

# LETSEMA

23 March 2021

The Directors  
Mine Restoration Investments Limited  
1st Floor St James Office Park  
76 Concorde Road East  
Bedfordview  
Gauteng

**Dear Sirs,**

**INDEPENDENT FAIRNESS OPINION IN RESPECT OF A LOAN AGREEMENT BETWEEN MINE RESTORATION INVESTMENTS LIMITED (“MRI” OR “THE CLIENT”) AND LANGPAN MINING CO (PTY) LTD (“LANGPAN”) DATED 1 SEPTEMBER 2018 (“THE TRANSACTION”, THE “LOAN AGREEMENT”)**

## **INTRODUCTION**

We have been appointed by the Board of Directors (“Board”) to advise the shareholders of Mine Restoration Investments Limited (“MRI”) whether, in our opinion, the terms of the Loan Agreement are fair to the shareholders of MRI.

MRI has been listed on the Alternative Exchange of the JSE since 2012.

Langpan is a shelf company which was incorporated in 2017 for the purposes of acquiring the mining assets and accordingly has not yet commenced trading. Langpan intended to mine and process chrome ore to form chrome concentrate, with a by-product having a high concentration of Platinum Group Metals.

In August 2018, Langpan acquired the mining rights of Memor Mining as well as the business assets of Memor Marketing (hereon referred to the “Langpan Transaction”). The total cash consideration was R29 252 622.00 and R83 300 000 for the mining right and business assets respectively. As part of this transaction and in a separate agreement, MRI agreed to advance an amount of R3 000 000.00 for the purpose of covering the costs, fees and expenses of executing the Langpan Transaction. In addition, the loan was to be used to cover the operating expenses and working capital requirements of Langpan.

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The terms of the loan were as follows:

- Term: 364 days from inception date;
- Interest rate during the term: Prime plus 8%;
- No specific repayment terms;
- Inception date: 01 October 2018;
- Maturity date: 30 September 2019; and
- Interest rate after maturity date: Prime plus 12%.

The most recent information provided to LCF shows an amount of R1,799,251.62 which is still outstanding on the loan.

The Transaction involves related parties as two directors of MRI, namely Mr MJ Miller and Mr A Collins, are also directors of a 29.6% shareholder of Langpan and another director of MRI is also a director of an 8.5% shareholder of Langpan (the "Related Parties"). This transaction is classified as a small, related party transaction in terms of section 10.7 of the JSE Listings Requirements. As such, the Board is required to obtain a fairness opinion from an independent expert, prepared in accordance with Schedule 5 of the JSE Listings Requirements.

## **EXPLANATION OF THE TERM 'FAIR'**

The term 'fair' is defined in Schedule 5 of the JSE Listings Requirements as being primarily based on quantitative issues. Therefore, the Loan Agreement would be considered fair to the MRI shareholders if the terms of the Loan Agreement are equal to or more favourable to MRI than market related terms on comparable loans.

## **ASSUMPTIONS**

We arrived at our opinion based on the following assumptions:

- That reliance can be placed on the unaudited management accounts of Langpan for the 10 months ended 31 December 2020;
- That reliance can be placed on the signed loan agreement between MRI and Langpan as signed on 1 September 2018;
- That reliance can be placed on the detailed loan schedule provided by management;
- That reliance can be placed on the forecast financial information for Langpan up to 30 April 2027 as provided by management; and
- That there will be no material changes to the market, regulatory and trading conditions as they currently exist.

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## **SOURCES OF INFORMATION**

In the course of our analysis, we relied upon financial and other information, including financial information obtained from management together with industry related and other information available in the public domain. Our conclusion is dependent on such information being accurate in all material respects.

