



# MATUSON ASSOCIATES

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

Date: 11 July 2016

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**WELCOME**



# BACKGROUND



# WIND-DOWN PLAN



# OVERVIEW

The BRP's appointed former management in February 2016 to assist with the wind-down of the company and its assets. The team consists of a small group of skilled and knowledgeable individuals who have been incentivised to maximise the value of the assets as well as to expedite the wind-down process 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, Raw Material Stocks, etc.
Asset Class 2	Non Strategic Assets	Assets which can be sold as movable and operational assets. Examples: Pumps, Valves, Motors, Mud Guns, Cables, etc. Items are catalogued and sold through the "Highveld Mall". 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 SALES

## **Scrap Steel and related commodities/items:**

### **Identification of scrap bundles.**

- 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 bundles:**

- 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.

# NON STRATEGIC ASSETS - HIGHVELD MALL

The main store area of the plant has been cleared and will be utilised for the sale of non core assets.

## Process

- Assets collected around the site are all brought to the workshop, where they will be inspected.
- A staff compliment has been retained to inspect, repair or clean up assets if value can be extracted by doing so.
- All assets in working order will be cleaned, sorted, catalogued and dispatched to the main stores area.
- All other assets will be separated and sold for scrap.
- All assets in the main store area are assigned a value based on the current book value of the items. The selling price is based on 80% of current book value of the item.

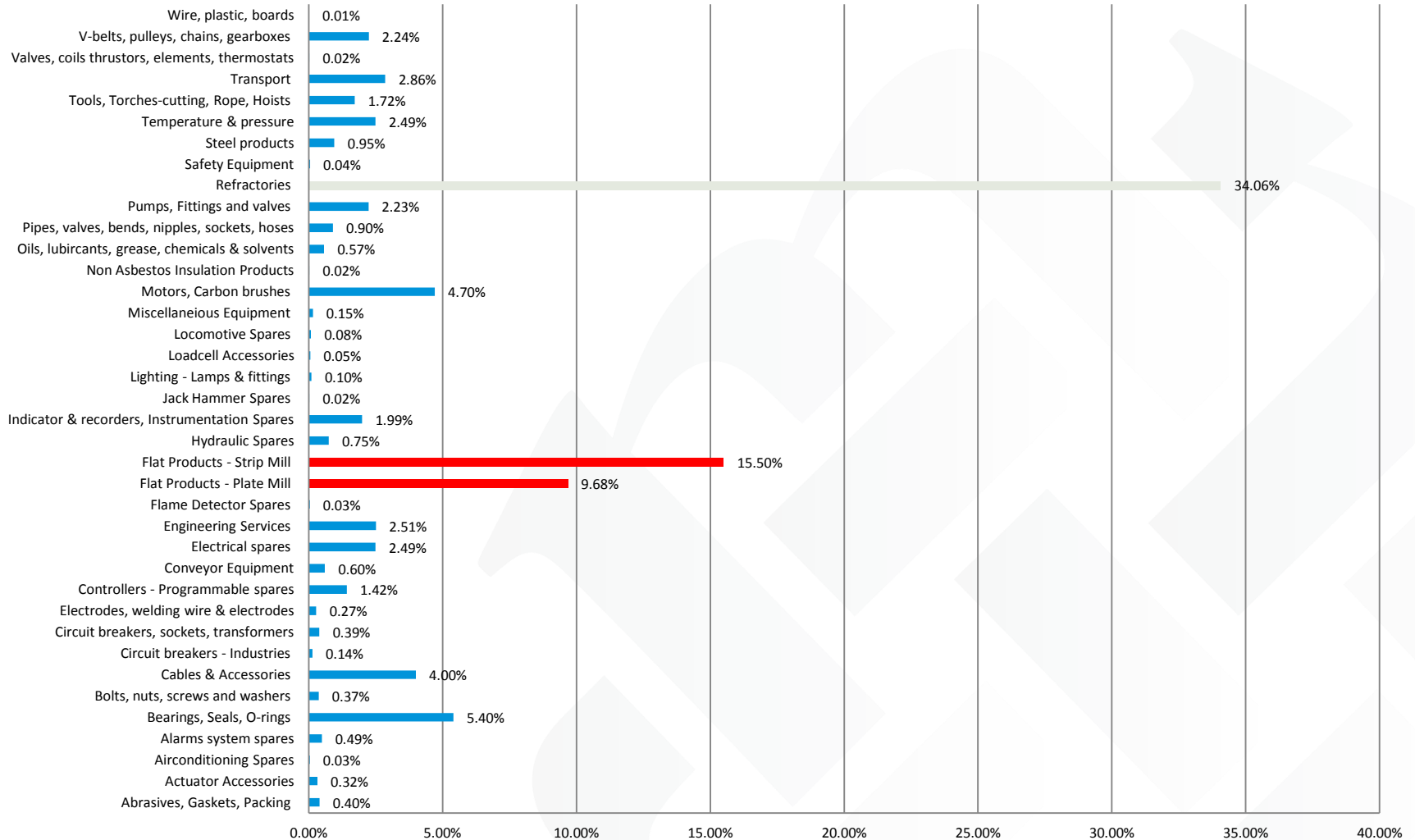
# NON STRATEGIC ASSETS - HIGHVELD MALL CONT

