

# **MIRANDA COAL PROPRIETARY LIMITED**

Registration number 2007/011300/07  
Incorporated in the Republic of South Africa  
(the "**Company**")

---

## **PROPOSAL TO CREDITORS ("OFFER")**

---

The directors of the Company decided on 21 October 2014 to propose a settlement to the creditors of the Company in terms of section 155 of the Companies Act, 71 of 2008 ("The Offer"). This section in the Companies Act prescribes the information to be supplied to creditors in order to assist creditors to make an informed decision.

During the past 18 months the Company pursued the acquisition of a significant stake in the Nkomati Anthracite Mine, which has now failed. Many recapitalisation efforts made by the board also came to nothing. The result is that the Company incurred quite a significant amount of debt which it cannot settle as it becomes payable. Miranda Mineral Holdings Ltd (the "Holding Company") has been approached by a number of interested parties to reverse certain assets into the Holding Company. The Holding Company can only pursue such activities if it is able to restore solvency and liquidity to all its subsidiaries. The Company is the most significant investment held by the Holding Company and its liquidity is therefore very important for the Holding Company to pursue such transactions.

For this purpose the Board has decided to make the Offer to creditors. Details of the Offer and the information required by creditors to make an informed decision is set out below.

In summary the situation of the Company is that although it has quite a vast array of exploration and mining rights, none of those are near cash flow and all require substantial further investment. Under the circumstances where the Company does not have the liquidity to pay its creditors it will be liquidated, with the result that much of the prospective value of those prospecting and mining rights will have been lost. The Holding Company will also lose its JSE listed status and creditors will receive substantially less than what can be realised if the Company can continue with trading.

The board of directors therefore proposes to settle creditors with the issue of shares in the Holding Company at its current share price of 4 cents per share as set out below. This will

enable the Company and its Holding Company to proceed with business and acquire one of the assets currently being offered which can bring the Company into regular cash flow and pay a dividend. Creditors will then be able to sell their shares in the open market, maybe even at a profit and recover most, if not all of their claims.

## **PART A: BACKGROUND**

- (i) Attached as **Annexure A** is a complete list of all the material assets of the company, as well as an indication as to which assets are held as security by creditors as of the date of the proposal;
- (ii) Also attached as **Annexure B** is a complete list of the creditors of the company as of the date of the proposal, as well as an indication as to which creditors would qualify as secured, preferent and concurrent in terms of the laws of insolvency. This information is per the company records and none of the creditors have proven their claims;
- (iii) **Annexure C** shows the probable dividend that would be received by creditors, in their specific classes, if the company were to be placed in liquidation;
- (iv) The sole shareholder is Miranda Mineral Holdings Limited.
- (v) This proposal is made by the directors of the Company and does not include any proposal made informally by any creditor of the company.

## **PART B: PROPOSALS**

- (i) The nature and duration of any proposed debt moratorium.

The Debt Moratorium will be from 21 October 2014 being the date on which the board has taken the decision to propose the offer to creditors until 28 November 2014 being the date on which it is envisaged that the result of the offer will have been made an order of High Court and such order has been filed with the Commissioner of Companies and Intellectual Property ("Commissioner"). Should the application to the High Court be opposed or delayed for whatever

reason, the end-date of the debt moratorium will be extended to afford the Company the opportunity to complete its application to the High Court to pass the order to sanction the outcome of the meeting. During this period any application for judgement or liquidation of the Company will be opposed on the basis that the Company is in the process of making an offer to Creditors as set out herein.

- (ii) The extent to which the company is to be released from the payment of its debts, and the extent to which any debt is proposed to be converted to equity in the company, or another company.

The Company will be released from 100% of its debts as at 21 October 2014 and all of the creditors will be settled in terms of the Offer. The Offer entails the settlement of all creditors by the issue of shares in the Company as set out below.

- (iii) The treatment of contracts and ongoing role of the company.

All existing contracts will be maintained by the Company. The Company has had a number of offers from companies negotiating to sell their assets to the Company in exchange for the issue of shares. These negotiations are subject to the Company settling its Creditors by way of this Offer to ensure the Company is debt free at the time of such a transaction.

- (iv) The property of the company that is proposed to be available to pay creditors' claims.

None of the Company's mining and exploration assets have any prospect of being turned into cash in the short term and therefore none of the Company's assets will be utilised for the settlement of creditors. Creditors will however receive an equity share in the Holding Company that will trade pari-passu with all shares currently in issue.

- (v) The order of preference in which the proceeds of property of the company will be applied to pay creditors if the proposal is adopted.

