

AFFIDAVIT

In terms of Section 128(3)(a) of the Companies Act, Act 11 of 2008 (herein after referred to as the
"Act", with regards to

LEAD ENGINEERING & PROJECTS (PTY) LIMITED T/A Lead EPC

With registration number 2012/114701/07

(herein after referred to as the "SWORN STATEMENT"

I the undersigned

REICHARD SNYMAN

Do hereby declare under oath that:

1. I am a director of LEAD ENGINEERING & PROJECTS (PTY) LIMITED (herein after referred to as the "COMPANY", a Proprietary Limited company duly registered and incorporated in terms of the Companies Act, with registration number 2012/114701/07 with its registered offices at Lead EPC House, Gravitas Office Park, 17 Vaal Drive, Sylviavale, Vanderbijlpark, Gauteng 1911.
2. The facts contained in this affidavit is to the best of my knowledge and belief, unless indicated to the contrary, both true and correct.
3. This sworn statement in terms of the Act sets out the facts relevant to the grounds on which the board resolution dated 21 October 2022, placing the COMPANY under business rescue was founded.
4. The following facts were taken into consideration in resolving to place the COMPANY under business rescue.
 - a. The COMPANY was formed in design, develop and procure material for engineering and construction project.
 - b. The COMPANY has historically been extremely successful and profitable realising almost 100% year on year growth for the past 3 years.
 - c. In 2021 / 22 the COMPANY was appointed to complete the program of works for the Vedanta EPC Iron Ore Processing Plant project, as well as the Loeriesfontein solar farms for Solar Capital, both of which appeared at face value to be both financially viable as well as strategically important in terms of the future prospects of the COMPANY.



- d. The financial performance of the company began to deteriorate in 2022 due to these two projects, as a result of complicated contract management techniques, the high overhead cost structure, negative debtor collections and extreme delays in debtors' payments, extreme cash flow constraints were tightening on the company.
- e. Banks were approached for additional funding to ease the burgeoning working capital requirements caused by the unsustainable losses.
- f. The solvency of the balance sheet and illiquidity impacted negatively on the company's 'going concern' status.
- g. The main factors leading to the financial distress of the company were the losses incurred in the manufacturing division, high levels of work-in-progress (WIP) because of delays in invoicing resulting in non-receipt of payments, disputed claims, negative contractual project changes and ever-increasing overhead costs.
- h. The performance of the projects was not contractually monitored or assessed regularly against the actual project budget.
- i. As a result, reactive decisions were being taken to sort out inefficiencies due to contractual requirements which had not been originally priced.
- j. Anticipated Penalties for late delivery and completion of certain projects was anticipated to be imposed on the company.
- k. These impacted and would potentially impact negatively on margins and cash flow generation.
- l. A number of disputes arose with some of the projects; cash flow became very constrained and credit facilities with suppliers were being curtailed.
- m. Materials were not being delivered to site timeously.
- n. This caused delays in the projects, and additional expenses were incurred as a result of contractual requirements stipulating high calibre staff had to be on the respective projects full time.
- o. The directors realised the company was facing financial distress late in 2022.
- p. In order to comply with their fiduciary duties they adopted a resolution to voluntarily commence business rescue proceedings.
- q. As a result of the factors mentioned above, the COMPANY is financially distressed as defined in section 128(f) of the ACT, in that it appears reasonably unlikely that the COMPANY will be in a position to pay all its debts as they become due and payable within the next six months.



5. There is a reasonable prospect that the COMPANY could be rescued, as the directors believe that given the correct support the COMPANY will once again be return into a profitable position, based on the following:
- a. Vedanta
 - i. On the Vedanta project, 95% of the work has already been completed and the expenses incurred, however only R252 million of the R449 million project value has been paid to date.
 - ii. A further R40 million will ensure that the project is completed.
 - iii. Between this day, being the 21 October 2022 and the 31 December 2022, it is believed that the outstanding R197 million will be received by the Company from the client.
 - iv. This is based on the fact that the final milestones on the project are where the vast majority of the project revenue will be realised.
 - b. Solar Capital Loeriesfontein Project
 - i. On the Loeriesfontein project, 95% of the work has already been completed and the expenses incurred, however only R142 million of the R227 million project value has been paid to date.
 - ii. A further R20 million would have ensured that the project would have been completed, but this is now doubtful based on the fact that Solar Capital has incorrectly and illegally cancelled the project with the COMPANY.
 - iii. Between this day, being the 21 October 2022 and the 31 December 2022, it is believed that the outstanding R85 million will be received by the Company from the client for work already completed, of which R34 million has been confirmed by the client, in a voice recording, as due and payable to the COMPANY.
 - iv. The COMPANY has commenced litigation for recovery of the debt and believes that the Business Rescue Partitioner will be a strong position to make application for liquidation of Solar Capital and to ensure that the outstanding debt is recovered.
 - c. Other Debtors
 - i. The COMPANY is in a privileged to have an extensive debtor's book which includes major South African blue-chip companies, such as SASOL, Natref, ArcelorMittal etc, many of which are repeat and recurring customers.



- ii. These projects are profitable and with good payment terms which has historically balanced the cash flow position of the COMPANY.
 - iii. These customers will continue to support the COMPANY as evidenced by the R75 million solar project assigned to the COMPANY by SASOL on the 18 October 2022.
 - d. Equity Investor
 - i. The COMPANY has been in extensive negotiations with an equity partner.
 - ii. These negotiations have been completed and the investor is finalising the funding to complete this transaction.
 - iii. This will further improve the cash position within the COMPANY, and further benefit the creditors.
- 6. It is therefore believed that, should the COMPANY be afforded breathing space to structure its debts, the COMPANY would be able to pay its creditors over time, far more than what the creditors would receive should the COMPANY be placed in liquidation.
- 7. The placing of the COMPANY under the supervision of the Business Rescue Practitioner will grant the COMPANY a general moratorium on legal proceeding in order to enable the Business Rescue Practitioner to table a business rescue plan in cooperation with the affected persons.
- 8. Based on the above said, and as resolved by the Board of Directors of the COMPANY on the 21 October 2022, it was agreed to appoint the Business Rescue Practitioner as follows:
 - a. KGASHANE CHRISTOPHER MONYELA of MASIYE BUSINESS RECOVERY as the Senior Business Rescue Practitioner of record for the COMPANY
 - b. That this appointment is conditional on MASIYE BUSINESS RECOVERY appointing the EFFICIENCY GROUP, represented by MR ANTHONY CASEY as the turnaround specialist, to develop the Business Rescue Plan and to support the Business Rescue Process as required.
 - c. It was further resolved to agree the fees that the Practitioners are entitled to, in terms of remuneration (section 143 of the Companies Act) and that the remuneration is agreed as by agreement between the practitioner and the company will be as follows:
 - i. Senior Business Rescue Practitioner as partners of the Efficiency Group R2,000.00 per hour
 - ii. Junior Business Rescue Practitioner, BR Associates and the Efficiency Group Consultants R500.00 per hour.
 - iii. These fees will be invoiced and billed weekly
 - iv. All out of pocket costs will be invoiced monthly.




DEPONENT

REICHARD SNYMAN

THUS, signed and sworn at VAN DER BIJL PARK on the 21st day of
October 2022 after the deponent stated that:-

1. He knew and understood the contents hereof;
2. He had no obligation to taking the oath;
3. He considered the oath to be binding on his conscience


COMMISSIONER OF OATHS

LINDI VLIETSTRA
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