- **Progress:**
- All areas in the store have been catalogued and form part of the catalogue that is distributed to the interested parties
- All the loose spares in the different production plants are in process of being moved to the main store where they are cleaned, sorted, catalogued and stacked with the items already moved to the correct areas.
- The catalogue is updated with both new inventory after it has been cleaned up and after products are being sold.



# NON STRATEGIC ASSETS - HIGHVELD MALL

## Catalogued Inventory (30 June 2016)



# NON STRATEGIC ASSETS - HIGHVELD MALL

*Plant specific spares will be sold with the plant or once the plant has been demolished/ broken down*

*Refractories – Discussions were held with related suppliers and negotiations to take back some material is ongoing*

*Refractories – A former employee that managed the Refractories has been contracted to sell the items.*

*Transport service spares – Not sold but used for ongoing maintenance*

*Engineering spares – Spares kept for ongoing maintenance.*

Material Category	Value - 30/06/2016
Abrasives, Gaskets, Packing	502 355.78
Actuator Accessories	403 655.84
Airconditioning Spares	42 069.94
Alarms system spares	612 992.03
Bearings, Seals, O-rings	6 791 694.63
Bolts, nuts, screws and washers	468 181.43
Cables & Accessories	5 025 481.04
Circuit breakers - Industries	173 431.44
Circuit breakers, sockets, transformers	496 253.46
Electrodes, welding wire & electrodes	345 189.65
Controllers - Programmable spares	1 789 900.79
Conveyor Equipment	755 504.43
Electrical spares	3 132 486.76
Engineering Services	3 148 589.39
Flame Detector Spares	41 753.46
Flat Products - Plate Mill	12 158 863.53
Flat Products - Strip Mill	19 475 686.34
Hydraulic Spares	939 514.48
Indicator & recorders, Instrumentation Spares	2 497 304.90
Jack Hammer Spares	25 067.14
Lighting - Lamps & fittings	123 202.99
Load cell Accessories	67 187.20
Locomotive Spares	99 131.99
Miscellaneous Equipment	193 755.99
Motors, Carbon brushes	5 911 085.92
Non Asbestos Insulation Products	21 759.44
Oils, lubricants, grease, chemicals & solvents	714 355.27
Pipes, valves, bends, nipples, sockets, hoses	1 127 426.90
Pumps, Fittings and valves	2 802 173.97
Refractories	42 807 090.98
Safety Equipment	54 857.23
Steel products	1 192 029.11
Temperature & pressure	3 130 790.43
Tools, Torches-cutting, Rope, Hoists	2 158 288.06
Transport	3 589 276.98
Valves, coils thrusters, elements, thermostats	24 673.05
V-belts, pulleys, chains, gearboxes	2 816 789.22
Wire, plastic, boards	11 128.00
<b>Total stock value</b>	<b>125 670 979.21</b>

# NON STRATEGIC ASSETS - HIGHVELD MALL



## ELECTRICAL, MECHANICAL & ENGINEERING SPARES & TOOL

Highveld Steel and Vanadium is making available all redundant stores stock and consumables to the public and businesses within the industry from the 6<sup>th</sup> of July 2016:



- \* Electrical cable, motors, switchgear, contactors
- \* Gearboxes \* Overhead cranes, hoists & spares
- \* Steel wire rope \* Pumps \* Refractory bricks & consumables \* Engineering tools \* Bolts & nuts
- \*Bearings \*Welding and cutting equipment
- \* LDV & Earthmoving equipment.

