
**Business Rescue Proceedings Update - Report delivered to all known
Affected Persons**

In terms of Section 132 (3) (a) of Chapter 6 of the Companies Act 71 of 2008

In relation to

Avedia Energy (PTY) LTD (in business rescue)

REGISTRATION NUMBER: 2003/023054/07

Prepared by

Alison Timme

As Business Rescue Practitioner

31 August 2021

1. **Introduction**

1.1. This report is issued by the Business Rescue Practitioner in terms of section 132(3) (a) and (b)(ii) of the Companies Act 71 of 2008 ("Act") (the "Report") and delivered in accordance thereto to all known Affected Persons.

2. **Business Rescue Proceedings**

2.1. On 25 February 2020, Avedia Energy Pty Ltd (the "Company" or "Avedia") was placed under business rescue pursuant to a court order ("the Court Order") on this date;

2.2. Alison Timme was appointed as interim practitioner pursuant to the Court Order on 25 February 2020;

2.3. On 09 March 2020, Avedia instituted an application for leave to appeal the Court Order, thereby suspending the business rescue proceedings of Avedia and the interim appointment of Alison Timme;

2.4. The Western Cape High Court dismissed the application for leave to appeal on 19 March 2020;

2.5. On 26 March 2020, Avedia petitioned the Supreme Court of Appeal ("the SCA"), again suspending proceedings and the interim appointment of Alison Timme;

2.6. The petition to the SCA was dismissed on 14 August 2020;

2.7. On 26 August 2020, Avedia made application to the President of the SCA for a reconsideration of the dismissal of the petition ("the application for reconsideration");

2.8. The application for reconsideration was subsequently withdrawn on 1 September 2020 but replaced with Avedia petitioning the Constitutional Court for leave to appeal on the same date, thereby again suspending proceedings and the interim appointment of Alison Timme;

2.9. The leave to appeal was dismissed by the Constitutional Court on 2 November 2020, thereby lifting the suspension of proceedings and the suspension of Alison Timme's interim appointment;

2.10. Alison Timme's appointment as Business Rescue Practitioner was ratified by creditors at the section 147 meeting on the 18th of November 2020.

2.11. A summary of proceedings and main steps undertaken by the Business Rescue Practitioner in accordance with her statutory obligations are set out in the table below:

Event	Date
Court order to commence Business Rescue	25 February 2020
Alison Timme appointed as interim Business Rescue Practitioner	25 February 2020
Avedia institutes leave to appeal court order	09 March 2020
Western Cape High Court dismisses the application for leave to appeal	19 March 2020

Avedia petitions the SCA	26 March 2020
Petition to the SCA dismissed	14 August 2020
Avedia makes application to the President of the SCA for reconsideration	26 August 2020
Application for reconsideration withdrawn	1 September 2020
Avedia petitions the Constitutional Court for leave to appeal	1 September 2020
Constitutional Court dismisses leave to appeal	2 November 2020
Commencement of Business Rescue Proceedings	2 November 2020
Holding of first creditors meeting (Section 147)	18 November 2020
Holding of first meeting of employees/representatives (Section 148)	18 November 2020
Alison Timme's appointment as Business Rescue Practitioner ratified by creditors	18 November 2020
Consent received for extension of the publication of the BR Plan (Section 150(5)(b)) and business rescue proceedings on 7 December 2020 to 26 February 2021	26 February 2021 (extension date)
Consent received for extension of the publication of the BR Plan (Section 150(5)(b)) and business rescue proceedings on 24 February 2021 to 30 April 2021	30 April 2021 (extension date)
Issue of First Update Report (Section 132(3)(a))	26 February 2021
Cylinder filling operations to be recommenced once remedial action is completed within the next 2 weeks.	29 March 2021
Engineers have been consulted to do a technical analysis on the remaining requirements in relation to the pipeline interconnection. TNPA meeting to be held on the 7 th of April 2021.	30 March 2021
Issue of Second Update Report (Section 132(3)(a))	31 March 2021
Commencement of Cylinder filling operations at the Airport site.	9 April 2021
Interconnection Technical meeting held with the TNPA and Sunrise Energy. Engineers to continue working on the technical aspects in relation to the pipeline interconnection and flow meter.	15 April 2021
Consent received for extension of the publication of the BR Plan (Section 150(5)(b)) and business rescue proceedings on 30 April 2021 to 30 June 2021	30 June 2021 (extension date)
Issue of Third Update Report (Section 132(3)(a))	30 April 2021
Further remedial action undertaken to restart gas storage facility in Saldanha Bay	9 May 2021
Offers received from interested parties, negotiations and due diligences are under way.	14 May 2021
Short term storage and filling contract entered into to generate operational income	14 May 2021
Bulk gas purchase made to further operations at the Airport site.	27 May 2021
Issue of Fourth Update Report (Section 132(3)(a))	31 May 2021
Issue of Fifth Update Report (Section 132(3)(a))	29 June 2021
Issue of Sixth Update Report (Section 132(3)(a))	29 July 2021
Request for extension of the publication of the BR Plan (Section 150(5)(b)) and business rescue proceedings to 31 August 2021	29 July 2021 (request date)

Request for extension of the publication of the BR Plan (Section 150(5)(b)) and business rescue proceedings to 30 September 2021	30 August 2021 (request date)
Issue of Seventh Update Report (Section 132(3)(a))	31 August 2021

