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4 August 2025

**MANGO AIRLINES SOC LIMITED (in business rescue)**

**Registration Number 2006/018129/30**

**("Mango" or "the Company")**


**Attention:** All Affected Persons

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## **REPORT ON STATUS OF THE BUSINESS RESCUE PROCEEDINGS AND PROPOSAL TO AMEND THE BUSINESS RESCUE PLAN**

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### **1 INTRODUCTION**

- 1.1 The purpose of this circular is to provide affected persons with an update on the status of the business rescue proceedings ("**Proceedings**"), particularly in light of the current litigation involving Aviation Co-ordination Services Proprietary Limited ("**ACS**"), the failure of the Investor Process under the present adopted Plan and whether the business rescue practitioner ("**BRP**") continues to hold the view that there is a reasonable prospect for rescuing the Company.
- 1.2 This circular will accordingly address the following, as set out hereunder:
- 1.2.1 A summary of the adopted business rescue plan ("**Plan**") of the Company, including the Investor Process;
- 1.2.2 The Offer by the Investor in the implementation of the Plan;
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- 1.2.3 The application submitted in terms of section 54 of the Public Finance Management Act 1 of 1994 (“**PFMA**”) and litigation against the former Minister of Public Enterprises and National Treasury;
- 1.2.4 The cancellation of the Company’s licences;
- 1.2.5 The proposed restructured business model and Term Sheet concluded with the Investor;
- 1.2.6 Post-judgment engagements with the Investor;
- 1.2.7 Update on the Company’s current financial position;
- 1.2.8 Why business rescue continues to offer a better outcome than an immediate liquidation;
- 1.2.9 Demonstrable value already achieved through the business rescue process; and
- 1.2.10 The way forward: an amended business rescue plan.

## 2 **A SUMMARY OF THE PRESENT ADOPTED BUSINESS RESCUE PLAN**

- 2.1 The adopted Plan, as it presently stands, provides for an “Investor Process”, failing which a “Structured Wind Down”.
- 2.2 In terms of the Investor Process, the Plan provides *inter alia* that:
  - 2.2.1 the Company pays the residue of the funds injected by the Shareholder (net of Employee Claims and restructuring costs) to Concurrent Creditors, in part settlement of their Claims (at the time estimated at 4.43 cents in the Rand);
  - 2.2.2 all of the shares in the Company being sold to an investor for nominal consideration;
  - 2.2.3 the investor subscribing for additional shares in the Company so that there are funds available in the Company to ensure that:
    - 2.2.3.1 the Concurrent Creditors (save for SARS and the creditors in respect of the Unflown Ticket Liability) will be paid a "top up" settlement payment for their Claims in addition to the payment referred to above;
    - 2.2.3.2 SARS will be paid its pro-rata equivalent to the payment received by other Concurrent Creditors, whereafter the remaining SARS debt will be compromised through settlement/expunged; and

2.2.4 on payment to the Creditors, all of the remaining balance of the Claims of the remaining Concurrent Creditors are ceded to the Investor at face value thereof but for nominal consideration; and

2.2.5 all creditors in respect of the Unflown Ticket Liability (“**UTL**”) will be issued vouchers for the value of their Claims to be redeemed over a maximum period of 12 months from a date determined with reference to the resumption of operations of the Company.

3 The Plan provides that in the event that an Investor was not secured and the Company was not able to continue trading for whatever reason, the Proceedings will be converted into a Structured Wind Down.

#### 4 **THE OFFER BY THE INVESTOR IN THE IMPLEMENTATION OF THE PLAN**

4.1 On 25 August 2022, Silver Peach Marketing Proprietary Limited (trading as AfricaStay) submitted an Offer, as contemplated in the Investor Process. The key terms of the Offer (“**Proposed Transaction**”) can be summarised as follows:

4.1.1 The offer was made on behalf of a new company, which would be registered for purposes of this transaction. The new company was since registered as Ubuntu Air Services Proprietary Limited (“**Ubuntu Air**”).

4.1.2 The Investor would purchase all of the shares of South African Airways SOC Limited (“**SAA**”) for a nominal amount of R1,000.00.

4.1.3 The Investor would then subscribe for further shares in the Company after the transfer of the shares of SAA, for R1,000,000,00, which funds will be used by the Company to pay an additional “top-up” payment to creditors.

4.1.4 The aircraft engine owned by the Company would be sold (value estimated then at USD2,500,000.00) and 95% of the proceeds released for payment of a further “top-up” payment to the creditors of the Company.