Visit our premises at Old Pretoria Road, eMalahleni, Mpumalanga next to the N4. For more information contact Jacques on +27 76 953 4137 or via email [jacquesfi@evrazhighveld.co.za](mailto:jacquesfi@evrazhighveld.co.za).

Full payment for items on the day of the sale. No cash will be accepted on site. Free of exchange. VAT will be payable on all items.

## Marketing

1. Adverts were published in both the Sunday Times and Rapport business sections on Sunday the 26 June 2016.
2. The second advert in the Sunday Times was published on Sunday, 3 July 2016.
3. Adverts in the local newspapers were published on Tuesday, 5 July 2016 and Thursday, 7 July 2016 and from 11 July 2016 a digital advert will run in the electronic copy of the local newspapers.
4. An SMS will be sent to former employees to ensure they are aware of the opportunity to purchase tools and other items from Highveld.
5. An advert was also placed on the Junk Mail website.
6. The advert is being emailed to all potential customers regarding items they might be interested in.
7. A database is being maintained for all interested parties and customers who have purchased from the stores.
8. Creditors who are interested in purchasing any non strategic assets are requested to contact Michelle Scrusse on [mscruse@matusonassociates.co.za](mailto:mscruse@matusonassociates.co.za)

# STRATEGIC ASSETS

Equipment	Description
<b>Descriptions written and in discussion with potential investors</b>	
Vanadium Titanium Resource	Iron recoveries
Training centre	Complete training centre
Iron plant no.2	OSB arc furnace with kiln 11,12,13
STM	Structural steel production plant
Lime Fe Resource	Sell lime from dump
Vanadium Titanium Resource	Titanium resource

<b>Specification will be completed by July 2016</b>	
IRM Tippler No.1	Complete unit
Iron plant no.1	Furnace 5&6 with kiln 4,5,6,7 & 8
Machine shop	Medium duty side of central workshops
Heavy duty shop	Heavy duty side of central workshops
Kiln 1	Complete kiln unit (From Pf to clean gas stack)
Kiln 2	Complete kiln unit (From Pf to clean gas stack)
Kiln 3	Complete kiln unit (From Pf to clean gas stack)
Kiln 9	Complete kiln unit (From Pf to clean gas stack)
Kiln 10	Complete kiln unit (From Pf to clean gas stack)
Segment shop	Steel plant segment repair shop
Compressors EHV 1&2	Complete compressor (Coopers x 3)
Roll shop	Complete refurbished landis roll grinder
Vanadium plant	Crushing and screening plant
Compressor house Steelworks	Complete compressor (Centacs x 2)



# STRUCTURAL MILL

A venture to be established between Highveld, an industry player and financial institution. 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 wind-down costs
- Does not interrupt the remainder of wind-down

## **Timing**

It is envisaged that the agreements will be concluded imminently which would allow for a restart of operations after an 8 week refurbishment during September/ October 2016.