The principal sources of information used in formulating our opinion regarding the Loan Agreement include:

- Information and assumptions made available by and from discussions held with management of MRI and Langpan;
- Unaudited management accounts of Langpan as processed up to 25 January 2021;
- The signed loan agreement between MRI and Langpan as signed on 1 September 2018;
- Detailed loan schedule showing accrued interest together with loan repayments made up to 6 October 2020;
- Forecast financial information for Langpan up to 30 April 2027 as provided by management; and
- Publicly available information relating to MRI and Langpan and other competitors in this sector that we deemed to be relevant, including company announcements.

We obtained the information through:

- Conducting interviews with management and / or advisors;
- Extracting information from the internet and the press.

We satisfied ourselves as to the appropriateness and reasonableness of the information with reference to:

- Conducting interviews with management;
- Obtaining corroborating evidence from independent data sources; and
- Analytical review of the information provided.

## **LIMITING CONDITIONS AND RELATED PARTY RELATIONSHIPS**

We have relied upon the accuracy of information provided to us or otherwise reviewed by us, for the purposes of this opinion, whether in writing or obtained through discussion with the management of Langpan and MRI. We express no opinion on this information.

There were no limiting conditions, or any restrictions of scope imposed by the client whilst this opinion was being prepared.

Our opinion is based on current economic, regulatory, market as well as other conditions. Subsequent developments may affect this opinion, which we are under no obligation to update, review or re-affirm.

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This letter and opinion are provided solely for the benefit of the shareholders of MRI in connection with and for the purposes of their consideration of the terms of the loan agreement between MRI and Langpan.

## **INDEPENDENCE**

We confirm in terms of Schedule 5 of the JSE Listings Requirements there is no relationship between Letsema Corporate Finance (Pty) Ltd ("LCF") and any other parties involved in the MRI and Langpan. LCF has no shares in MRI, or any other party involved in the Langpan Transaction. LCF's fee in respect of this opinion is not payable in MRI shares and is not contingent or related to the outcome of the loan agreement between MRI and Langpan.

Each shareholder's individual decision may be influenced by such shareholder's particular circumstances and accordingly each shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the loan agreement between MRI and Langpan.

## **PROCEDURES**

In order to assess the fairness of the terms and conditions relating to the Transaction, we have performed, amongst others, the following procedures:

- Considered information made available by and from discussions held with management of MRI and Langpan;
- Considered the terms of the loan granted to Langpan by MRI;
- Reviewed the unaudited annual financial statements of Langpan as processed up to 25 January 2021;
- Reviewed the signed loan agreement between MRI and Langpan dated 1 September 2018;
- Reviewed detailed loan schedule showing accrued interest together with loan repayments made up to 25 January 2021;
- Reviewed the forecast financial information for Langpan up to 30 April 2027 as provided by management;
- Based on the forecasts provided by management, assessed the ability of Langpan to repay the related party loan;
- Reviewed the terms loans owed by JSE listed mining companies involved in the mining of chrome. The comparable terms were adjusted for differences in risk profiles between the comparable loans and Langpan loan; and
- Compared the adjusted loan terms, on amounts owed by the JSE listed companies mentioned above, to those of the Loan Agreement.

We believe the above procedures commercially justify the conclusion outlined below.

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## **CONFIRMATION OF METHODOLOGY**

We confirm that we have compared the terms of the Loan Agreement to the risk adjusted terms of loans owed by JSE Listed companies involved in the mining of Chrome.

The assessment was performed taking cognisance of Langpan's current and planned operations as well as other market factors affecting these operations at the time of this letter. The terms the Loan Agreement were then compared to market related terms based on our research.

## **OPINION**

We have considered the terms and conditions of the Loan Agreement, and based upon, and subject to the foregoing, we are of the opinion that the terms thereof are fair to the shareholders of MRI.

## **CONSENT**

We hereby consent to the inclusion of this letter in an announcement to the shareholders of MRI in terms of the JSE Listings Requirements.

Yours faithfully



**Rowan McDonald**  
**Director**  
**Letsema Corporate Finance (Pty) Ltd**  
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**34 Melrose Boulevard**  
**Melrose Arch**