All secured creditors will be paid 90 cents in the Rand of the secured portion of their claims. Payment will be made by the issue of ordinary shares of the Holding Company. The shares will become tradable 6 months after the date of issue of the shares.

All preferent creditors will be paid 95 cents in the Rand of the preferent portion of their claims. Payment will be made by the issue of ordinary shares of the Holding Company. The shares will become tradable 9 months after the date of issue of the shares.

All concurrent creditors will be paid 70 cents in the Rand of their claims. Payment will be made by the issue of ordinary shares of the Holding Company. The shares will become tradable 12 months after the date of issue of the shares.

Please refer to the administrative arrangements below for details on the issue and trading of the shares.

- (vi) The benefits of adopting the proposal as opposed to the benefits that would be received by creditors if the company were to be placed in liquidation.

Should the Company be liquidated, the creditors will wait at least two years to receive any dividend due to the extended time it will take the liquidator to sell the assets of the Company. The sale of mineral assets is a specialised and complicated process and subject to approval by the Minister of Minerals and Energy.

The benefit of this Offer is the fact that creditors should receive shares in settlement within a period of approximately 2 months.

### **PART C: ASSUMPTIONS AND CONDITIONS**

- (i) A statement of the conditions that must be satisfied, if any, for the proposal to come into operation and be fully implemented.

Once the Offer is accepted, the shareholders of the Holding Company will be required to approve the issue of the shares to be issued to creditors in terms of the Companies Act and the JSE Regulations. This approval will be sought in General Meeting of shareholders of the Holding Company within 90 days from the Meeting date.

The Offer is furthermore conditional on it being sanctioned by the court and that the outcome of the meeting is made an order of the court.

The Offer is further conditional on the order of the High Court being filed with the Commissioner.

- (ii) The effect, if any, that the plan contemplates on the number of employees and their terms and conditions of employment.

The Company has no full-time employees. Acceptance of this Offer will not have any impact on the number of employees or terms and conditions of employment.

- (iii) A projected balance sheet for the company and statement of income and expenses for the ensuing three years, prepared on the assumption that the proposal is accepted.

**Annexure D** sets out a projected balance sheet and statement of forecast income and expenses for the ensuing three years prepared on the basis that the proposal is accepted.

## **ADMINISTRATIVE ARRANGEMENTS**

A meeting of creditors has been arranged to be held on 13 November 2014 ("Meeting date"), the notice for which accompanies this Offer. Mr Hannes Gouws, an independent attorney, has been appointed as chairman ("Chairman") of this meeting. The Chairman will also submit the results of the meeting to the High Court to obtain an order to sanction the result of the meeting.

At least 24 hours before the meeting all creditors must submit and prove their claims to Mr Morrison Smit ("Receiver"), an independent Chartered Accountant, at 196 Raymond Avenue, Waterkloof Ridge, Pretoria, 0181, or e-mail to [admin@themakings.co.za](mailto:admin@themakings.co.za), who will evaluate and adjudicate the claims. The Receiver has the right to interrogate any claims and will approve the claims of creditors so accepted. The Receiver will within 30 days from the Meeting date prepare a final distribution account of approved claims and the number of shares to be issued for each creditor. This final distribution account will be available for inspection at the offices of the Receiver from 12 December 2014 to 19 December 2014. Any objections to the final distribution account must be lodged in writing to the Receiver on or before 19 December 2014. Once the final distribution account is not subject to objection, the Receiver will present the final distribution account to the Company Secretary for the issue of the shares. The Receiver will also oversee the process of the settlement of the creditors by the issue of shares. Should the creditors accept the Offer, the Company will present the details of the Offer to the Shareholders of the Company in General Meeting within 90 days of the meeting of creditors to approve the specific issue of shares to the creditors in settlement of their claims.

On approval by the shareholders, the Company Secretary will cause the share certificates to be issued in the name of the creditors per the final distribution account to the creditors whose claims have so been approved. The share certificates so issued will be held in trust by the Company Secretary until the date on which the shares can be traded. On that day the Company Secretary will forward such share certificates to the relevant creditors or act on their instructions for dematerialisation of the shares.

This proposal contemplated in this Offer will have been adopted by the creditors of the company, or the members of a relevant class of creditors, if it is supported by a majority in number, representing at least 75% in value of the creditors or class, as the case may be, present and voting in person or by proxy, at a meeting called for that purpose.

If the proposal is adopted as contemplated in this Offer the company will apply to the High Court for an order approving the proposal.