## **Funding**

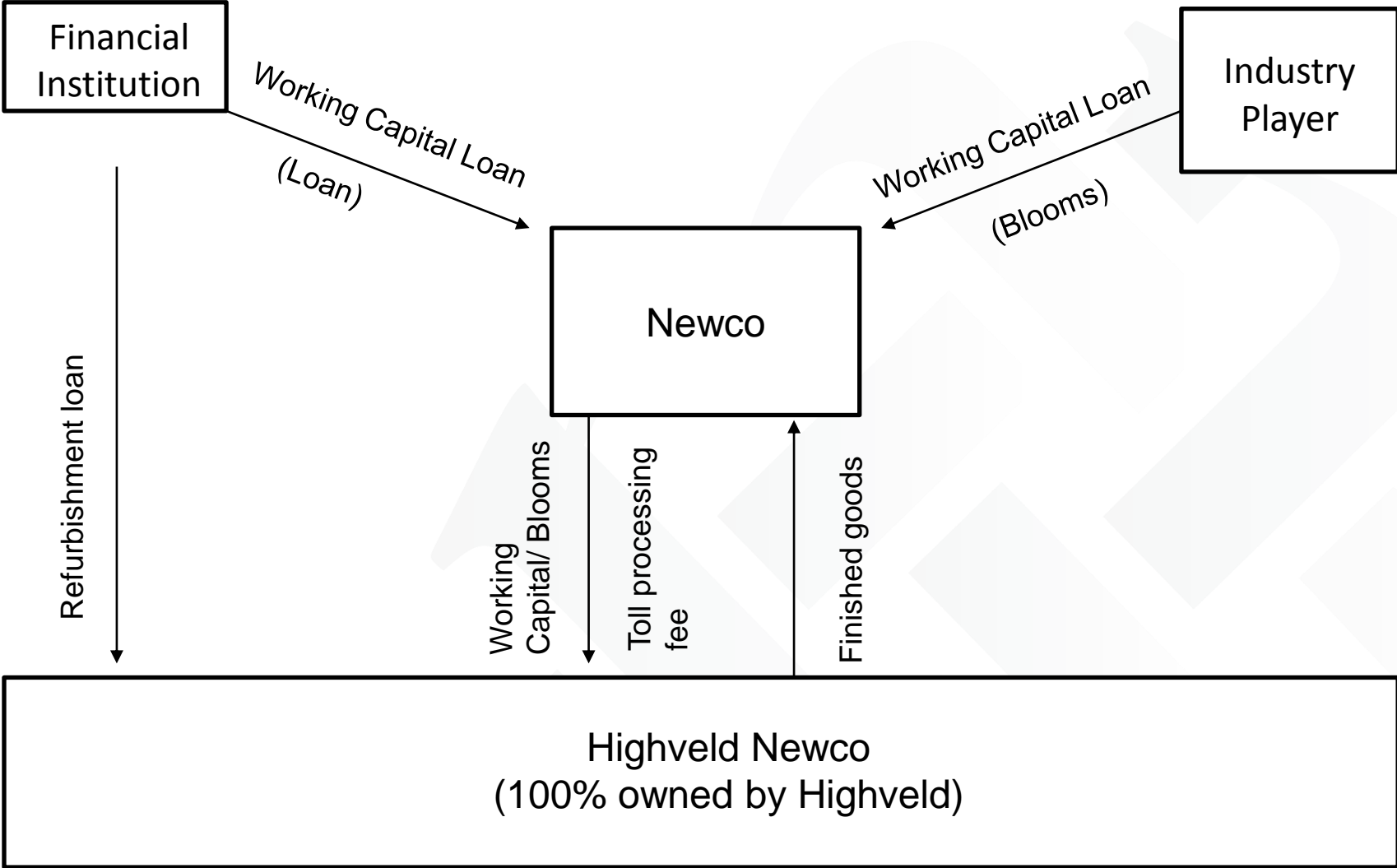
Financial institution will provide the funding to Highveld Newco, required for the refurbishment of the Structural Mill.

## **Risks**

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



# STRUCTURAL MILL



## PROGRESS TO DATE



# CASH FLOW

## Receipts March 2016 to June 2016

	YTD Budget	Actual YTD	Variance
<b>Opening Cash Balance</b>		<b>6 882</b>	
<b>Receipts</b>			
Scrap sales	36 109	22 807	- 13 302
Stores and Consumables	8 951	15 633	6 282
Utilities	9 866	5464	- 4 402
Receivables - Steel Local	2 042	2 864	822
VAT - receivable / (payable)	-578	1 887	2 464
Other (Other Deposits, Sundry Debtors, Interest)	1 463	5 265	3 802
SASFIN proceeds		14 004	14 004
<b>Total cash inflow</b>	<b>57 854</b>	<b>67 925</b>	<b>10 071</b>

### Comments

1. Sale of scrap has been delayed by perfection agreement
2. Stores ahead of budget
3. Utilities significantly off budget due to delay in signing 3<sup>rd</sup> party agreements
4. Strategic assets being prepared for sale

