

MID MINING CC (IN LIQUIDATION) ("the Close Corporation")
MASTER'S REFERENCE NUMBER : G426/04

REPORT by the JOINT LIQUIDATORS, LDR VAN DER MERWE, E MOTALA, L KLOPPER, K D J MASEGE, S TSAGARAKIS, J M DAMONS and GD RAMALHO in terms of SECTION 79 of the CLOSECORPORATION'S ACT No. 69 of 1984, ("THE ACT") to be submitted at a SECOND meeting of creditors to be held before the MASTER OF THE HIGH COURT, JOHANNESBURG on THURSDAY, 31 March 2005 at 10:00

INTRODUCTION

Pursuant to an ex parte application the close corporation was provisionally liquidated by order of The High Court of South Africa (Transvaal Provincial Division) on 16 February 2004. The order was made final on 30 March 2004.

We were appointed as joint liquidators by the Master of the High Court, Johannesburg on 20 April 2004.

HISTORY OF THE CLOSE CORPORATION

The Close Corporation was incorporated in terms of the Act under registration number 99/54078/23.

According to the records in our possession and information obtained, the members of the Close Corporation, as at the date of liquidation, was :

- Ian Robert Haupt
- Delia Haupt

REPORT IN TERMS OF SECTION 79 OF THE ACT

SECTION 79(a) : ASSETS AND LIABILITIES

The following would appear to represent the financial position of the Close Corporation as at the date of liquidation based on the application for liquidation:

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ASSETS	NOTES	AMOUNT {R}	AMOUNT{R}
<u>Immovable Property (None)</u>			
<u>Movable Property</u>	1		22,000,000.00
Claims in favour of the estate (in dispute)	2		12,000,000.00
Total			
LIABILITIES			
Secured Creditors (approximate)	1	3,700,000.00	
Preferent Creditors: Employees SARS(approximate)	3	6,000,000.00 11,000,000.00	
Concurrent Creditors	4	15,000,000.00	
Standard Bank	5	2,200,000.00	
TOTAL		37,900,000.00	34,000,000.00
Shortfall		3,900,000.00	

With regard to the above we comment as follows:

- 1 The above figures are subject to adjustment and verification.

NOTES

- 1 The movable assets are mining equipment scattered over a wide area below ground. The values of the assets are based on their present condition and locations.

We have been informed by Harmony that they do not intend allowing contractors onto the various sites again and as such the only remaining option is to salvage all the assets from their present locations underground.

The process of salvaging these assets is cumbersome and extremely expensive. The cost of salvaging the movable assets has been estimated to be as much as R 3,000,000.00.

Of the movable assets, assets to the value of approximately R3, 700,000.00 are secured to Stannic by way of an Instalment sale agreement

- 2 According to the records of the corporation an amount of approximately R 12,000,000.00 was due by Harmony/ Armgold in terms of the various agreements. Based on the alleged criminal activity, referred to above, Harmony has disputed their indebtedness to the corporation. The liquidators are currently investigating this issue.

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- 3 According to the records of the company staffs of the corporation were not remunerated for services in January and accordingly have claims in terms of Section 98A of the Insolvency act totalling R 6.3 Million.

In addition to the claims of the employees, The South African Revenue Services has indicated that they have a claim against the company for outstanding PAYE and Vat estimated at approximately R11, 000,000.00.

- 4 As we have been unable to extensively consult with the members of the corporation, we have been unable to ascertain the true extent of the corporation's indebtedness to concurrent creditors. The total exposure is conservatively estimated at R10, 000,000.00 but could well be much more.
- 5 Standard Bank has a registered general notarial bond over the movable assets of the company. Their claim, which will rank after preferent creditors but before concurrent creditors amounting to R2, 200,000.00

SECTION 79(b): CAUSES OF THE CORPORATIONS FAILURE

We have not had the opportunity to meet with the members of the corporation, nor have we had any communications with them regarding the affairs of the close corporation.

The causes of the failure of the corporation can be found in the corporation's application for its liquidation. Subsequent to alleged criminal activity by staff of the corporation of one of the sites that the corporation operated African Rainbow and Minerals Gold LTD ("Armgold") and Harmony Gold Mining Company Limited ("Harmony") immediately terminated all agreements with the corporation.

As a result the business of the corporation came to an immediate standstill eventuating in its application for liquidation.

SECTION 79(c): REPORT UNDER SECTION 400(2) OF THE COMPANIES ACT READ WITH SECTION 66 OF THE ACT

We are still investigating the affairs of the company but at the moment it does not appear as if the members are personally liable to the Close Corporation:

1. on the ground of breach of trust or negligence;
2. to make repayments to the Close Corporation in terms of Section 70(2) or (3) or Section 71(1) or (2) of the Act.
3. to either a creditor of the Close Corporation or to the Close Corporation itself;

A report will be submitted in this regard should it become necessary.

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SECTION 79(e): LEGAL PROCEEDINGS

There does not appear to be any legal actions pending by or against the estate as at the date of liquidation other than the normal recovery of debt.

SECTION 79(g): BOOKS AND RECORDS

The Close Corporation's books and records have been provided to us.

SECTION 79(h): PROGRESS AND PROSPECTS OF WINDING UP

We can confirm that although it is unlikely that creditors will be called upon to make a contribution to the cost of the administration of the estate, it is further unlikely that concurrent creditors will receive a dividend. Should the position change we will no doubt communicate with creditors.

There are various issues the liquidators are investigating some or all of whom may result in the liquidators calling an enquiry, in terms of the relevant provisions of the Companies Act. A comprehensive report will be submitted in this regard should the liquidators embark on this course of action.

SECTION 79(I) : MATTERS REQUIRING FURTHER DIRECTIONS OF CREDITORS

We have reported above on the administration of the Close Corporation and appropriate resolutions will be submitted to this meeting to enable me to wind up the administration of the Close Corporation.

SIGNED at JOHANNESBURG on this ____ day of March 2005.

LDR VAN DER MERWE

E M MOTALA

L KLOPPER

K D J MASEGE

S TSANGARAKIS

J M DAMONS

G D RAMALHO

JOINT LIQUIDATORS

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**RESOLUTIONS SUBMITTED AND ADOPTED AT THE SECOND MEETING OF CREDITORS HELD BEFORE
 THE MASTER OF THE HIGH COURT, JOHANNESBURG ON THURSDAY, 31 MARCH 2005 AT 10:00**

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;

 - 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

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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 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.

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- 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.

q.q. CREDITORS