



MATUSON

ASSOCIATES

**GENERAL MEETING OF AFFECTED PERSONS:
EVRAZ HIGHVELD STEEL AND VANADIUM
LIMITED**

Date: 09 October 2017

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WELCOME



WIND-DOWN PLAN



OVERVIEW

During the wind down process, the assets have been divided into the following asset classes:

#	Asset Class	Description / Example
Asset Class 1	Scrap Sales	Assets which can be converted to cash in a short space of time. Examples: Copper, Scrap Steel, Refractories, Used Oil, etc.
Asset Class 2	Non-Strategic Assets	Assets which can be sold as movable and operational assets. Examples: Pumps, Valves, Motors, Mud Guns, Cables, Vehicles, etc. Items are catalogued and sold through the “Highveld Stores”. This ensures a constant flow of cash from non complex sales.
Asset Class 3	Strategic Assets	Sold as going concern. Timing based on level of interest received. Target values have been assigned to each strategic asset.

ASSET CLASS 3 – STRATEGIC ASSETS

Deals Concluded

- Fe/Ti/V, Titanium & Lime Resource - Total consideration R683.5 million
- Payments received
 1. R43 million payment received
 2. R25 million receivable in Dec 2017
 3. Balance payable over various periods of 2 to 10 years.

Plate Mill

Signed transaction with a well known Black Industrialist with highly regarded technical partners:

- Requirement to conclude DD and demonstrate proof of funding by 4 December 2017
- Transaction proceeds payable by end of March 2018
- Operational H2 2018

Iron Plant 2

Signed exclusivity with listed producer of speciality products:

- Requirement to conclude DD and bank feasibility by 31 March 2018

Iron Plant 1

Significant interest from a variety of parties. Will commence either an auction or sale process before end of October 2017.

Interested Parties

Highveld and the BRPs have engaged with 250 interested parties regarding various assets.

Creditors who wish to participate in any future tenders should register their interest with evrazhighveld@matusonassociates.co.za

ASSET CLASS 3 – STRATEGIC ASSETS

Structural Mill

- The contract manufacturing agreement (CMA) has been operationalised
- Market volumes lower than anticipated with consequence that agreement may require renegotiation
- Tariff protection now in place
- Working relationship with AMSA being restructured

Current status

AMSA Option

- 1st Option – 18 months from start of CMA i.e. October 2018
- 2nd Option – end of CMA March 2019
- 3rd Option - end of extended CMA 30 March 2020

Option Price

- Base Price
- EBITDA Multiple

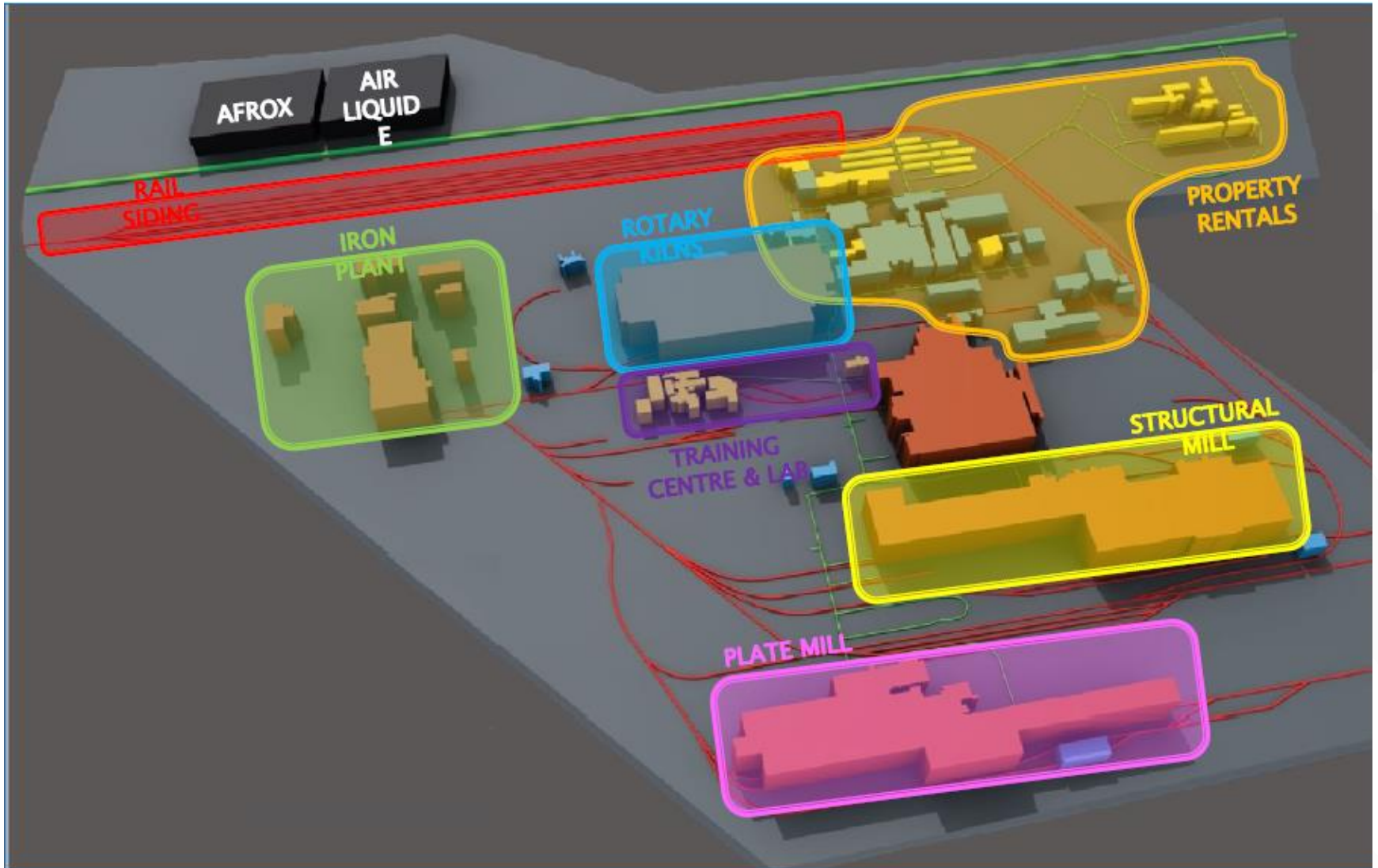
The board of HSM is currently considering measures to:

- Increase EBITDA, manage any transaction risk, maximise proceeds and manage contingencies
- Use of external consultants on risk above base price

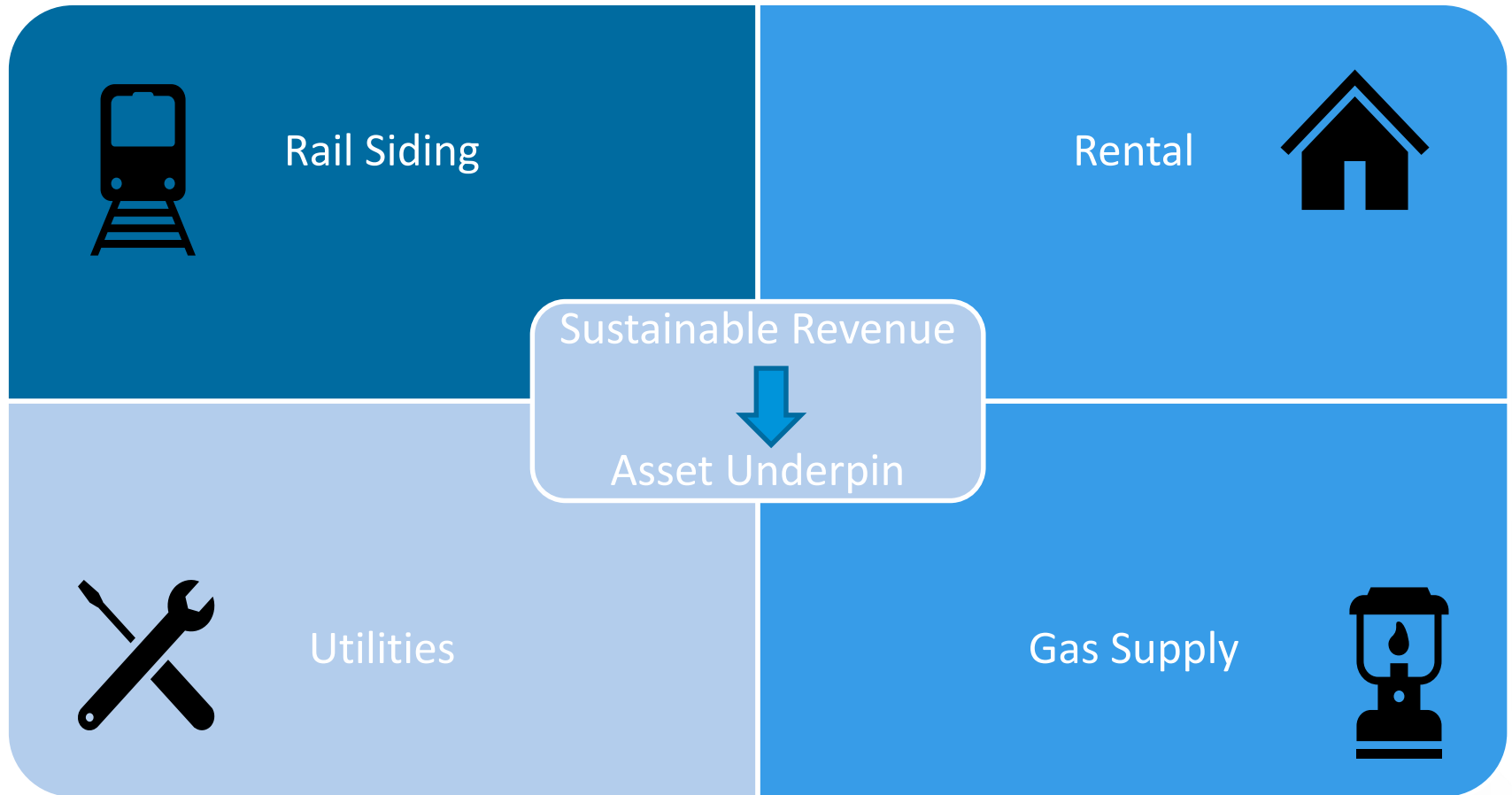
SUSTAINABLE INCOME STREAMS



INDUSTRIAL PARK CONCEPT



MULTIPLE REVENUE STREAMS



INDUSTRIAL PARK SECURED TENANTS

CURRENT TENANTS:



SUSTAINABLE INCOME STREAMS

Current Status

- Cash positive
- Growing revenue line
- Bringing significant economic activity to the area
- Currently approx. 674 employees on site
- Enables the “social license”
- Has facilitated significant support from local and national government which will maximise the return on the strategic assets

Endgame

- Subdivision of industrial park
- Committed plan to environmental remediation on site
- Sale of the assets and the revenue stream to a fit and proper party

PROGRESS TO DATE



RECEIPTS TO DATE

Receipts March 2016 to August 2017 (R'000)	YTD Budget	Actual YTD	Variance
Wind-Down Sales	349 917	182 030	(167 387)
Stores and Consumables	11 677	34 661	22 984
Utilities	30 371	33 317	2 946
Receivables – Steel Local	5 527	10 579	5 052
VAT Receivables / (Payable)	(5 465)	(5 216)	249
Other (Deposits, Sundry, Interest)	23 717	38 546	14 829
Total Cash Inflow	415 244	293 917	121 327

Comments

- Wind down sales less than expected as a result of delay in sale of Structural Mill
- All assets realised to date at a higher value than original forecast

PAYMENTS TO DATE

Payments March 2016 to August 2017 (R'000)	TD Budget	Actual TD	Variance	
Admin (IT, Security, Cell Phone and Other)	22 817	25 925	(3 108)	• Security in excess of budget
Environmental	3 219	1 553	1 666	• Performed in house or outsourced
Interest	37 306	28 000	9 306	• Secured creditor being serviced
Insurance & Other	8 571	8 112	459	
Professional Fees	21 000	16 890	4 110	• Significantly less than budget
Staff Costs	98 760	78 420	20 340	• Portion of costs carried by HSM
