



MATUSON

ASSOCIATES



MAZARS

ADJOURNED MEETING IN TERMS OF SECTION 151 OF THE COMPANIES ACT:
**EVRAZ HIGHVELD STEEL AND VANADIUM
LIMITED**

Date: 13 October 2015

AGENDA

- Background to Business Rescue Proceedings
- Timing of Business Rescue Proceedings
- Proposed Business Rescue Plan (“Plan”)
- Comparison of Business Rescue to Liquidation
- BRPs’ Opinion in terms of the Act
- Presentations
- Discussions and conducting of a vote on requests for an Adjournment
- Update
- Amendments
- Voting
- Results of Vote
- Report on Vote

Discussed
at meeting
held on 28
September
2015

CONDITIONS PRECEDENTS BY 31 JANUARY 2015

- The implementation of the Highveld Offer and the Mapochs Offer is subject to and conditional upon each of the following conditions precedent being fulfilled to the satisfaction of the Offeror at its sole discretion or waived by the Offeror, where permitted by applicable law and should the Offeror in its own discretion be prepared to do so:
- In respect of both the Highveld Offer and the Mapochs Offer:

Outstanding	Waived
<p>That the respective business rescue plans in respect of the Company and Mapochs, recommending adoption of the Highveld Offer and the Mapochs Offer, are unconditionally approved by the creditors and shareholders of the Company and Mapochs or the court in terms of s153 of the Companies Act.</p>	<p>that the IDC or any other developmental financial institution in South Africa acquires a shareholding of between 10% and 30% of the issued share capital of the Company and provides an appropriate sum of shareholder's loan acceptable to the Offeror as well as further financing of no less than 50% of the estimated required working capital and capital expenditure of the Highveld Group after implementation of the Transaction, upon such terms and conditions agreeable to the Offeror.</p>
<p>That the respective business rescue plans in respect of the Company and Mapochs, recommending adoption of the Highveld Offer and the Mapochs Offer, are unconditionally approved by the creditors and shareholders of the Company and Mapochs or the court in terms of s153 of the Companies Act.</p>	

CONDITIONS PRECEDENTS

Outstanding	Waived
<p>That the BRPs of the Company and Mapochs settle and agree with the relevant South African governmental authorities as part of the business rescue plans (“BR Plans”) for the Highveld Group remedial action plans for the Company and Mapochs (whether actual or contingent) including but not limited to matters of environmental rehabilitation, pollution, competition law transgressions, such mine regulatory and mining health and safety and occupational transgressions as may exist, all outstanding litigation, unresolved labour and taxation issues.</p>	<p>That the BRPs of the Company settle all claims (including potential claims) with employees who are affected under the Redundancy Plan.</p>
<p>That by the date of fulfilment or waiver, as the case may be, of all the conditions precedent referred to in this paragraph 7, save for this paragraph 7, the provisions of paragraph 8.2 have been complied with to the satisfaction of the Offeror, in its sole discretion.</p>	<p>If and to the extent required by applicable law, that the approvals of the Transaction in terms of the Highveld and Mapochs Offers be obtained from the Department of Mineral Resources, the Department of Environmental Affairs, the Department of Land Use and of Water Affairs, the South African Revenue Service without the imposition of any post Scheme Implementation Date penalties and financial obligations on the Company and/or Mapochs, not provided for in the BR Plans and/or forming part of the Creditors Acquisitions for either the Company or Mapochs.</p>

CONDITIONS PRECEDENTS

- In respect of both the Highveld Offer only:

Outstanding	Waived
<p>that the BRPs of the Company cancel or suspend indefinitely or through negotiation with the counter-parties and in consultation with the Offeror, modify or restructure to the extent possible in terms of section 136 of the Companies Act and to the satisfaction of the Offeror, the following contracts without post Transaction implementation recourse to the Company and/or the Offeror in connection with such cancellation, modification or restructuring:</p> <ol style="list-style-type: none"> 1. the Hochvanadium /Treibacher agreements; 2. the Eskom supply agreement and related on-supply agreements with Afrox and Air Liquide, including the agreement of a new payment guarantee with Eskom; 3. the Air Liquide gas agreement; 4. the Sasol gas agreement, to the effect that the contracting parties should abide with the original terms of the contract; 5. the Nyanza Light Metals JV agreement with Arkein; 6. the Emalahleni Local Council water supply agreement; 7. the conclusion of a new long-term transport agreement with Transnet; and 8. such other agreements identified by the Offeror during the period ending on 15 January 2016. 	<p>That the BRPs of the Company settle with the European Commission (“EC”) the issues arising out of Mastercraft Limited’s acquisition of its current 85% shareholding in the Company, as referred to at page 41 of the Information Memorandum (“IM”) with regard to the Company made available by the BRPs to the Offeror. All Commitments referred to on page 41 of the IM must be fully discharged and released upon settlement with the EC.</p>
	<p>That the Johannesburg Stock Exchange (JSE Limited) approves the takeover of the Company by the Offeror in terms of this Offer. The Offeror intends to delist the Company from the JSE on the first trading day after the Scheme Implementation Date, in accordance with the JSE Listings Requirements.</p>

CONDITIONS PRECEDENTS

- In respect of both the Highveld Offer only:

Outstanding	Waived
<p>Should the BRPs in consultation with the Offeror not be able to modify or restructure to the satisfaction of the Offeror through negotiation with the counter-parties all of the above contracts save for those referred to in point 2 and point 6 above, the BRPs will be required to cancel those contracts, save if the Offeror should in writing request them not to do so and then also waives the above condition precedent in respect of those contracts.</p>	<p>That Mastercroft Limited, as 85% majority shareholder of the Company, gives its irrevocable written undertaking to the Offeror that it will vote in favour of the Highveld Offer at the meeting of the shareholders of the Company convened for that purpose in terms of the BR Plan for the Company, failing which that the alternative Transaction structure referred to in paragraph 4.9 above be followed.</p>
<p>If the contracts referred to in point 2 and point 6 cannot through negotiation with the counter-parties in consultation with the Offeror be modified or restructured to the satisfaction of the Offeror, the Offeror shall have the election to waive the condition precedent above applicable to those two contracts or to declare such condition precedent to be unfulfilled.</p>	<p>That the Company's wholly owned subsidiaries, Hochvanadium Handels GmbH ("HH") and Hochvanadium Holding AG ("HHAG"), be liquidated or disposed of in a manner such that HH and HHAG are no longer subsidiaries of the Company.</p>
<p>That the pending application by the Company to the International Trade Administration Commission for an increase from 0% to 10% in the general customs duty rate levied on structural steel products imported into South Africa at least for the first two years after the Scheme Implementation Date, be approved.</p>	

CONDITIONS PRECEDENTS

- In respect of both the Mapochs Offer only:

Outstanding	Waived
<p>That the BRPs of Mapochs cancel or suspend indefinitely or through negotiation with the counter-parties and in consultation with the Offeror, modify or restructure to the absolute satisfaction of the Offeror the following contracts and without any recourse to Mapochs and/or the Offeror in connection with such cancellation, modification or restructuring:</p> <ol style="list-style-type: none"> 1. the Vanchem Iron Ore supply agreement; and 2. such other agreements identified by the Offeror before or during the period ending on 15 January 2016. 	
<p>Should the BRPs in consultation with the Offeror not be able to modify or restructure to the satisfaction of the Offeror through negotiation with the counter-parties any of the contracts referred to in point 2 above, the BRPs will be required to cancel those contracts, save if the Offeror should in writing request them not to do so and then also waives condition precedent in point 1 above in respect of those contracts.</p>	
<p>If the contract referred to in point 1 above cannot through negotiation with the counter-parties in consultation with the Offeror be modified or restructured to the satisfaction of the Offeror, the Offeror shall have the election to waive the condition precedent above in applicable to that contract or to declare such condition precedent to be unfulfilled.</p>	

The following amendments are proposed:

Amendment 1 - Effect on Creditors

The insertion of a **new paragraph 24.3.5:**

“The Successful Bidder is committed to the future of South Africa from both an economic and social viewpoint, and has committed to uplift the local industry through the introduction of new technology and by the expenditure of capital to upgrade the existing Highveld Group.