A copy of the order of the High Court sanctioning this Offer of compromise will be filed by the Company with the Commissioner within five business days.

Once sanctioned by the High Court and filed the Offer is final and binding on all of the company's creditors or all of members of the relevant class of creditors, as the case may be, as of the date on which it is filed.

An arrangement or a compromise contemplated in this Offer does not affect the liability of any person who is a surety of the Company to any such creditor.

**CERTIFICATE BY AN AUTHORISED DIRECTOR**

I, Michael Dennis Cook, in my capacity as director of the Company, duly authorised thereto state that any factual information provided in this Offer appears to be accurate, complete, and up to the date; and projections provided are estimates made in good faith on the basis of factual information and assumptions as set out in the statement.

**MD COOK**

**21 October 2014**

**MIRANDA COAL (PTY) LTD****ANNEXURE A****ASSETS**

	<b>BOOK VALUE</b>	<b>RECOVERABLE AMOUNT</b>
	<b>Rand</b>	<b>Rand</b>
<b>Fixed assets</b>	<b>250 002.00</b>	<b>226 000.00</b>
Motor Vehicles	250 000.00	220 000.00
Computer Equipment	1.00	3 000.00
Office Equipment	1.00	3 000.00
<b>Investments</b>	<b>4 130 109.23</b>	<b>12 653 440.77</b>
Street Spirit Trading 54 (Pty) Ltd	647 003.23	10 000 000.00
Sesikhona Klipbrand Colliery (Pty) Ltd	829 595.23	-
Applewood Trading 3 (Pty) Ltd	768 514.63	768 514.63
Nugu Trading 695 (Pty) Ltd	725 111.57	725 111.57
Point Blank Trading 104(Pty) Ltd	383 187.57	383 187.57
Dwalalamadwala Mining Resources (Pty) Ltd	65.00	65.00
Central Lake Trading (Pty) Ltd	40.00	40.00
Majestic Silver Trading 348 (Pty) Ltd	176 522.00	176 522.00
Citygraph (Pty) Ltd	150 000.00	150 000.00
Ocean Crest Trading 24 (Pty) Ltd	150 000.00	150 000.00
Rendiphor (Pty) Ltd	150 000.00	150 000.00
Almenta 122 (Pty) Ltd	150 000.00	150 000.00
Framica (Pty) Ltd	70.00	-

<b>Loans</b>	<b>32 849 353.78</b>	<b>11 867 313.66</b>
Sesikhona Klipbrand Colliery (Pty) Ltd	25 982 040.12	5 000 000.00
Dwalalamadwala Mining Resources (Pty) Ltd	1 123 001.73	1 123 001.73
Street Spirit Trading 54 (Pty) Ltd	2 529 685.01	2 529 685.01
Applewood Trading 3 (Pty) Ltd	1 295 283.96	1 295 283.96
Lauraville Mynbou (Pty) Ltd	2 500.00	2 500.00
Nugu Trading 695 (Pty) Ltd	318 779.89	318 779.89
Point Blank Trading 104(Pty) Ltd	603 820.77	603 820.77
Majestic Silver	994 242.30	994 242.30
<b>Cash on hand</b>	<b>195 773.69</b>	<b>195 773.69</b>
FNB - Current account	192 273.69	192 273.69
Petty cash	3 500.00	3 500.00
<b>Claims</b>	<b>37 416.71</b>	<b>37 416.71</b>
Deposit Eskom - Cultural Village	13 611.23	13 611.23
Deposit Max Props Dundee	5 985.00	5 985.00
Vat / Tax Control Account	17 820.48	17 820.48
	<b>37 462 655.41</b>	<b>24 979 944.83</b>