4.1.5 The Investor would assume liability for the UTL.

4.2 Proof of funding was attached to the Offer, reflecting available funds in excess of R120 million to provide for the start-up capital and future working capital aligned to the Investor's envisaged start-up plan.

- 4.2.1 The Offer was based upon approvals being obtained including *inter alia* from the Minister of Public Enterprises in terms of section 54 of the PFMA, the Air Services Licensing Council ("**ASLC**") and the South African Civil Aviation Authority in regard to the Air Operator Certificate ("**AOC**").
- 4.2.2 It was contemplated that approximately 150 employees of the Company, inclusive of management, flight deck, cabin crew, support staff (head office) and ground personal would be re-employed.
- 4.2.3 Dependant on regulatory approvals, the implementation timeframes was to be around 3 to 6 months.
- 4.2.4 The Offer was subject to conditions precedent including a limited due diligence.
- 4.3 The Offer was accepted by the BRP on 26 August 2022.
- 4.4 During the implementation of the Investor Process, the aircraft engine was sold for USD5,125,000.00 on 19 May 2023.

## 5 APPLICATION SUBMITTED IN TERMS OF SECTION 54 OF THE PFMA AND LITIGATION AGAINST THE FORMER MINISTER OF PUBLIC ENTERPRISES AND NATIONAL TREASURY

- 5.1 As the Company is a wholly owned subsidiary of SAA, the disposal of SAA's shareholding in the Company, as contemplated in the Plan, required ministerial approval in terms of section 54(2)(c) of the PFMA. The transaction accordingly triggered various oversight and governance requirements, including approval by the former Minister of Public Enterprises ("**Minister**") and notification to National Treasury.
- 5.2 An application in terms of section 54(2)(c) of the PFMA ("**Section 54 Application**"), incorporating all relevant details of the proposed transaction, was submitted to the Minister on 29 September 2022 and on 5 October 2022. Following this submission, a series of written exchanges ensued between the Minister, SAA, and the BRP, particularly regarding concerns raised by SAA in relation to the application.
- 5.3 In light of the Minister's failure to make a decision on the Section 54 Application, the BRP instituted legal proceedings seeking *inter alia* an order directing the Minister to make a decision and to communicate such decision to the Company and SAA, together with the reasons for such decision as

required in law. The BRP further sought an order that, failing compliance, SAA and the Company would be entitled to assume that the application had been approved by operation of section 54(3) of the PFMA.

5.4 The matter was heard on an opposed basis in the High Court of South Africa on 29 and 30 May 2023, and judgment was handed down on 6 September 2023.

5.5 The Court *inter alia*:

5.5.1 declared, that the Minister's failure to make a decision in respect of the Section 54 Application was unlawful and constitutionally invalid;

5.5.2 declared that the Minister's failure to determine the Section 54 Application was reviewed and set aside; and

5.5.3 directed the Minister to make a decision on the Section 54 Application and to communicate the decision to the BRP and SAA within 30 days of service of the court order, together with reasons for the decision, failing which the BRP and SAA would be entitled to assume that the Section 54 Application had been approved by operation of section 54(3) of the PFMA.

5.6 The Minister subsequently applied for leave to appeal to the High Court and then to the Supreme Court of Appeal, both of which were unsuccessful. The Supreme Court of Appeal dismissed the Minister's application for leave to appeal on 14 March 2024. By that time, the BRP was lawfully entitled to assume that the Section 54 Application had been approved by operation of section 54(3) of the PFMA, which assumption was formally confirmed in a letter to the Minister dated 31 January 2024.

5.7 Regrettably, the litigation necessitated against the Minister resulted in substantial delays in the implementation of the Plan.

## 6 CANCELLATION OF THE COMPANY'S LICENCES

6.1 On 3 February 2023, the International Air Services Council ("IASC") resolved to cancel the Company's international air service licences with immediate effect. This decision was formally communicated to the BRP by way of a letter dated 5 February 2023.

6.2 On 15 November 2024, the ASLC similarly issued a letter to the BRP, advising of its decision to cancel the Company's domestic air service licences with immediate effect.

6.3 The Offer by the Investor was premised on regulatory approvals, including those relating to the Company's licences and AOC, being retained, particularly in view of the Investor's plans to resume operations. The decisions of the IASC and ASLC necessitated that the BRP and the Investor consider and evaluate alternative solutions to address the setback arising from the cancellation of the licences and the resulting impact on the Investor's operational plans. It was, however, equally imperative that any such alternatives remain consistent with the restructuring objectives outlined in the Plan.