In line with this commitment the Successful Bidder undertakes to procure, and will continue to procure the necessary goods and services from the local South African suppliers, in particular the current local suppliers of goods and services to the Highveld Group, on the understanding that the referenced suppliers will supply goods and services that are of a quality which reasonably accords with the Successful Bidder’s requisite standards, whilst still being competitively priced. The BEE rating of suppliers will also be of relevance as far as the award of contracts or the placement of orders is concerned.

The current local suppliers will accordingly be given a fair “right of last refusal” on the procurement of the necessary goods and services for the Highveld Group, subject to the caveats mentioned above (i.e. price, quality and BEE rating) for a period of not less than 12 months from the effective date.

The Successful Bidder also undertakes to honour work-in-progress orders placed on current local suppliers where possible acting reasonably.

Amendment 2 - Effect on Creditors

The insertion of a **new paragraph 24.3.4:**

“The Business Rescue Plan shall not prejudice or affect or compromise any Affected Person’s rights or claims against any third party including any claim or right of whatsoever nature in terms of any guarantee or suretyship executed in favour of any Affected Person by any third party”.

Amendment 3 – Effect on Creditors

The insertion of a **new paragraph 24.3.3**

“Any compromise contemplated in this business rescue plan is conditional upon the Company fully meeting its obligations to Creditors as set out in this business rescue plan. In the event of any breach by the Company of its payment obligations to Creditors in terms of the Distribution and remains in default for a period of 30 days , the full balance due to Creditors in terms of their original claims against the Company shall immediately become due, owing and payable by the Company to the Creditors

In the event that the Company is placed in liquidation then the full balance due to Creditors in terms their original claims shall immediately become due and payable by the Company to the Creditors.

The BRPs undertake that the Company shall ensure that all future tax obligations (including the filing of returns and payment of outstanding taxes) will be met until proceedings have been terminated on any ground listed in terms of section 132 of the Companies Act of 2008. Any deviation from this undertaking shall constitute a material breach of the provisions of this business rescue plan and unless remedied within 30 days after having received a notice from SARS to remedy the deviation and furthermore subject to any objection, appeal or any other available dispute resolution procedures or remedies available and which the Company or the BRPs are entitled to raise in terms of the relevant tax legislation, and/or the Tax Administration Act and/or in terms of the Promotion of Administrative Justice Act , then the full original claim outstanding to Creditors or remainder of such claim shall be payable.”

Amendment 4 – Effect on Creditors

The insertion of a **new paragraph 24.3.2.3:**

“VAT liability arising as a result of any compromise of debts in terms of the Business Rescue Plan is not subject to compromise and is payable in full. The practitioner confirms that provision for any VAT liability which may be triggered in terms of section 22 of the VAT Act 89 of 1991 has been made in the plan.”

Amendment 5 – Effect on Creditors

The insertion of a **new paragraph 24.3.3.1**

“Any assessed loss will be subject to and dealt with in accordance with the provisions of the tax laws of South Africa and will be forfeited to the extent provided for therein, subject to any objection, appeal or any other available dispute resolution procedures or remedies available to the Company or the BRPs.”

Amendments to be seconded by holders of creditors’ voting interests and satisfactory to the BRPs.

VOTING ON THE PROPOSED PLAN - PROCESS

In terms of section 152 of the Act:

- a) The BRPs must call for preliminary approval of the proposed Plan, as amended.
- b) The Plan will be approved on a preliminary basis if:
 - i. it was supported by the holders of more than **75% of the creditors' voting interests** that were voted; and
 - ii. the votes in support of the proposed plan **included** at least **50% of the independent creditors' voting interests**, if any, that were voted.
- c) The preliminary approval of the Plan will constitute the **final adoption of the Plan** if it does not alter the rights of the holders of any class of the Company's securities.
- d) If it does alter the rights of any class of holders of the Company's securities, the practitioner must immediately hold a meeting of holders of the class, and call for a vote by them to approve the adoption

CONDUCTING OF A VOTE - PROCESS

In terms of section 152(4) of the Act, a Plan that has been adopted is **binding** on the Company, creditors and shareholders, **irrespective** of whether such person:

- a) was present at the meeting, including by proxy;
- b) voted in favour of the adoption of the Plan; or
- c) in the case of creditors, had proven their claims against the Company



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