2.12. The BRP continues to oversee operational activities in line with her statutory obligations. The actions that have been taken in line with this pursuit include *inter alia*:

- 2.12.1. Securing of Post Commencement Finance;
- 2.12.2. Convening of statutory meetings;
- 2.12.3. Managing liquidity and expenditure;
- 2.12.4. Creditors claim assessment;
- 2.12.5. Evaluation of secured claims and available unencumbered assets for securing further funding;
- 2.12.6. Renewal of insurance;
- 2.12.7. Facilitation of salaries and wages payments;
- 2.12.8. Facilitation of other critical operational activities and payments;
- 2.12.9. Engagement of tax consultants to assist with tax compliance;
- 2.12.10. Appointment of technical industry specialist;
- 2.12.11. Investigation into health and safety protocols of both plants;
- 2.12.12. Halting of bottling operations to address health and safety/regulatory noncompliance (this has now largely been resolved and trading is expected to recommence shortly);
- 2.12.13. Commencement of remedial action and facilitation thereof;
- 2.12.14. Finalisation of discussions with stakeholders in respect of business rescue exit options (finalisation of current offers for the purposes of publishing a business rescue plan);
- 2.12.15. Concluding of a short-term storage and filling contract to generate operational income;
- 2.12.16. Discussions with technical engineers to assist with the interconnection with the Sunrise pipeline; and
- 2.12.17. Recommencement of cylinder filling operations at the Airport and Saldahna sites and advancement of short-term contracts in this regard to generate cash.

2.13. In addition to the above, the BRP has had to undertake extensive work alongside staff to update the accounting records (financial statements, taxation, management accounts, creditor and debtor records), as well as ensuring all tax and related compliance. This has taken substantially longer than originally anticipated, however:

- 2.13.1. Management accounts and creditor listings have been finalised (barring outstanding claims which we are requesting creditors to now urgently submit); and
- 2.13.2. Remaining outstanding returns and tax related reconciliations and finalisation of the position with SARS' representatives.

2.14. The estimated liquidation outcome work was delayed due to the incomplete accounting records but has now commenced and will be finalised as soon as possible (this being a

prerequisite and required component in the published business rescue plan). Valuation inputs for this liquidation calculation is also underway.

3. Funding of the business rescue

- 3.1. Post commencement financing (“PCF”) of R5 million have been secured to date.
- 3.2. Costs of the business rescue to date amount to circa R5.9 million, and include:
 - 3.2.1. BRP fees and BRP legal consultation fees, BRP advisor’s fees and insurance.
 - 3.2.2. Monthly operational costs;
 - 3.2.3. Remedial actions costs;
 - 3.2.4. Tax compliance costs;
 - 3.2.5. Employee costs; and
 - 3.2.6. Other ad hoc required payments.
- 3.3. The BRP had secured an additional tranche of PCF from the shareholder; this was however not advanced. The BRP has sought to manage liquidity accordingly (hence a short delay in some of the work needed to finalise the business rescue plan) and thereafter exit the rescue as soon as possible especially given the current funding pressures.

4. Finalisation of deal options and drafting of a business rescue plan

- 4.1. Discussions with interested parties have been substantially progressed in the past month:
 - 4.1.1. Whilst due to confidentiality the various potential interested parties and stakeholders cannot at this stage be disclosed, the BRP has focused on agreeing a deal for the purposes of presenting such a proposal in a business rescue plan;
 - 4.1.2. A deal has in principle been concluded and a term sheet now agreed between the BRP (on behalf of Avedia) and the majority shareholder. The BRP is awaiting final comments on and approval of the term sheet from the counter-party which are expected this week and for which a deadline of 1 September 2021 was sought. The BRP however remains dependent on all parties to reach agreement within the requested time frames, this in turn being dependent on their respective Investment Committee approval processes and timelines;
 - 4.1.3. A rescue plan has been drafted and reflects the above referred to proposal;
 - 4.1.4. Additional inputs (mandatory by law) from third parties are required as inputs to the business rescue plan which are awaited and now expected within the second week of September; and
 - 4.1.5. Delays were experienced due to a number of factors including availability of financial information and funding, but which have now largely been resolved.
- 4.2. The BRP has also been advised that a further offer(s) will be submitted. The BRP will assess such offer(s) as applicable and include such a proposal(s) in the business rescue plan if considered feasible. Such pending offers have and will not delay the publication of the plan.

5. **Sunrise Energy and interconnection pipeline**

5.1. Discussions with Sunrise Energy (and the TNPA) in respect of the potential interconnection pipeline have progressed but remain ongoing.

5.2. Alternative options continue to be explored in this context but are not expected to be concluded on prior to the publication of a business rescue plan.

6. **Publication of the Business Rescue Plan and Section 151 voting meeting**

6.1. Given the ongoing discussions and evaluation of proposals, a further short extension for the publication of the business rescue plan until 30 September was requested (we expect to be able to publish a plan earlier than this if all current time frames by third parties are met).

7. **Conclusion**

7.1. In light of progressing discussions with potential interested parties and the receipt of two non-binding offers (and a third expected shortly) alongside the securing of PCF, the BRP remains of the view that there is still reasonable prospect to rescue the company;

7.2. Further updates to the process will follow in due course.

Yours sincerely

Alison Timme

Appointed Business Rescue Practitioner

SENT ELECTRONICALLY