## Payments March 2016 to June 2016

	YTD Budget	Actual YTD	Variance
<b>Payments</b>	<b>53 645</b>	<b>35 929</b>	<b>17 716</b>
Admin (IT, security, cell phone and other)	5 666	6 851	-1 185
Environmental	1 323	345	978
Interest	7 025	-	7 025
Insurance & Other	2 659	2 618	41
Professional fees	4 560	1 966	2 594
Staff cost	19 568	16 979	2 589
Energy	8 112	5 227	2 885
Operational costs	4 733	1 943	2 789
<b>Dividend Payments:</b>			
PCS - Creditors	5 807	7 727	-1 920
PCS - Employees	-	1 492	-1 492
<b>Total Payments</b>	<b>59 452</b>	<b>46 112</b>	<b>13 340</b>
<b>Closing Bank Balance</b>	<b>5 284</b>	<b>28 695</b>	<b>23 411</b>

### Comments

1. Interest has been accruing on facility but in July interest was settled.
2. Approximately 60 staff have been appointed on fixed duration contracts
3. Significant cost savings identified
4. R9.2 m paid to critical post-commencement suppliers

# CASH FLOW FORECAST

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cash receipts	30 860	60 456	42 531	47 150	46 037	481 118	62 427	59 862	293 168	51 165	51 773	47 011
Highveld (Holding Cost)	-24 631	-37 371	-39 161	-35 290	-35 363	-56 758	-33 600	-29 541	-37 987	-27 659	-26 184	-26 539
Income tax/VAT (paid)/received	1 516	2 161	-3 853	-3 427	-4 106	-24 210	-35 892	-4 727	-34 038	-4 723	-5 027	-4 509
Payments to suppliers	-7 726					-36 685						-225 767
Payment to IDC							-150 000					
Payments to employees	-1 342	-6 000	-22 529		-74 868		-149 736		-74 868			
Cash and cash equivalents at beginning of period	6 882	5 559	24 804	1 792	10 226	-58 075	305 390	-1 411	24 183	170 458	189 242	209 804
<b>Cash and cash equivalents at end of period</b>	<b>5 559</b>	<b>24 804</b>	<b>1 792</b>	<b>10 226</b>	<b>-58 075</b>	<b>305 390</b>	<b>-1 411</b>	<b>24 183</b>	<b>170 458</b>	<b>189 242</b>	<b>209 804</b>	<b>-</b>
<b>Projected Dividend</b>												<b>0.10</b>

**GENERAL**



# GENERAL – SAFEGAURDING OF ASSETS

## **Security**

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

1. Additional foot patrols in the plants are continuing.
2. Non-lethal electrified fence: First phase of the improvements were made and there is indeed an improvement on the fences.

## **Security Incidents**

1. Eight incidents for the month of June, two were private related and the other six were Highveld's property.
2. Industrial action took place at the West gate on 22 June 2016. A meeting was scheduled and attended by all role players.

## **Insurance**

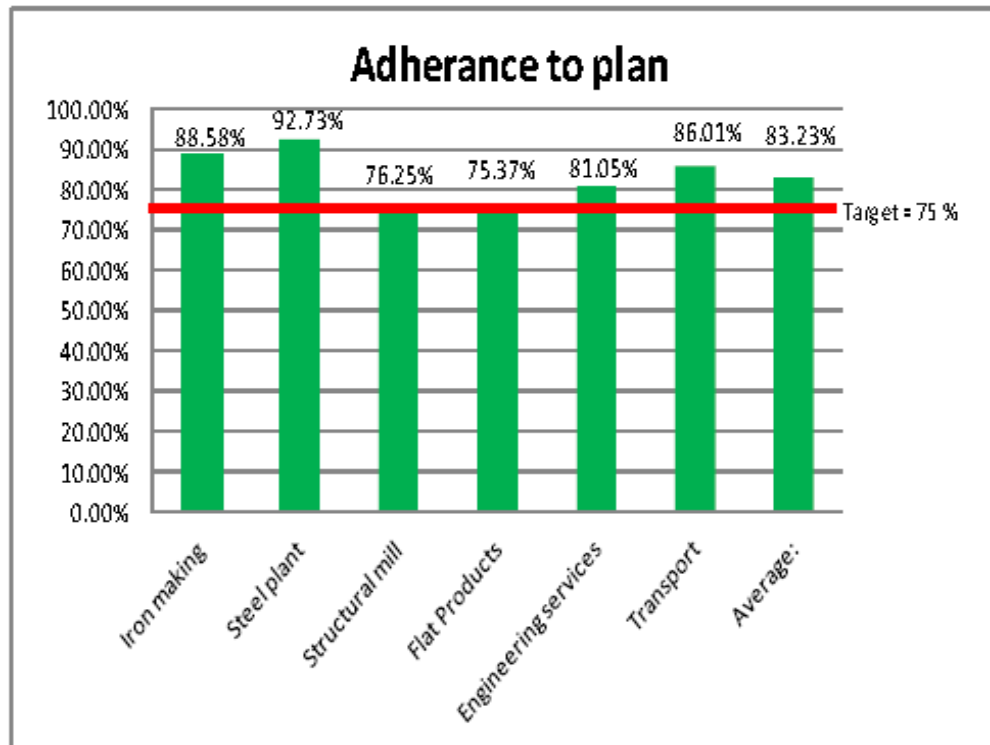
1. Asset insurance reduced to wind-down valuations and premiums funded