**MIRANDA COAL (PTY) LTD  
CREDITORS**

**ANNEXURE B**

	Rand	Secured	Preferent	Concurrent
<b>Loans</b>	<b>67 428 733.19</b>	<b>215 183.99</b>	<b>-</b>	<b>67 213 549.20</b>
Loan Framica (Pty) Ltd	1 284 327.32			1 284 327.32
Loan: Miranda Mineral Holdings Ltd	62 184 277.03			62 184 277.03
Loan: Miranda Minerals (Pty) Ltd	450 695.49			450 695.49
Loan: Central Lake Trading	40.00			40.00
Surety claim - J Wallington	2 757 279.13			2 757 279.13
Surety claim - L Lipschits	536 930.23			536 930.23
Wesbank 85193669436	215 183.99	215 183.99		
<b>Directors fees and salaries</b>	<b>130 802.30</b>	<b>-</b>	<b>99 802.30</b>	<b>31 000.00</b>
PAYE UIF & OLD Control	46 455.74		46 455.74	-
Leave Provision	84 346.56		53 346.56	31 000.00
<b>Suppliers</b>	<b>3 067 877.03</b>	<b>405 866.50</b>	<b>-</b>	<b>2 662 010.53</b>
Big Rock Engineering	37 431.78			37 431.78
Cabanga Concepts	175 039.75			175 039.75
CM Minnaar	152 520.00			152 520.00
Couzyn Hertzog Attorneys	9 883.50			9 883.50
Shepstone & Wylie	113 299.80			113 299.80
Gerhard Mulder Geotechnical	6 840.00			6 840.00
PC Meyer	291 441.00			291 441.00
Sound Mining House	152 874.00			152 874.00
VBKom Consulting	100 172.80			100 172.80
DORMEHL PROPERTY GROUP DUNDEE	31 600.80	31 600.80		
ENDUMENI MUNICIPALITY	24 634.38			24 634.38
ESKOM	22 221.34	22 221.34		
F E AMOD	137 500.00			137 500.00
LIBERTY GROUP LTD	352 044.36	352 044.36		
Postnet	330.00			330.00
Rentokil	6 079.66			6 079.66
Royal country	2 326.60			2 326.60
TELKOM	7 066.51			7 066.51
Miranda Support Services	1 444 570.75			1 444 570.75
	<b>70 627 412.52</b>	<b>621 050.49</b>	<b>99 802.30</b>	<b>69 906 559.73</b>

**ANNEXURE C**

**MIRANDA COAL (PTY)  
LTD**

**LIQUIDATION  
CALCULATION**

	<b>Recoverable value</b>	<b>Liquidation values</b>	<b>Applied to liquidation and auctioneer fees</b>	<b>Applied to secured creditors</b>	<b>Applied to preferent creditors</b>	<b>Applied to concurrent creditors</b>
<b>Assets</b>						
Fixed assets	226 000.00	204 000.00	40 800.00	158 400.00		4 800.00
Investments	12 653 440.77	5 153 440.77	1 030 688.16	0		4 122 752.62
Loans	11 867 313.66	8 867 313.66	886 731.37	0		7 980 582.29
Cash	195 773.69	195 773.69	15 661.90	0	99 802.30	80 309.49
Claims	37 416.71	37 416.71	3 741.67	19 596.23		14 078.81
<b>Total</b>	<b>24 979 944.83</b>	<b>14 457 944.83</b>	<b>1 977 623.09</b>	<b>177 996.23</b>	<b>99 802.30</b>	<b>12 202 523.21</b>
<u>Application of funds</u>						
Creditors				621 050.49	99 802.30	69 906 559.73
Transfer to concurrent				-443 054.26		443 054.26
				<b>177 996.23</b>	<b>99 802.30</b>	<b>70 349 613.99</b>
<b>Cents in the Rand</b>				<b>29</b>	<b>100</b>	<b>17</b>

## MIRANDA COAL (PTY) LTD

STATEMENT OF FINANCIAL POSITION  
AFTER THE COMPROMISE

	<u>Rand</u>
<b>ASSETS</b>	
Non-current assets	39 827 574
Property Plant and Equipment	58 616
Intangible assets	4 073 863
Investments in subsidiaries	3 361 555
Investments in associates	768 515
Loans to subsidiaries	31 565 026
Current assets	241 188
Trade and other receivables	91 870
Cash and cash equivalents	149 318
<b>Total assets</b>	<b><u><u>40 068 762</u></u></b>
<b>EQUITY AND LIABILITIES</b>	
Equity	-9 395 377
Share capital	100
Retained earnings / (Accumultated loss)	-9 395 477
Liabilities	49 464 139
Loan from shareholder	49 464 139
<b>Total equit and liabilities</b>	<b><u><u>40 068 762</u></u></b>

**FORECAST STATEMENT OF  
COMPREHENSIVE INCOME**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Revenue	16 222 192	15 500 000	20 000 000
Expenses	1 050 746	1 080 000	1 200 000
Net profit before tax	15 171 446	14 420 000	18 800 000
Taxation	1 617 271	4 037 600	5 264 000
Retained income	13 554 175	10 382 400	13 536 000

**Assumptions**

1. Subsidiaries obtain funding to complete projects
2. Revenue is only based on interest on loans from subsidiaries
3. Expenses are based on maintaining the current cost structure with inflation.
4. No additional income from additional cash generating assets to be acquired is included