



MATUSON

ASSOCIATES

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

Date: 28 October 2016

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WELCOME



WIND-DOWN PLAN



OVERVIEW

The BRPs have appointed a management team, with the requisite skills and knowledge of the assets, to assist with the wind-down of the company and its assets, over the next 3 years.

	Asset Class	Description
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

Scrap Steel and related commodities/items

Identification of available scrap:

- Unused buildings, or other scrap metal is identified on site and centralised.
- Redundant or old equipment is passed through the workshop and tested to determine if salvageable, if it is not it is scrapped.

The tender process for scrap:

- Items for sale are marketed to interested parties. This includes a data sheet and photographs of the items.
- All tender offers are adjudicated based on value, time frame for payment and removal.
- Once the tender is awarded, a pro forma invoice is generated for an upfront payment.
- Once payment is received the material may be collected.

Progress:

- The scrap processing team made significant progress in dismantling redundant structures and equipment. Saleable items were moved to the stores for the purpose of resale. All other materials are put out on scrap tenders. Due to potential risks of cable theft, the focus was switched to removing redundant cables on the cable gantries. The team only started demolishing structures during the 3rd and 4th week of September.

SCRAP SALES

Tenders:

- The below table indicates the twelve tenders sent to third parties.
- Tender number 8 was not adjudicated / awarded as enquires were received for the purchase of the scrap shear and gantry.

Tender number	Description	Tender value	Actual achieved	Status
01-052016	Scrap HT copper cable	32 100	252 413	Complete - Additional cable added due to the good price received.
02-052016	Oversize pool iron	2 880 000	2 880 000	Not removed but paid for
03-052016	Agri pipe & Fittings	109 000	109 000	Complete
04-062016	Scrap rolls - Fab shop & Fitting workshop	230 550	303 210	Complete
05-062016	Steelplant stripping of ladles and Casting machines	1 509 120	1 318 625	In process
06-062016	Scrapped copper mould plates	995 200	681 093	Complete
07-062016	Heavy steel segments	390 000	418 860	Complete
08-062016	Scrap shear and gantry crane	-	-	
09-082016	Scrap machines - Transport	130 000	103 500	Complete
10-082016	Stripping furnace 2&3	1 313 500	1 000 000	Not started yet but deposit received
11-082016	Scrapped transformer T143	40 000	40 000	Complete
12-092016	General steel scrap	198 000	242 440	Complete
		7 827 470	7 349 142	

NON STRATEGIC ASSETS

Progress:

- Highveld Mall sales have continued to generate revenue over the past few months.
- A large number of sales have been made to returning customers.

August 2016

- In August a bulk SMS was sent to interested parties regarding redundant vehicles on site. This initiative increased the sales for the month of August.
- Further workshops and offices were cleaned out and items moved to the stores area. The large number of new items contributed to increased sales in August.
- A telesales team initiative was implemented in the month of August. This saw an increase in new business and sales for August.

