

KLEINFONTEIN COLLIERY (PTY) LTD (IN BUSINESS RESCUE)

REGISTRATION NUMBER: 2003/017639/07

BUSINESS RESCUE STATUS REPORT IN TERMS OF SECTIONS 132 AND 141 OF THE COMPANIES ACT, 71 OF 2008 READ WITH REGULATION 125 OF THE COMPANIES ACT FILED BY THE BUSINESS RESCUE PRACTITIONER LDR VAN DER MERWE

1. Important Information and Actions

•Board of directors passes resolution for Business Rescue on	16/01/2020
•Notice of resolution filed with CIPC on	24/01/2020
•Notice to affected parties on filing for Business Rescue on	30/01/2020
•Company nominated a BRP on	24/01/2020
•CIPC confirmed certification of BRP on	24/01/2020
•File notice to CIPC re BRP appointment on	24/01/2020
•Publish notice to affected parties of BRP appointment on	30/01/2020
•First meeting of creditors held on	05/02/2020
•First meeting of employees held on	05/02/2020
•Publish Business Plan on/ due by	22/07/2020
•Publish notice of meeting to consider proposed Business Rescue Plan on	22/07/2020
•Meeting to determine the future of the business held on	31/07/2020

2. Current Status of Business Rescue Proceedings

Kindly note: This status report must be read together with all previous status reports and that the information contained in this status report is a record of events and/or information that have transpired subsequent to the publication of the previous month's status report:

2.1 Progress on Implementation of the Adopted Business Rescue Plan

2.1.1 Following notification to Creditors of the determination of the Claims of Creditors as required in terms of the adopted BR Plan, the BRP received notice from the following parties seeking to review such determination:

2.1.1.1 Genet Mineral processing; and

2.1.1.2 Inceku Mining.

2.1.2 Following further notice to Creditors of the intended review by the above mention parties, the BRP received notice that the following parties wish to intervene in the review of the determination of the claim of Genet Mineral Processing:

2.1.2.1 SG Coal; and

2.1.2.2 Inceku Mining.

2.1.3 The "Genet Arbitration" commenced on April 2021 and it was agreed that only a few points *in limine* would be argued on the day. The arbitrator has conveyed his ruling on these specific points. A copy of the award is available on request.

2.1.4 The dates for the "Inceku arbitration" have not yet been set.

2.2 Coal Sales:

2.2.1 As previously reported the sale of ROM was abandoned in October 2020 as no significant sales could be procured. A strategic decision was made to commission the wash plant and to seek to beneficiate the ROM to levels for which demand existed. This process was successfully concluded, and we have since been beneficiating the ROM via the wash plant with significant success.

2.3 Collections and Other Realisations:

2.3.1 No additional realisations during the month of September.

2.4 Total Operating Expenses:

2.4.1 Total operating expenses remain within the budgeted projections, but for the significant costs, as previously reported, of having to service the statutory required rehabilitation guarantee.

- 2.4.2 Additional once off costs of commissioning and thereafter the ongoing costs of operating the wash plant are off set against the significant increase in the value of the sales of the beneficiated coal and more recently the lucrative expansion to washing coal for 3rd parties.
- 2.5 Continued Coal Sales:
- 2.5.1 It has not as much been the actual sale of the beneficiated coal that has proven to be a challenge, but the transport thereof, with rail access only recently being made available.
- 2.5.2 At the hight of the challenge with transport, Kleinfontein had as much as 80,000 tonnes of beneficiated material of its own on site.
- 2.6 Wash Plant:
- 2.6.1 The commissioning of the wash plant has proven to be the correct decision, made at the correct time.
- 2.6.2 Not only have we been able to beneficiate the significant stockpiles of ROM that we were unable to sell and were at risk of being lost due to combustion, but significant interest has been shown from 3rd parties to beneficiate 3rd party product.
- 2.6.3 This has no doubt also significantly impacted the positive interest shown in acquiring the assets of Kleinfontein, dealt with more fully below.
- 2.7 Debtors:
- 2.7.1 The 2Seam/Eskom arbitration has been postponed several times, with the latest dates for it to commence now set for early June 2021.
- 2.8 Properties:
- 2.8.1 We remain dependant on a Court process by the Seller to secure clearances from the local authorities before we can take transfer of the properties into the name of Kleinfontein, but these assets have been included in the parcel of assets made available for sale through the public process detailed below.
- 2.9 Mining Right:
- 2.9.1 As with the properties and the wash plant the mining right has been included in the parcel of assets made available for sale, as provided for in the BR Plan.
- 2.10 Public process to dispose of the assets of Kleinfontein:
- 2.10.1 As provided for in the adopted BR Plan, the BRP is required to dispose of all of the assets of Kleinfontein in an organised manner and for the net proceeds of such realisation to be distributed to creditors as specifically provided for in the BR Plan.

- 2.10.2 The BRP commenced with a public process, conducted by the Corporate Finance team of BDO in February 2021 to package and publicly market the assets for disposal.
- 2.10.3 This public process saw several interested parties partaking in due diligences and as many as 7 parties initially submitted non-binding offers for consideration from which a preferred bidder has been identified and the parties have progressed well in their negotiations of the required transactional documentation with a view to concluding these agreements during May 2021.

LDR van der Merwe
Business Rescue Practitioner

21 May 2021