Energy	41 236	30 711	10 525	• Energy reduction framework and incentive in place
Operational Costs	48 247	42 576	5 671	
Costs of Business Rescue	46 146	74 156	(28 010)	• Distributions of over R74 million
Other Costs of Business Rescue	7 190	10 668	(3 478)	• No significant assets fully realised
Employee Dividends	38 956	63 488	(24 532)	
Total Cash Outflow	327 302	306 343	20 959	

It is estimated that the potential dividend for concurrent creditors will be increased to between 16-20 cents for concurrent creditors.

Please note this dividend forecast is an estimate and is subject to the realisation of the assets, the quantum and timing thereof as well as the finalisation of creditors claims and the risks detailed in the Business Rescue Plan.

CREDITORS' CLAIMS



WATERFALL OF PAYMENT

As per section 135 of the Companies Act and paragraph 28 of the Plan, creditors are paid in the following order of priority:

- Business Rescue Costs, including but not limited to:
 - Legal costs, the costs of the Advisors and other costs associated with the business rescue and other professional fees;
 - Holding costs; and
 - Post-commencement creditors.
- Employees.
- Secured PCF Creditors.
- Unsecured PCF Creditors.
- Concurrent Creditors.

A buffer to cater for expenses will be retained, but all surplus cash will be distributed as and when received in terms of the waterfall.

CREDITORS' CLAIMS

Claim Status	# of Claims	Value of Claims	Accepted Claim Value
Total Claims Received	546	2 519 080 760	1 322 152 740
Total Claims Accepted	513	1 322 152 740	1 322 152 740
Total Claims Rejected / Disputed	13	797 158 015	-
Claims to be Adjudicated	20	399 770 005	-

SARS

- SARS' claim remains at R689m, but claim has been disputed.
- The BRPs are currently engaging with SARS in order to resolve their claim. As this has a material impact on all concurrent creditors, the BRPs will endeavour to keep affected persons informed.