NON STRATEGIC ASSETS

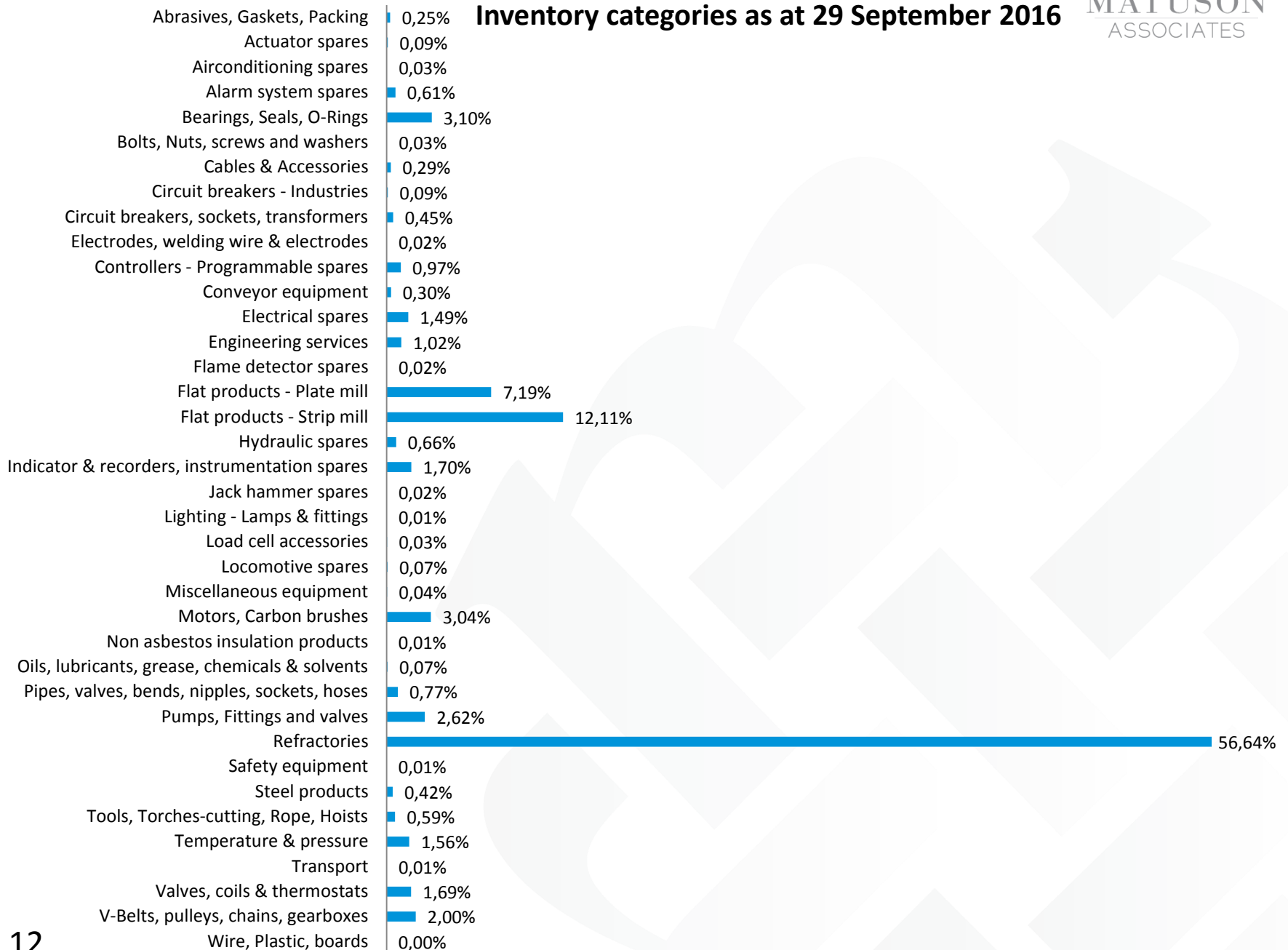
Progress continued:

September 2016

- The stores team and other divisions focussed on cleaning out the Heavy Duty workshop and other workshops for leasing purposes.
- Due to the increased rate of clearing the number of non stock items in the stores increased near the end of August 2016 and beginning September 2016.
- Due to this increase, a decision was taken to do another round of advertising. An advert was placed in 3 newspapers and the stores were also open on 24 September 2016. The advert was also sent to everyone on the list of interested parties who came to view the items on sale.
- The items from the various plants included hand tools, power tools, measuring equipment, welding equipment, etc. which sold quickly.

