of 1973 as amended.

SECTION 402(a)

FINANCIAL STATEMENT OF ASSETS AND LIABILITIES

- 11 The following represents the assets and liabilities of the company at the date of liquidation. Unless otherwise stated, these figures only represent estimates of the assets and liabilities and will change depending on the amounts of realisation of unsold assets and claims submitted for proof.

ASSETS

| IMMOVABLE PROPERTY | NOTES | AMOUNT | AMOUNT |
|---|--------------|---------------|---------------------|
| None | | | |
| MOVABLE ASSETS | | | |
| In Foreign countries (Value) | (a) | | Nil |
| Office furniture and Equipment (valued) | (b) | | 500,000.00 |
| Software & data | (c) | | 500,000.00 |
| Redundant assets | (d) | | 48,000.00 |
| Cash on hand – Investec Bank | (e) | | 283,000.00 |
| Loan to associated companies (value) | (f) | | Nil |
| Claims against 3 rd parties | (g) | | (unable to report) |
| | | | |
| TOTAL ASSETS | | | 1,331,000.00 |
| | | | |
| LIABILITIES | | | |

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

| | | | |
|--------------------------------------|--|----------------|-----------------------|
| <u>Secured</u> | | | |
| Unknown | | | |
| <u>Preferent Creditors</u> | | | |
| Receiver of Revenue | | | |
| Salaries | | | |
| <u>Concurrent Creditors</u> | | | |
| Trade Creditors | | 650,000,000.00 | |
| TOTAL LIABILITIES (estimated) | | 650,000,000.00 | |
| DEFICIT (estimated) | | | 648,000,000.00 |

NOTES

The statement of assets and liabilities must be read in conjunction with the following notes:

Movable assets in Foreign Countries

- (a) The liquidators have limited information of movable assets in various African countries in which the company in liquidation operated. We have been advised however that the cost involved in repatriating these assets by far exceed the value of these assets.

Office Furniture & Equipment

- (b) The liquidators have sold, subject to the appropriate resolution authorising such sale being adopted by the creditors, all the office equipment and furniture of the company situated at its former head office in Randburg. These assets were formally valued at R487, 000.00.

Up to the conclusion of the above sale the liquidators collected a monthly rental of R9, 000.00 (ex VAT) for these goods, from August 2005 up to Jan 2007.

- (c) The liquidators have, in addition, sold all the data and software of the company for a further R500, 000.00, also subject to resolution authorising such sale being adopted by the creditors.
- (d) Redundant equipment stored at premises in Bapsfontein was sold, subject to resolution authorising such sale being adopted by the creditors, for R48, 000.00. A forced sale value of R35, 000.00 was placed on the goods.

Cash on Hand

- (e) The liquidators have recently become aware of an investment account held at Investec Bank.

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

Loans to associated companies

- (f) According to the audited financial statements of the company for February 2005, unsecured loans totally approximately R91,5mil were made group companies:

| <u>Company name</u> | <u>Amount</u> |
|----------------------------|----------------------|
| MDM (Pty) Ltd | R48,5 Milj |
| MPD (Pty) Ltd | R33,7 Milj |
| Friedshelf (Pty) Ltd | R6,3 Milj |
| Silvertoken (Pty) Ltd | R3 Milj |

Except for Silvertoken, all of the above companies have been liquidated. We will have to be advised in due course whether concurrent creditors will receive any dividends in these insolvent estates, but early indications are that no dividend will accrue to MDM Ferroman from these estates.

Silvertoken is registered in Botswana and to date our investigations have not shown this company to be able to repay this loan.

Claims against 3rd parties

- (g) As will be reported on more fully below an ongoing enquiry is being conducted in terms of the provisions of Section 417 of the Companies Act. As the enquiry is ongoing and the Presiding officer has as yet not compiled her report, we are not at liberty to divulge any information regarding evidence given at the enquiry, save to say that the evidence given may materially influence the assets as reported herein.

Claims against the estate

- (h) As part and parcel of the above-mentioned enquiry a comprehensive forensic audit is ongoing into the financial affairs of the company. As such we can not comment fully in this regard either, save to record that the company's records of its indebtedness to creditors are grossly understated.