## 7 PROPOSED RESTRUCTURED BUSINESS MODEL AND TERM SHEET CONCLUDED WITH THE INVESTOR

7.1 Following a reassessment of the assumptions underpinning the Offer submitted by the Investor, and in light of the cancellation of the AOC and operating licences, the Investor proposed a revised business model from that initially contemplated and which was to facilitate the recommencement of operations through a revised platform.

7.2 The key terms of the revised business model were:

7.2.1 Ubuntu Air would acquire the shares in the Company currently held by SAA for a nominal amount of R1,000.00;

7.2.2 following the acquisition, the Company would remain in business rescue but will become a privately owned entity;

7.2.3 the Investor would partner with an entity that holds a valid AOC, aircraft, and operational personnel ("**JV Partner**");

7.2.4 the JV Partner would operate flights under the "Mango" brand, with the Investor initiating operations accordingly;

7.2.5 from month six of the resumption of operations, affected unflown ticket holders will be permitted to redeem their vouchers and be flown on services operated by the Investor; and

7.2.6 the BRP would make distributions to creditors, consequent upon resolution of the litigation with ACS.

7.3 Affected persons are invited to note that this proposed structure was designed to preserve the commercial value of the Mango brand while providing a pathway for the resolution of UTL obligations and the conclusion of the Proceedings.

7.4 Following engagements on the new business model, the BRP and Investor concluded a Term Sheet on 10 March 2025. The transaction contemplated in the Term Sheet would be implemented in two indivisible phases:

#### 7.4.1 PHASE 1: TRANSFER OF SHARES

7.4.1.1 Conclusion of a Share Sale Agreement between the Ubuntu Air, SAA and the Company in terms of which Ubuntu Air would acquire SAA's shares in the Company for R1,000.00.

7.4.1.2 the Company would become privately owned, subject to the following conditions precedent:

7.4.1.2.1 notification by the BRP to the ASLC of the intention to recommence operations under a royalty-based model;

7.4.1.2.2 execution of a Memorandum of Agreement between the Company and a third-party air operator (identified by the Investor) to enable operations; and

7.4.1.2.3 resignation of all existing directors and their replacement with directors nominated by the Investor.

#### 7.4.2 PHASE 2: CAPITALISATION AND OPERATIONAL RESTART

7.4.2.1 Execution of a Subscription Agreement under which:

7.4.2.1.4 the Investor would subscribe for new shares in the Company for R100,000.00 to enable nominal "top-up";

7.4.2.1.5 Ubuntu Air would inject adequate working capital to fund operations;

7.4.2.1.6 the BRP would, after three months of the first flight, release R20,000,000.00 from the proceeds of sale of the aircraft engine (circa 20% of total proceeds) to the Company's trading

account to subsidise UTL obligations. The balance would be utilised as an additional top-up;

7.4.2.1.7 creditor dividends would be distributed by the BRP, subject to the finalisation of litigation with ACS;

7.4.2.1.8 UTL customers would redeem their vouchers for flights or accommodation vouchers in AfricaStay accommodation establishments; and

7.4.2.1.9 the BRP would file a notice of substantial implementation upon completion.

#### 7.4.3 THE PROPOSED TIMETABLE

7.4.3.1 Phase 1 completion: by 31 May 2025.

7.4.3.2 Phase 2 completion: by 31 October 2025.

7.4.3.3 Full transaction completion: by 30 November 2025.

#### 7.4.4 CONDITIONS TO CLOSING

7.4.4.1 Receipt of all necessary regulatory, board and shareholder approvals.

7.4.4.2 Final determination and written confirmation by the Investor of the acceptability of the UTL amount.

7.5 The BRP was of the view that this transaction presented an opportunity to preserve the Mango brand and recommence operations on a sustainable basis while enabling the structured discharge of the Company's liabilities.

### 8 POST-JUDGMENT ENGAGEMENTS WITH THE INVESTOR

8.1 On 17 June 2025 the High Court delivered judgment *inter alia* declaring the involuntary cession of the balance of the creditors' claims to the Investor as provided for in clause 6.2.6 if the Plan as invalid and of no force and effect, and that the Plan cannot be implemented.

8.2 On or about 18 June 2025, Ubuntu Air contacted the BRP, concerned about the impact of the judgment on the transaction. The BRP indicated that he would be consulting with the legal team but his initial

view was that the judgment was appealable on several grounds. An application for leave to appeal was subsequently delivered.