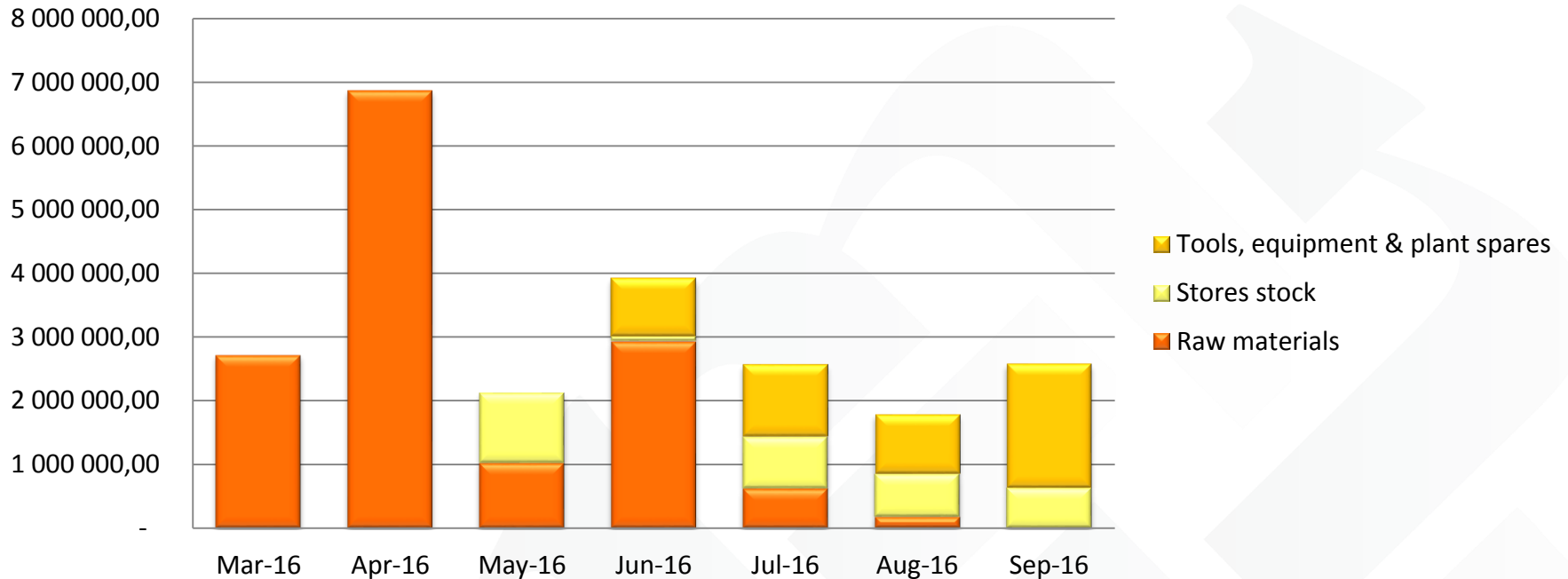
NON STRATEGIC ASSETS

Inventory categories as at 29 September 2016



NON STRATEGIC ASSETS

Stores and consumables up to 29 September 2016



	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Raw materials	2 717 796.09	6 870 238.50	1 020 744.60	2 932 390.08	616 968.00	172 140.00	
Stores stock			1 101 849.21	70 730.25	819 040.96	678 786.40	631 084.77
Tools, equipment & plant spares				919 885.04	1 134 739.31	930 883.58	946 598.51

MARKETING

Website

- The website has gone live and a link to the website was sent to all interested parties on the master list.
- Enquiries on various items have been received to date.

“Call centre” concept

- The call centre initiative proved to be successful but only one individual was retained to continue with the process.
- Revenue in excess of R900k was generated for September 2016.

Online auctions

- Various options in respect of online auctions are being investigated in order to facilitate the sale of certain items. The proposed online auction has been scheduled for 24 November 2016 and an onsite auction has been scheduled for 1 December 2016.

Deals concluded:

1. Steel Lime Resource – Total consideration R75 million

Payment Terms

1. R15 million upfront,
2. R10 million 15/11/2016
3. R10 million 01/08/2017
4. R40 million within 36 months

2. Titanium Rich Resource – Total consideration R115 million

Payment Terms

1. R5 million upfront,
2. R25 million before 31/12/2017
3. R50 million before 31/12/2018
4. R35 million before 31/08/2019

Deals currently being negotiated:

1. Titanium Rich Recourse
2. Fe/Ti/V Resource
3. Iron Plant 2

STRATEGIC ASSETS - STRUCTURAL MILL

A proposed venture to be established between Highveld, an industry player and a financial institution. A non-binding term sheet has been signed and is currently awaiting credit approval.

Highveld would effectively become a temporary contract manufacturer of products, pending a sale of this asset as a going concern.