*These figures do not take into account any costs of administration and are
subject to change and/or modification.*

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

SECTION 402 (b)

CAUSES OF THE COMPANY'S FAILURE

- 12 Our investigations have shown that the company has, over a very long period of time, struggled with cash flow. It seems that all but a few of the most recent projects were run at huge losses.

The company was constantly struggling to meet its obligations and continuously used income on current projects to pay for uncompleted older projects.

During 2006 a number of liquidation applications were launched and when both the company's major current projects were lost, the company could simply not meet its huge obligations.

SECTION 402(c)

REPORT TO THE MASTER IN TERMS OF SECTION 400(2) OF THE COMPANIES ACT

- 13 As reported below an enquiry in terms of Section 417 of the Companies Act is ongoing. As the enquiry has as yet not been concluded it is not our intention at this stage to submit a report to the Master of the High Court. However, we are still investigating this aspect and if necessary, a detailed report will be submitted to the Master in due course.

SECTION 402(d)

PERSONAL LIABILITIES OF DIRECTORS OR OFFICERS

- 14 At this stage it is not known whether the former directors or officers of the company can be held personally liable for the debts of the company. A report will be submitted, should it become necessary.

SECTION 402 (e)

LEGAL PROCEEDINGS

- 15 A variety of legal proceedings were pending as at liquidation. All of these however relate to normal debt collection.

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

SECTION 402(f)

ENQUIRY

- 16 The Master of the High Court has on application by Societe Des Mines De Loulo SA consented to an enquiry which is conducted in terms of the provisions of Section 416 & 417 of the Companies Act.

The enquiry commenced in October 2006 and has as yet not been completed. The liquidators have actively assisted the enquiry and can only report that the affairs of the company in its widest sense have been investigated.

Unfortunately as the enquiry has, at the time of this report, not yet been concluded we are precluded from reporting on the evidence given and the information obtained at the enquiry.

The liquidators will report to creditors in detail once the enquiry has been concluded and the commissioner has issued her report.

SECTION 402(g)

BOOKS AND RECORDS

- 17 We have taken control of the books and records found at the offices of the company.

SECTION 402 (h)

PROGRESS AND PROSPECTS OF WINDING UP

- 18 The joint liquidators have sold all the movable assets of the company.

Various actions will be taken once the enquiry referred to above has been concluded.

LEASES

- 19 It appears that various lease agreements were entered into. All these lease agreements have been cancelled with the extension of the powers of the liquidators by the Master of the High Court.

ESTIMATED DIVIDEND

- 20 The liquidators have been informed by a variety of creditors that they hold cession over the proceeds of some or all of the claims the company may have against third parties.

The liquidators will obviously investigate these alleged securities in due course, but at present we have to advise concurrent creditors that it seems unlikely that any dividend will accrue to them from these assets.

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

The proceeds of the sale of the movable assets, referred to above, are unencumbered and as such available for distribution. The expected extent of preferent creditors will however extinguish any possibility of a concurrent dividend.

At present it therefore seems that only the secured and preferent creditors are to receive any awards.

The joint liquidators will advise concurrent creditors if the prospect of a dividend herein arises.

SECTION 402(i)

MATTERS REQUIRING THE FURTHER DIRECTIONS OF CREDITORS

- 21 Such directions as required of creditors are contained in the draft resolutions numbers 1 – 13 which is submitted for consideration and adoption by the creditors at the second meeting of creditors in conjunction with this report. Creditors are requested to adopt these resolutions to enable the administration of the company in liquidation to continue.

SIGNED at SANDTON on this _____ day of FEBRUARY 2007

LDR VAN DER MERWE

TW VAN DEN HEEVER

EM MOTALA

LM PONT

JOINT LIQUIDATORS

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

RESOLUTIONS SUBMITTED AND ADOPTED AT THE SECOND MEETING OF CREDITORS HELD BEFORE THE MAGISTRATE RANDBURG, ON WEDNESDAY, 7 MARCH 2007 at 10 AM

RESOLVED THAT:

- 1 The report of Liquidator or Joint Liquidators, as the case may be, hereinafter referred to as (the Liquidator"), as submitted be received and adopted and all his actions referred to therein be and are hereby confirmed, ratified and approved.
- 2 All actions of whatsoever nature heretobefore taken by the Provisional Liquidator and/or Liquidator be and are hereby confirmed, ratified and approved.
- 3 The Liquidator be granted the authority and is vested with all the powers mentioned in Section 386(4) (a) – (i) of the Companies Act No 61 of 1973, as amended, such powers to be exercised at his sole and absolute discretion.
- 4 The Liquidator be and is hereby authorised in his sole and absolute discretion to:
 - 4.1 Take legal advice on any question of law affecting the administration and distribution of the company;
 - 4.2 Institute or defend on behalf of the company any action or other legal proceedings of a civil nature for the recovery of monies due to the company or otherwise and subject to the provisions of any law relating to criminal procedure, institute any criminal proceedings;
 - 4.3 Hold any enquiry into the affairs of the company and/or any matter relating thereto;
 - 4.4 Investigate and institute legal proceedings for the recovery of any voidable or undue preferences, voidable dispositions of property or any other impeachable transactions of whatsoever nature and to abandon same at any time;

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

- 4.5 Write up the books of the company as may be required, and if necessary, to produce a balance sheet, audited or not, as at the date of liquidation, either for the purpose of investigating the affairs of the company, establishing the claims of creditors, or any other purpose.
- 5 The Liquidator be and is hereby authorised in his sole and absolute discretion to employ and engage the services of attorneys and/or counsel (senior and/or junior) and/or accountants and/or bookkeepers and/or any employee of the insolvent and/or recording agents and/or any other person who in the sole discretion of the Liquidator may be of assistance in the winding-up of the company in relation to any matter referred to in 4 above and further to pay all the costs thereof of whatsoever nature out of the estate as costs incurred in the liquidation.
- 6 The Liquidator be and is hereby authorised to collection any debts due to the company and for the purpose thereof to sell or compound or compromise any of these debts for such sum and upon such terms and conditions as he in his sole discretion may deem fit, and to accept any part of the debt in settlement thereof, and to grant an extension of time for the payment of any such debt, and to abandon any debt which he in his sole discretion may deem to be irrecoverable.
- 7 The Liquidator be and is hereby authorised to dispose of any movable and immovable property of the company, whether in his possession or under his control now or to come into his possession or under his control in the future by public auction, private treaty or public tender upon such terms and conditions as he in his sole and absolute discretion shall determine and to abandon any such assets for which he can find no purchaser or abandon them to a secured creditor at the value placed thereon by such creditor or at such value as is agreed upon by the Liquidator and the creditor if such creditor's claim is secured by such assets and to sign all such documents as may be necessary to give effect to such disposition.
- 8 The Liquidator be and is hereby authorised and empowered in his sole discretion to compromise and admit any claim against the company of whatsoever nature and howsoever arising and whether disputed or not and whether actual, contingent, prospective, conditional, unconditional, assessed, unassessed, liquidated or unliquidated as a liquidated claim in terms of Section 78(3) of the Insolvency

MDM FERROMAN (PTY) LTD (IN LIQUIDATION)
("the Company")

MASTER'S REFERENCE NUMBER :T140/06

Act No 24 of 1936 as amended, read with Section 339 of the Companies Act No 61 of 1973, as amended, at such amount as may be agreed upon by the Liquidator, provided that proof thereof has been tendered at a meeting of creditors.

- 9 The Liquidator be and is hereby authorised to make application for the destruction of books and records of the estate six months after the confirmation of the Final Liquidation and Distribution Account.
- 10 The Liquidator be and is hereby authorised to perform any act or exercise any power for which he is not expressly required by the Companies Act No 61 of 1973, as amended, to obtain the leave of the Court.
- 11 The Liquidator be and is hereby authorised to submit to the determination of arbitrators any dispute concerning the company or any claim or demand by or upon the company.
- 12 The Liquidator be and is hereby authorised to carry on or discontinue any part of the business of the company insofar as may be necessary for the beneficial winding-up thereof.
- 13 The Liquidator be and is hereby authorised to exercise *mutatis mutandis* the powers conferred upon a Liquidator by Section 35 (uncompleted acquisition of immovable property before liquidation) and 37 (effect of liquidation upon a lease) of the Insolvency Act No 24 of 1936, as amended, read with Section 339 of the Companies Act No 61 of 1973, as amended.
- 14 The further administration of the affairs of the company be left entirely in the hands and at the discretion of the Liquidator.