8.3 Ubuntu Air confirmed that if the judgement was successfully appealed within a short time, they would still be interested in proceeding with the transaction. It was agreed that a meeting would be held between Ubuntu Air and the BRP at a later date, as the Ubuntu Air representative was travelling out of the country.

8.4 On 25 July 2025, the BRP and Ubuntu Air met to discuss the way forward.

8.5 At the above meeting,:

8.5.1 *Amendment of the Plan:* The Investor affirmed that it would forego the obligatory cession of claims from creditors who did not vote in favour of the Plan (such as ACS) (and which the Court had declared to be invalid) and that it would support an amended plan that removed the compulsory cession provision as against non-acceding creditors.

8.5.2 *Ongoing Commitment:* The Investor remains committed to concluding the transaction through the acquisition of all shares in the Company, even without acquiring the claims of non-assenting creditors.

8.5.3 *Term Sheet Amendments:* The Investor proposed that the BRP's release of monies from the proceeds of the aircraft engine, referred to in 7.4.2.1.6 above should be increased from R20,000,000.00 to R25,000,000.00, citing delays caused by ongoing litigation.

8.5.4 *Funding Confirmation:* The Investor confirmed the availability of sufficient working capital (to be funded from its own balance sheet) to support the recommencement of passenger flight operations under the royalty-based model. The Investor showed the BRP an online bank statement reflecting money market deposits in excess of R130,000,000.00.

8.5.5 *UTL:* The Investor reiterated its commitment to honour all obligations relating to the UTL through the operational restart.

8.5.6 *Time-Sensitive Condition:* The Investor stated that, however, that unless the cession-related issue was resolved and the necessary amendment to the Plan effected and adopted by creditors within the next three months, it will be compelled to withdraw from the transaction.

8.6 Regrettably, on 31 July 2025 the Investor reverted that it had second thoughts about the transaction and would not be proceeding. Part of the reason was that the delays have made scheduling of a resumption of operations unrealistic and the commitment of the other funding partner could not be secured.

## 9 UPDATE ON THE COMPANY'S CURRENT FINANCIAL POSITION

9.1 As reflected on the analysis below, the Company received R734,000,000.00 from SAA and sold the aircraft engine for R96,099,243.71, and which has been utilised as follows:

<b>Use of Funds Analysis</b>	
Funds received from SAA	734 000 000,00
Sale of aircraft engine	96 099 243,71
	<b>830 099 243,71</b>
Salaries & severance packages	442 230 083,51
Business rescue fees	11 413 152,00
Consultants	24 413 492,56
Legal fees	26 849 551,96
	<b>504 906 280,03</b>
	325 192 963,68
Interest income (net of other expenses)	57 377 793,86
Balance at bank	<b>382 570 757,54</b>

9.2 The Company does not have any assets other than cash.

9.3 All tax filings for VAT and PAYE are up to date. With regards to income tax, the last return submitted is for the year ended 31 March 2022. SARS has levied penalties for the tax years from 2019 to 2021 amounting to approximately R110 million, which are the subject of an objection. For the purposes of the comparative business rescue and liquidation dividend calculations, these penalties are taken into account. The tax returns for 2023 and 2024 will be submitted as soon as the financial statements and tax computations have been finalised.

## 10 WHY BUSINESS RESCUE CONTINUES TO OFFER A BETTER OUTCOME THAN AN IMMEDIATE LIQUIDATION

- 10.1 Attached hereto as annexure “A” is a business rescue scenario analysis, based on a Structured Wind Down.
- 10.2 Attached hereto as annexure “B” is a liquidation scenario analysis.
- 10.3 Explanatory notes:
- 10.3.1 The liquidation scenario analysis was prepared by an independent liquidator and provides an objective assessment of the expected outcomes in a liquidation.
- 10.3.2 As is evident from the comparative scenario analyses presented above, the projected payment to concurrent creditors in a business rescue scenario is substantially higher than in a liquidation scenario. This is primarily because in the liquidation scenario SARS will as a statutory preferent creditor enjoy priority over concurrent creditors, resulting in minimal recoveries for the latter.
- 10.3.3 There are creditors who submitted claims for liquidated damages in the Proceedings, and those claims have been limited in accordance with the provisions of the adopted Plan and can be again limited by the provisions of an amended plan. In a liquidation scenario, those creditors may be entitled to submit and prove claims for the full amount of damages, which would significantly increase the total liabilities of the Company and result in a considerably reduced distribution to the general body of unsecured concurrent creditors.
- 10.3.4 The increase in the estimated dividend from that as initially contemplated and as reflected in the adopted Plan (4.43 cents in the Rand) is primarily attributable to the proceeds from the sale of the engine. The proposed Structured Wind Down will result in a considerably better outcome for creditors than what was initially contemplated by the Structured Wind Down as provided for in the present Plan.
- 10.3.5 The BRP accordingly remains of the view that business rescue continues to offer a better outcome for creditors than liquidation.