Advantages

- No market or demand risk
- Ability to access profitable rail market
- Ability to create approximately 400 jobs
- Ability to sell as a going concern to Newco via option with base price fixed and upside potential
- Ongoing business for creditors of Structural Mill
- Significant absorption of Highveld's wind-down costs
- Does not interrupt the remainder of the wind-down

Timing

It is envisaged that the agreements will be concluded and that the Structural Mill will start-up mid 2017.

Funding

A financial institution will provide the funding, required for the refurbishment of the Structural Mill.

Risks

- Ability to restart a Structural Mill that has not operated for 12 months
- Operational responsibility

PROGRESS TO DATE



CASH FLOW

Receipts March 2016 to September 2016

	YTD Budget	Actual YTD	Variance
	R'000	R'000	R'000
Opening Cash Balance		6 882	
Receipts			
Wind down sales	75 791	67 468	-8 323
Stores and Consumables	12 371	22 764	10 393
Utilities	15 768	11 366	-4 402
Receivables - Steel Local	2 042	6 246	4 204
VAT - receivable / (payable)	2 388	2 134	-254
Other (Other Deposits, Sundry Debtors, Interest)	1 463	6 844	5 381
Total cash inflow	109 823	116 822	6 999

Comments

1. Wind down sales are below budget due to a Tender awarded on the dismantling of portion of Iron Plant 1, late in September. There has been slow progress on the dismantling of the casters and shaking ladles in the steel plant which has contributed to the reduce sales. We are also waiting on the purchase of the gantry crane for R2m.
2. Stores ahead of budget
3. Utilities significantly off budget due to delay in signing 3rd party agreements
4. Other - MERSETA training grants, interest, rental income, SETA payments, Ill health benefit refunds which we previously paid and also utilities.

CASH FLOW

Payments March 2016 to September 2016

	YTD Budget	Actual YTD	Variance
Payments	94 293	69 591	-24 702
Admin (IT, security, cell phone and other)	9 558	10 393	835
Environmental	2 088	782	-1 306
Interest	13 194	4 000	-9 194
Insurance & Other	3 424	2 863	-561
Professional fees	7 980	5 723	-2 257
Staff cost	30 718	29 153	-1 565
Energy	14 818	7 806	-7 012
Operational costs	12 513	8 871	-3 642
Dividend Payments:			
PCS - Creditors	5 807	14 330	8 523
PCS - Employees	21 000	30 924	9 924
Total Payments	121 100	114 945	-6 255
Closing Bank Balance	-4 395	1 937	6 332

Comments

1. Interest payments on the IDC loan commenced in August 2016.
2. Approximately 47 staff have been appointed on fixed duration contracts
3. Significant cost savings identified
4. Employees have received R30m of their retrenchment packages.

SUMMARY OF RECOVERED

	Wind down plan	Revised Value	Difference
Item	Total	Total	Total
Total Receipts	1 134 403 539	1 177 619 520	43 215 981
Total Receipts incl VAT	1 293 220 035	1 342 486 253	49 266 218
Income tax/VAT (paid)/VAT received	-123 068 565	-123 068 565	0
Payments to employees	-333 746 063	-333 746 063	0
Highveld (Holding Cost)	-412 415 178	-396 624 283	15 790 895
Repayment of short term borrowings	-157 000 000	-157 000 000	0
Payments to suppliers	-43 396 882	-43 396 882	0
	223 593 345	288 650 458	65 057 113
Potential Dividend	0.10	0.13	0.03

Disclaimer: Please note this cash flow forecast is an estimate and is subject to the realisation of the assets, the quantum and timing thereof as well as the risks detailed in the business rescue plan.

CASH FLOW FORECAST

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018	2018	2018
Cash receipts	30 860	63 818	51 344	53 377	49 452	46 126	63 507	516 306	287 472	58 205	57 668	64 282
Highveld (Holding Cost)	-24 631	-30 182	-40 816	-35 601	-36 195	-35 154	-33 632	-54 863	-38 175	-29 900	-25 828	-27 402
Income tax/VAT (paid)/received	1 516	619	-1 268	-5 196	-4 687	-4 358	-37 208	-24 735	-34 432	-4 006	-5 556	-3 757
Payments to employees	-1 342	-24 116	-5 467	-3 350	-15 000	-5 000	-5 000	-274 472				
Payments to PCS suppliers	-7 726	-906						-36 685				
Payment to IDC								-110 000	-47 000			
Payment to concurrent creditors									-170 000	-20 000	-30 000	-57 788
Cash and cash equivalents at beginning of period	6 882	5 559	14 792	18 585	27 815	21 385	22 999	10 666	26 217	24 082	28 381	24 665
Cash and cash equivalents at end of period	5 559	14 792	18 585	27 815	21 385	22 999	10 666	26 217	24 082	28 381	24 665	0
Projected Dividend												-0.13

