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

Date: 19 February 2018
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WIND-DOWN PLAN
Iron Plant 1

- Highveld has commenced with the sale of Iron Plant 1.
- Advertisements have been placed in the Engineering News and Mining Weekly as well as being published on numerous website.
  Links to the advertisement can be found below:
  http://www.miningweekly.com/
- The closing date to register an interest to purchase Iron Plant 1 is the 23 February 2018.
- Register your interest by emailing: ironplant@hipark.co.za
ASSET CLASS 3 – STRATEGIC ASSETS

**Structural Mill**

- The contract manufacturing agreement (CMA) remains in place
- Market volumes lower than anticipated – currently rolling on average 7 500 t per month
- Tariff protection is now in place – obtained a 10% Ad Valorem duty
- Working relationship with AMSA has been restructured and streamlined
- Held extensive negotiations and discussions with AMSA and renegotiated the pertinent points within the CMA.
- Mainline rail has been designated for State owned Entities
- In the process of applying to ITAC for safeguard’s on the imported products
Structural Mill Milestones and Option Price:

AMSA Option

- 1\textsuperscript{st} Option – 18 months from start of CMA i.e. September 2018
- 2\textsuperscript{nd} Option – end of CMA March 2019
- 3\textsuperscript{rd} Option – end of extended CMA 30 March 2020 (If AMSA elect to extend the contract)

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 consultants to facilitate the above and ensure best outcome achieved for creditors.

Strategic Capital Solutions has been mandated by the board of Highveld Structural Mill to assist with the execution of the AMSA option, optimisation of the EBITDA and maximise the purchase price and the return for creditors.

Strategic Capital Solutions is a related party to Piers Marsden.
SCS MANDATE

EBITDA Maximisation

- Monitor AMSA’s compliance with the CMA.
- Engage with AMSA, management and the International Trade Administration Commission of South Africa (“ITAC”) to ensure that the 10% tariff is implemented and retained. Thereafter to investigate and action the implementation of follow up protection including safeguards.
- Exploring of alternative revenue sources specifically investigating the possibility of developing the supply of main line rail to the market. This could include the sourcing of capital necessary to access this market.

Proceeds from Maximisation

- Calculation of the purchase price, specifically calculation and audit of AMSA profit on products. This would need to include the calculation of both profits made on production of input materials as well as sales of product.
- Provide input on tax structures to ensure minimal tax leakage with adequate tax planning.
- Lead the negotiations with AMSA

Manage Transaction Risk

- Engage with advisors and the Competition Commission to identify any possible challenges to increase the probability of the Competition Commission approving the AMSA transaction in as quick a timeframe as possible.
- Assist in identifying all environmental risks identified by AMSA are mitigated and all licences are in place and available for transfer.

Contingency planning

- Identify and cultivate potential alternative purchasers for the business to the extent necessary.
- Identify and if necessary secure funding for the continuity of the business in the event of a termination of the CMA or the non-exercise of the option.

Monthly Retainer

A fixed monthly retainer, based on estimated work to be completed.

Success Fee

In order to align results with the objective of proceeds maximisation, a fee will be payable on the exit price above the base price.
ASSET CLASS 3 – STRATEGIC ASSETS

Resource Stockpiles

Fe/Ti/V, Titanium & Lime Resource

Total consideration R697.9 million

- Payments received
  1. R70 million (Ex VAT) payment received
  2. Balance payable over various periods of 2 to 10 years.

Iron Plant 2

Signed exclusivity with listed producer of speciality products:

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

Plate Mill

- Signed exclusivity with requirement to conclude DD and bank feasibility by 31 March 2018
- Clean up of operation including dismantling of non-productive assets underway

Interested Parties

Highveld and the BRPs have engaged with 295 interested parties regarding various assets.

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

- Rail Siding
- Rental
- Utilities
- Gas Supply

Sustainable Revenue
Asset Underpin
**SUSTAINABLE INCOME STREAMS**

**Current Status**
- Cash positive
- Growing revenue line
- 21 Tenants on site
- Bringing significant economic activity to the area
- Currently approximately 832 employees on site
- Has facilitated significant support from local and national government which will maximise the return on the strategic assets

**Endgame**
- Subdivision of industrial park
- An Environmental remediation plan is being implemented
- Sale of the assets and the revenue stream to a fit and proper party
## RECEIPTS TO DATE

<table>
<thead>
<tr>
<th>Receipts March 2016 to January 2018 (R'000)</th>
<th>YTD Budget</th>
<th>Actual YTD</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind-Down Sales</td>
<td>745 412</td>
<td>295 480</td>
<td>-449 933</td>
</tr>
<tr>
<td>Stores and Consumables</td>
<td>15 000</td>
<td>37 844</td>
<td>22 844</td>
</tr>
<tr>
<td>Utilities</td>
<td>44 111</td>
<td>43 674</td>
<td>-437</td>
</tr>
<tr>
<td>Receivables – Steel Local</td>
<td>5 527</td>
<td>10 579</td>
<td>5 052</td>
</tr>
<tr>
<td>VAT Receivables / (Payable)</td>
<td>-20 551</td>
<td>-19 920</td>
<td>631</td>
</tr>
<tr>
<td>Other (Deposits, Sundry, Interest)</td>
<td>24 635</td>
<td>75 939</td>
<td>51 304</td>
</tr>
<tr>
<td><strong>Total Cash Inflow</strong></td>
<td><strong>814 134</strong></td>
<td><strong>443 596</strong></td>
<td><strong>-370 537</strong></td>
</tr>
</tbody>
</table>

