



**EVRAZ Highveld Steel and Vanadium Limited
(in business rescue)**

Registration number 1960/001900/06

(“Highveld”)

August 2021

**Report to the Companies and Intellectual Property Commission and to all Affected
Persons**

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

Prepared by:

Piers Marsden - Business Rescue Practitioner (“BRP”)

Matuson and Associates (Pty) Ltd | 2009/008967/07

Directors: Les Matuson | Piers Marsden

Oxford & Glenhove 114 Oxford Road Houghton Estate Johannesburg 2198 | P O Box 92796, Norwood, 2117

t: +27(0)11 728 7166 | f: +27(0) 86 554 9998 | w: www.matusonassociates.co.za



Attention: **All Affected Persons of EVRAZ Highveld Steel and Vanadium Limited (in business rescue) ("highveld")**

RE: REPORT ON THE PROGRESS OF THE BUSINESS RESCUE PROCEEDINGS OF EVRAZ

Introduction

1. In terms of section 132(3) of the Companies Act 71 of 2008 ("Act"), if a company's business rescue proceedings have not ended within three (3) months after the start of those proceedings, or such longer time as the Court, on application by the practitioner, may allow, the practitioner must –
 - 1.1. prepare a report on the progress of the business rescue proceedings, and update it at the end of each subsequent month until the end of those proceedings; and
 - 1.2. deliver the report and each update in the prescribed manner to each affected person, and to the:
 - 1.2.1. Court, if the proceedings have been the subject of a court order; or
 - 1.2.2. Commission ("**CIPC**"), in any other case.
2. Therefore, as required, this **Update Report** is being delivered by the business rescue practitioner ("**BRP**") in terms of section 132(3) of the Act.
3. Reference is made in this Update Report to the adopted business rescue plan ("**Plan**"). Any capitalised terms not defined herein shall have the meaning ascribed to same in the Plan. It is therefore important that this Update Report be read in conjunction with the Plan and the previous update reports.

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Business Rescue Proceedings

4. The business rescue practitioner are pleased to announce, in spite of the challenges resulting from the pandemic, dividend no. 3 of R20m (1.1 cents in the Rand) to be paid to concurrent creditors on or before 30 September 2021.
5. Some of the challenges resulting from the pandemic relate to delays experienced in obtaining permits to operate strategic assets and thereby delaying to satisfy the conditions to close out those transactions. Furthermore, delays in securing the approval of licencing required for the construction of processing plants linked to the various resources occurred.
6. Dividend no. 3, together with the previous payments made to creditors, amount to R605 million and the BR process now focuses on:
 - 6.1 collection of the purchase price payments from Purchasers of strategic assets, as well as the Titanium and Vanadium bearing resources;
 - 6.2 preparing and managing creditor dividend payments; and
 - 6.3 reporting on dividend payment projections.
7. There has been a significant reduction in the debt owed to retrenched employees and post commencement creditors and the company commenced payment of the concurrent creditors.

Update on the sale of Strategic Assets

8. The main focus of the Business Rescue is the collection of the proceeds from the sale of the strategic assets and executing on the agreements concluded.

8.1. Iron Plant 1, Steel Plant and Plate Mill

Highveld entered into definitive agreements with an entity for the purchase of Iron Plant 1, Steel Plant and Plate Mill. There are certain conditions precedent that must be fulfilled for the sale transaction to close, following which the purchase price will be payable over a period of 5 years. The purchaser has been making a retention fee payment of R1 million per month and will continue to do so until such time as the conditions precedent have been fulfilled.



8.2. Iron Plant 2

The original purchaser indicated that it would no longer pursue the acquisition of this plant. However, a further binding offer was received for the purchase of the asset from a new purchaser, which binding offer is subject to the parties agreeing upon the terms of the definitive agreements.

8.3. Structural Mill

The last two conditions precedent relating to environmental matters are still being attended, with the transaction in all likelihood to close during the first quarter of 2022.

8.4. Sale of Resources - Titanium Rich Resource

A bidding process was initiated for the remaining 31 million tonnes of Elkem Resource. The qualifying bidders are currently in a due diligence process, following which binding offers will be submitted for review by the BRP.

8.5. Sale of other strategic assets and resources

The sale of other strategic assets and resources previously reported on are proceeding and the agreements are being executed on.

Creditors' Claims update - as at 31 August 2021

Business rescue - Claims from Creditors

Post-Commencement Claims	Rm	Commencement date	Paid to Date	Balance
Employees		329	273	56
PCF Provider		236	236	-
Post commencement Creditors		41	16	25
Total		606	525	81

Pre-Commencement Claims	Rm	# of Claims	Value of Claims	Accepted Claim Value
Claims Accepted		528	2 589	1 795
Total		528	2 589	1 795

Pre-Commencement Claims

Dividend no. 1 and no. 2 Paid 60

Dividend no. 3 to be paid 20

Total Paid to All Creditors Rm* 605

* Inclusive of the R20m Dividend no. 3 to be paid end of September 2021.

9. Update on Dividend Prospects

To date the BR made two dividend payments to concurrent creditors. The first dividend of R40m (2.25 cents in the Rand) was approved in August 2020 and the second dividend of R20m (1.1 cents in the Rand) was approved in January 2021.

As indicated above, the third dividend of R20m will be paid at the end of September 2021.

The total estimated dividend to be paid to creditors is currently 61 cents in the rand, if all payments are made in terms of the agreements concluded. See Annexure 1 for the payments in terms of the contracts.

10. As indicated in Annexure 1, a further 10 cents may increase the potential dividend to 71 cents if certain conditions are met in the sale agreement with ArcelorMittal and a further R150 million becomes payable in terms thereof.



11. Conclusion

The business rescue continues in accordance with Proposal 3, i.e. the wind-down of EVRAZ Highveld Steel and Vanadium Limited (“Highveld”), as contemplated in the Plan.

The BR continues to focus on the collection of payments for assets sold and the distribution of dividends to creditors.



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ANNEXURE 1

Updated Contractual Position

Outstanding Proceeds from the Sale of Strategic assets, Resources and Recoveries

Asset	Rm	2021	2022	2023	2024	2025	2026	2027	2028
Strategic Assets	475,5	12,0	201,0	75,4	93,2	68,4	13,5	12,0	-
Resources	601,9	9,7	37,6	53,6	14,4	53,6	127,8	167,0	138,2
Recoveries	43,1	30,8	12,3						
Cost of Administration and Environmental	(30,60)	(5,40)	(3,60)	(3,60)	(3,60)	(3,60)	(3,60)	(3,60)	(3,60)
Available for Distribution (All Creditors)	1 089,8	47,2	247,3	125,4	104,0	118,4	137,7	175,4	134,6
Available for Distribution (Concurrent Creditors)	1 009,2	37,2	176,6	125,4	104,0	118,4	137,7	175,4	134,6

BR payments

	Rm	2021	2022	2023	2024	2025	2026	2027	2028
Post-Commencement Claims	(81)	(10)	(71)						
Distributable dividend	1 009								
Pre-Commencement Claims	1 795								
Dividend (in cents)	56	2	10	7	6	7	8	10	7
Dividend 1 & 2 (Already paid Nov 20 & Jan 21)	3,35								
Planned Dividend 3 (End September 2021)	1,10								
Projected Dividend (in cents)	61								
<u>Upside distribution</u>	Rm								
Amsa second R150m on HSM	150								
Mapochs Mine Recovery	36								
Available for distribution	186								
Dividend upside potential	10								
Total potential dividend (in cents)	71								



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