# GENERAL – SAFEGAURDING OF ASSETS

## Care and maintenance

1. A schedule of critical maintenance 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%.)





# OTHER INCOME

## Utilities

1. Nersa application will be made shortly to supply gas.

## Rental

1. Training centre
2. IT and office space available for rent
3. Various workshops / storage
4. Siding and raw materials handling

## **SARS**

The company continues to vigorously oppose the SARS assessments. The company is considering making a settlement proposal in order to reduce unnecessary costs and obtain certainty as to the quantum of creditors' claims and anticipated dividend.

## **Cancellation of agreements**

The company intends to bring cancellation applications to reduce any ongoing obligations.

## **IDC Perfection**

The BRPs and the IDC signed a perfection agreement which provides for the appointment of the BRPs appointed as the IDC's irrevocable agent. This requires the BRPs to achieve base prices for each asset sold. This does not impact on the wind-down or ranking of the payment waterfall.

# 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
  - 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

# EMPLOYEE CLAIMS

Breakdown of the employee claims:

	Value of Claims R million
Severance	102.7
Leave	32.2
Notice pay	57.9
Compulsory Bonus / 13 <sup>th</sup> cheques	45.8
February salary	51.9
<b>TLS group back pay since 26 Nov</b>	<b>6.3</b>
<b>Early retirement PRMA</b>	<b>5.1</b>
<b>VSP PRMA</b>	<b>27</b>
<b>Total</b>	<b>329.1 million</b>

# PRE-COMMENCEMENT CREDITORS' CLAIMS

## Total Claims Received:

*Creditors will be informed if their submitted claim has been accepted or is disputed.*

	# of Claims	Value of Claims
<b>Total Claims Received</b>	<b>552</b>	<b>2 316 942 693</b>

## Total Post commencement Supplies:

Supplier	PCS Amount	Payment	Balance due
<b>Creditors PCS</b>	<b>39 846 751</b>	<b>8 632 016</b>	<b>31 214 736</b>
<b>Employee PCS</b>	<b>328 607 433</b>	<b>1 491 603</b>	<b>327 115 831</b>

## SARS

- SARS' claim remains at R689m.
- 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.

# PRE-COMMENCEMENT CREDITORS' CLAIMS

## Liens

The BRP's and Management have had site visits with various creditors who hold assets owned by Highveld, to discuss the way forward in regard to these assets.

These assets will either be "scrapped", at scrap value or market value, returned to Highveld on payment or be held at the creditors' premises until further notice.

Letters are being prepared, which will be sent to the respective creditors.

# QUESTIONS





# CONCLUSION



## CONCLUSION

1. Wind-down is proceeding according to plan
2. Functional specifications / Prospectus are available for strategic assets
3. Offers currently being evaluated for :
  - Calcine stockpile
  - BOF stockpile
  - Titanium contained slag
  - Iron Plant 2
  - Structural Mill
4. Schedule of non strategic assets updated daily
5. Propose quarterly review meetings / updates



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