## 11 DEMONSTRABLE VALUE ALREADY ACHIEVED THROUGH THE BUSINESS RESCUE PROCESS

- 11.1 Since the adoption of the Plan, the implementation process has been prolonged and, at times, subject to considerable contestation. Nonetheless, the BRP has consistently guided the Company through significant legal, commercial, and operational challenges - many beyond his control - with the paramount objective of preserving and maximising value for all affected persons.
- 11.2 At the commencement of the Proceedings, there was no realistic prospect of any return to unsecured concurrent creditors in a liquidation scenario, and this was mainly because the Government funding allocated to the Company (through SAA) was strictly conditional upon a successful restructuring. Such funding would not have been made available had the Company been placed in liquidation. The adoption of the Plan, and the efforts to implement it through a sale to an Investor, enabled the BRP to secure this funding commitment.
- 11.3 Since then, the BRP has achieved further substantial milestones, including:
- 11.3.1 *Engine Sale:* The BRP oversaw the disposal of the Company's remaining aircraft engine. The engine was marketed internationally and sold through a competitive bidding process. This was a complex process, requiring the full reconstruction of service records, facilitating technical tests that had to be conducted at a facility in France, Tarbes, to ensure the engine could be sold as airworthy. Without the records and successful technical tests, the engine would have been sold for parts, scrap, non-certified operator for ground use, or to a non-certified repair shop for tear down. The final sale price realised was R96 million, which is well beyond (R40 million to R50 million more) what could have been achieved in liquidation.
- 11.3.2 *Aircraft Lease Termination and Re-Deliveries:* The BRP negotiated the termination of aircraft leases and arranged for re-delivery of the aircraft on terms that were not onerous for the Company. Without the collaboration between the BRP and the aircraft lessors, it is unlikely that the lessors would have voted in favour of the Plan.
- 11.3.3 *Improved Creditor Recoveries:* At the time the Plan was adopted, concurrent creditors faced the prospect of receiving no return in liquidation. Currently, the expected recovery in a Structured Wind Down could reach up to 12.18 cents in the Rand (circa 11.48 cents after estimated VAT Clawback,

which still needs to be verified), in contrast to the initially estimated 4.43 cents in the Rand as provided for in the present Plan, and the 2.68 cents in the Rand in the event of a liquidation.

## 12 THE WAY FORWARD: AN AMENDED BUSINESS RESCUE PLAN

12.1 As the Investor Process has now failed, the BRP proposes that a Structured Wind Down takes place.

12.2 Rather than persist with appeal proceedings in relation to the present adopted Plan that will delay the conclusion of the Proceedings and incur further legal costs, the BRP proposes that an amended Plan be published and put to the creditors for consideration and adoption. That amended Plan will provide for a Structured Wind Down, and that has reasonable prospects for rescuing the Company in that it results in a better return for creditors than would result from the immediate liquidation of the Company.

12.3 The BRP envisages under the amended Plan, if adopted, to proceed to pay distributions to creditors in accordance with the Structured Wind Down analysis set out above. In terms of this option, the BRP anticipates being in a position to pay an initial dividend (70% of the projected dividend) to creditors within 30 days of the adoption of the amended Plan, with the balance to be paid within three to five months thereafter, following the conclusion of the UTL claim verification process. The verification process is currently anticipated to be finalised by the end of September 2025.

12.4 The BRP is in the process of attending to the necessary amendments to the Plan. The amended Plan should be published within 15 business days of this circular, following upon which a meeting of creditors will be convened for the purpose of considering and voting on the amended Plan.

12.5 If any affected persons require further information or clarification regarding the contents of this circular or the proposals outlined above, they are encouraged to contact the BRP directly and to arrange a meeting for that purpose.

Yours faithfully,

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Sipho Sono

Business Rescue Practitioner

Mango Airlines SOC Limited (in business rescue)