Post Commencement Claims

	Amount	Payments Made	Balance Due
Creditors	39 190 466	10 668 496	28 521 970
Employees	329 889 417	63 487 504	266 401 913

Disclaimer: Please note that this excludes any potential damages claim by Air Liquide.

OTHER

Lien Creditors

- The BRPs and Management continue to have site visits with various creditors who hold assets owned by Highveld to discuss the way forward in regard to these assets.
- Letters have been prepared and sent to the respective creditors informing them of the process as well as whether or not these assets will be “scrapped” (scrap value or market value), returned to Highveld on payment or be held at the creditors’ premises until further notice.
- The BRPs continue to follow up with these creditors in order to finalise this process.
- **13** Lien claims remain and can be broken down as follows:

Claim Type	Status of Claim	# of Claims
Assets Required by Highveld	Agreement with Creditors Outstanding	8
Unresolved	Claims to be Adjudicated	5
Total		13

Employees

- All staff were retrenched during February 2016. The retrenchment liability totals R329 million.
- To date, a total of approximately R63 million has been paid out to employees.

Amount Owed to Employees	Amount	Payments Made	Balance Due
Employees	329 889 417	63 487 504	266 401 913

GENERAL



SAFEGUARDING OF ASSETS

Security

- Priority of security has and will continue during the wind down process.
 - Physical security
 - Access controls
 - Asset protection
 - Maintenance of security technology
- Security costs incurred since wind down amounts to R14m to date
- There have been several incidents of community unrest which have required significant engagement with the appropriate forums.

Care and Maintenance

- A schedule of critical maintenance has been prepared on key strategic assets.
- Adherence to this plan is monitored to ensure compliance.

1. Air Liquide – No changes
2. Mastercraft / Evraz – No changes
3. SARS – Settlement offer withdrawn / Formal proceedings to continue
4. Settlement with Competition Commission re fine

ENVIRONMENTAL



- An environmental trust fund (Highveld Remediation Trust) has been established.
- The main function of this Trust Fund is to enable and assist Highveld to execute its Statutory Obligations associated with:
 - Facilities management
 - Dismantling of facilities
 - Historic disposal facilities (decommission, cap and close)
 - Return water dam decommissioning
 - Resource decommissioning

COMMUNITY RELATIONS ‘SOCIAL LICENSE’

- Highveld is an integral part of the community that surrounds it and therefore we contribute to the well-being of the community within its financial constraints given that Highveld is in rescue;
- We have formed a consultative forum with the community in which we, in consultation, identify projects that we can work with the community.
- Some of the projects commenced included:
 - We have a fully equipped training centre for skills development and skills upliftment.
 - We have commenced to train the first 40 people from the community and have the capacity to provide training in the following trades:
 - Plumbing;
 - Brick laying;
 - Welding and boiler making; and
 - Computer skills.
- We have identified entrepreneurs from the surrounding communities that are able to provide services to Highveld Industrial Park and its tenants:
 - Canteen has been set up with an entrepreneur from the community to provide food for more than 320 truck drivers that come onto Highveld's site.
 - Fixing of the perimeter fence of Highveld by an entrepreneur from the community.

STRATEGIC PARTNERS

Highveld has been able to secure strategic partnerships with:

- **National Government:** We are working closely with Dept. of Economic Development around the designation of HSM steel products as well as with the Dept. of Trade and Industry with regards to various initiatives including the Black Industrialist Program.
- **Provincial Government:** In the process of aligning with the MEC's and MEGA growth initiatives including the possibility of establishing an IDZ on site.
- **ESKOM:** We have a steering committee established to consider 5 strategic initiatives, including rail usage, training centres and a plan to restore the major energy users.
- **IDC:** In the process of developing a business incubation programme with the IDC in supporting start-up businesses that want to lease workshops and other premises at Highveld Industrial Park.
- **SASOL:** With the ongoing support of SASOL supplying MR gas, we are now in discussions with operators that will possibly re-start the Highveld Plate Mill and Highveld Iron Plant 2, both of which will be large users of gas. Significant employment opportunities will be created with the re-start of these two strategic assets and the support of SASOL is one of the key contributions in achieving the re-start of these assets.

QUESTIONS



CONCLUSION



CONCLUSION

Wind-down is proceeding according to plan.

Functional specifications / Prospectuses are available on the Highveld Website (www.evrashighveld.co.za). Please send details of any interested parties in any of the assets to BRP's.

Offers currently under DD or exclusivity:

- Iron Plant 2
- Plate Mill

Offers currently being evaluated for:

- Sale of balance of Titanium containing slag.
- Sale or lease of Iron Plant 1 and Kilns.
- Various leases in Industrial Park.

Schedule of non-strategic assets updated daily.

General Meeting of Affected Persons

- Next meeting is likely to be held in early 2018.



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