Disclaimer: Please note this cash flow forecast is an estimate and is subject to the realisation of the assets, the quantum and timing thereof as well as the risks detailed in the business rescue plan.

GENERAL



GENERAL – SAFEGAURDING OF ASSETS

Priority has been given to the security of the site, to ensure it is maintained and is effective.

Security

1. Investigation into the possibility of using Non Lethal Aids by security officers in order to assist with apprehension of the suspects.
2. Discussions with the South African Police Services were held to determine how they are able to assist with protection of the property .

Security Incidents

1. Continuous actions are being taken to prevent illegal dumping.
2. Whilst various incidents of cable and copper theft occur from time to time, generally the security function is effective.

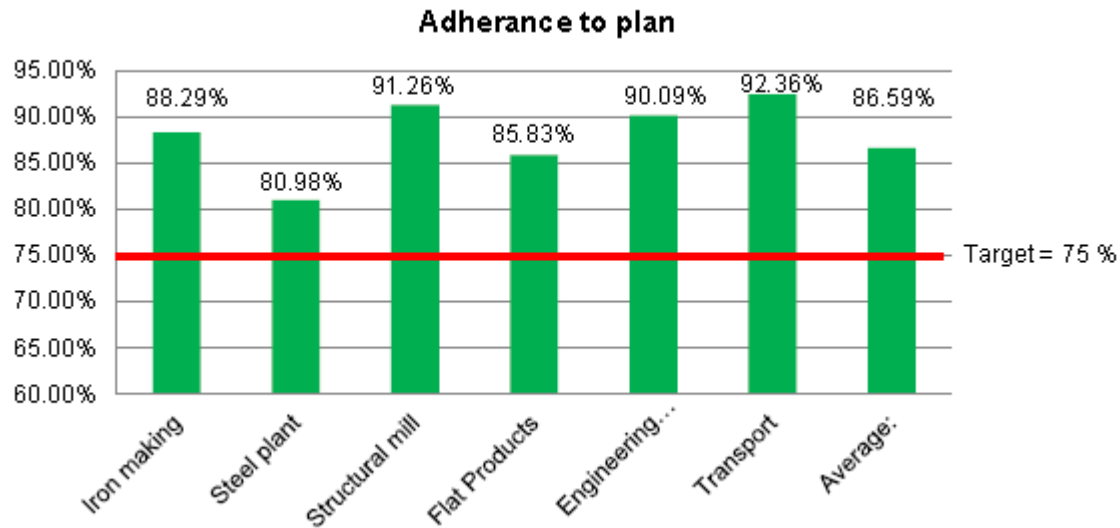
GENERAL – SAFEGAURDING OF ASSETS

Care and Maintenance

1. A schedule of critical maintenance has been prepared on key strategic assets.

2. Adherence monitored:

(Adherence to plan is defined as the percentage of actual tests carried out as per the plan. The targeted adherence to plan was set at 75%.)



HIGHVELD INDUSTRIAL PARK

- Highveld is a unique industrial asset. We believe there is an opportunity to create a sustainable asset that will generate low risk annuity income, which will be significantly in excess of the scrap value of these assets.
- The Highveld Industrial Park could be the new premier warehousing and office location and is a large industrial park in Witbank.
- Highveld offers a range of workshops and warehouses for rent, to be utilised for various and diverse purposes such as storage, maintenance and repairs or heavy machinery operations. The site has large capacity as well as a number of weighbridges available, facilitating efficient logistics in support of the warehouse function.
- There are furnished head offices and flexi-office space available for rent, which can also be utilised for administrative functions or training.
- The location provides for a unique opportunity for industry players.
- The Highveld Industrial Park complex is conveniently situated within the South African railway network, providing tenants with rail network access.