**Comments**
- Wind down sales less than expected as a result of delay in sale of Structural Mill and Iron Plant 2
- All assets realised to date at a higher value than original forecast
## PAYMENTS TO DATE

<table>
<thead>
<tr>
<th>Payments March 2016 to January 2018 (R’000)</th>
<th>TD Budget</th>
<th>Actual TD</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin (IT, Security, Cell Phone and Other)</td>
<td>30 236</td>
<td>35 142</td>
<td>4 906</td>
</tr>
<tr>
<td>Environmental</td>
<td>3 768</td>
<td>2 431</td>
<td>-1 337</td>
</tr>
<tr>
<td>Interest</td>
<td>49 806</td>
<td>40 500</td>
<td>-9 306</td>
</tr>
<tr>
<td>Insurance &amp; Other</td>
<td>28 901</td>
<td>8 195</td>
<td>-20 706</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>26 477</td>
<td>22 357</td>
<td>-4 120</td>
</tr>
<tr>
<td>Staff Costs</td>
<td>116 362</td>
<td>95 242</td>
<td>-21 120</td>
</tr>
<tr>
<td>Energy</td>
<td>61 595</td>
<td>51 156</td>
<td>-10 439</td>
</tr>
<tr>
<td>Operational Costs</td>
<td>55 831</td>
<td>50 751</td>
<td>-5 081</td>
</tr>
<tr>
<td><strong>Total Cash Outflow</strong></td>
<td><strong>372 976</strong></td>
<td><strong>305 774</strong></td>
<td><strong>-67 203</strong></td>
</tr>
</tbody>
</table>

- Security in excess of budget
- Performed in house or outsourced
- Secured creditor being serviced
- Significantly less than budget
- Portion of costs carried by HSM
- Energy reduction framework and incentive in place

It is estimated that the potential dividend for concurrent creditors will be increased to approximately 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
### CREDITORS’ CLAIMS

<table>
<thead>
<tr>
<th>Claim Status</th>
<th># of Claims</th>
<th>Value of Claims</th>
<th>Accepted Claim Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Claims Received</td>
<td>549</td>
<td>2 589 341 817</td>
<td>1 338 190 986</td>
</tr>
</tbody>
</table>

#### SARS
- SARS’ claim remains at R689m, but remains disputed.
- Excludes any Air liquide damages

<table>
<thead>
<tr>
<th>Payments</th>
<th>Amount</th>
<th>Payments Made</th>
<th>Balance Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCS Creditors</td>
<td>28 922 771</td>
<td>14 037 885</td>
<td>14 884 886</td>
</tr>
<tr>
<td>Employees</td>
<td>300 673 428</td>
<td>96 398 143</td>
<td>204 275 285</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>110 436 028</strong></td>
</tr>
</tbody>
</table>

#### Employees
- All staff were retrenched during February 2016. The retrenchment liability totals R300 million.
- To date, a total of approximately R96 million has been paid out to employees.
GENERAL
## UPDATE ON LEGAL MATTERS

<table>
<thead>
<tr>
<th>Matter</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Liquide</td>
<td>Settlement discussions continue</td>
</tr>
<tr>
<td>Mastercroft/ Evraz</td>
<td>Unchanged</td>
</tr>
<tr>
<td>SARS</td>
<td>Proceedings continue</td>
</tr>
<tr>
<td>Competition Commission</td>
<td>Settled</td>
</tr>
</tbody>
</table>
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

Highveld is continuing with its community outreach projects

- Some of the projects commenced included:
  - **Computer skills**
    - Three groups of learners have since the start of the project in November 2017 completed training.
    - The first Computer Literacy Training for 2018 commenced on 22 January 2018.
  - **Farming**
    - Highveld has approximately 700ha of agricultural land and a number of Agri Projects aimed at benefiting the local community are currently under consideration.
    - The planting of 150 ha of maize on a dry land basis with the cooperation of local farmers has commenced and is progressing satisfactorily.
    - The establishment of an agricultural training academy is well advanced and we are awaiting on feedback from potential funders.
    - There are currently 12 subsistence farmers who are farming vegetables at Highveld owned property.
STRATEGIC PARTNERS

Highveld has been able to secure strategic partnerships with:

- **National Government**: We are working closely with Dept. of Economic Development 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 a SEZ 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**: Working 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.evrazhighveld.co.za). Please send details of any interested parties in any of the assets to the BRP’s.

Key goals in the next 12 months
1. Monthly profit from the Industrial Park and Structural Mill – pay and reduce the employees, IDC and post-commencement creditors’ liabilities
2. Structural Mill - Sell and settle the above parties and pay dividends to concurrent creditors
3. Iron plant 1 – Sell in terms of existing process or scrap within coming year
4. Iron plant 2 and plate mill – Options to be converted to deals or sell by public auction
5. Industrial Park – Subdivision first, thereafter look for potential buyers or pay creditors monthly dividends from the profits

General Meeting of Affected Persons
- Next meeting is likely to be held in July 2018