HIGHVELD INDUSTRIAL PARK

- The concept is to change Highveld from a fully integrated steel producer to a multi-user industrial site that can generate a sustainable annuity income. This income would be used to reduce the holding costs, whilst the strategic assets are being sold, as well as to repay historic liabilities.
- Parallel to this, a remedial action plan will be developed to manage the historic environmental liabilities, which will ultimately allow the sale of the income generating asset in terms of the wind down.

Possible Industrial Park revenue stream:

1. Utility provider.
2. Training Centre.
3. Work shop and office leasing.
4. Rail siding leasing.

INDUSTRIAL PARK REVENUE STREAMS

Utilities

1. Highveld can provide potential tenants with utilities such as water, effluent and electricity, at market related prices. This will assist with reducing the holding costs currently reflected in the wind-down model.
2. A trade license application to NERSA was approved on 24 October 2016.

Training Centre

- The lease agreement for the training centre was signed and occupation date is 1 November 2016.

INDUSTRIAL PARK REVENUE STREAMS

Rental

1. 44 workshops and offices have been identified for rental.
2. These workshops and offices have been cleaned and repairs done where needed in order to get the workshops and offices into a rentable state.
3. Prospectuses have been prepared for each of the workshops and offices.
4. A proposal has been received for the rental of 12 workshops and offices. A lease agreement has been prepared and awaiting signature. This rental will generate approximately R1 million per month.
5. Prospectuses are available for all 44 workshops and offices on request by potential lessees.



INDUSTRIAL PARK REVENUE STREAMS

Rail Siding Rental

- Highveld prepared a prospectus and has received numerous enquires regarding the rental of the rail infrastructure, locomotives and trippers.
- In order to investigate these proposals, the railway safety regulator permit has been renewed and is valid until 31 January 2017.
- A meeting was held with the local account manager of Transnet in order to set up a technical task team to inspect the rail siding and to advise of the legal requirements to rent the rail siding. The siding was inspected on 19 September 16 and the defect report was received on 26 September 16. Quotes are being obtained to repair same. Depending on the costs, same will be funded either internally or from the tenant's deposit payment.
- Offers will be reviewed and a final adjudication will be done before end October 2016.

GENERAL – LEGAL ISSUES

SARS

No update on the progress.

Legal

Application against Air Liquide:

- The BRPs await the answering affidavit.
- Air Liquide has advised of its intention to bring a counter-application. Affected Persons will be advised of further updates.

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:

1. Business Rescue Costs, including but not limited to:
 - I. Legal costs, the costs of the Advisors and other costs associated with the business rescue and other professional fees;
 - II. Holding costs; and
 - III. Post-commencement creditors.
2. Employees.
3. Secured PCF Creditors.
4. Unsecured PCF Creditors.
5. 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.

PRE-COMMENCEMENT CREDITORS' CLAIMS

Total Claims Received:	# of Claims	Value of Claims	Accepted Claim Value
Total Claims Received	540	2 365 873 423	1 077 552 791
Total Claims Accepted	403	1 117 998 503	1 077 552 791
Total Claims Rejected / Disputed	11	698 904 702	0
Claims to be Adjudicated	126	548 970 219	

Total Post commencement Supplies:	PCS Amount	Payment	Balance due
Creditors PCS	45 316 835	14 329 938	30 986 897
Employee PCS	333 746 063	30 924 063	302 822 000

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.

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

PRE-COMMENCEMENT CREDITORS' CLAIMS

Liens

- 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.

QUESTIONS



CONCLUSION



CONCLUSION

1. Wind-down is proceeding according to plan.
2. Functional specifications / Prospectuses are available on the Highveld Website (www.evrazhighveld.co.za).
3. Offers currently being evaluated for:
 - Sale of Titanium containing slag;
 - Sale of Iron Plant 2; and
 - Lease of Rail infrastructure.
4. Schedule of non-strategic assets updated daily.
5. Next meeting is likely to be held in January 2017.



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ASSOCIATES