Evraz Highveld Steel and Vanadium: Better Results than In Liquidation (BRIL) Plan

Annexure “A2”

8 October 2015
Descriptions

Liquidation:

- No further continued business with suppliers.
- All process, plant and equipment (PPE) sold.

Proposal 3A (Conservative):

- All process, plant and equipment (PPE) are sold in a controlled manner to provide a better return than liquidation.
- High cost of liquidation avoided.

Proposal 3B:

- Small scale operations continue focusing on the following:
  - Lease one of the open slag bath furnaces at Iron plant for Ferro-Alloy production.
  - Main line rails, mine and siding rails and 3 kt of other structural steel will be produced from procured blocks.
- All process, plant and equipment (PPE) not used for the operations above are sold in a controlled manner.
Indicative dividend yields

Note: Dividend ranges based on KPMG valuations, business rescue plan list of claims and assumptions made in financial models.
Indicative dividend timing (Hoch SARS Claim not realizing)

<table>
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<th></th>
<th>Jun 2016</th>
<th>Dec 2016</th>
<th>Mrt 2017</th>
<th>Dec 2017</th>
<th>Dec 2018</th>
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Total: 83.61
Indicative dividend timing (Hoch SARS Claim realizing)

- **Liquidation**: Total of 0
- **Proposal 3A**: Total of 16.82
- **Proposal 3B**: Total of 18.28

Timeline:
- **Jun 2016**: 4.57
- **Dec 2016**: 4.57
- **Mrt 2017**: 4.57
- **Dec 2017**: 4.57
- **Dec 2018**: 4.57

Total:**
- **Proposal 3A**: 16.82
- **Proposal 3B**: 18.28
Liquidation

- No continued business for suppliers.
- Sell all process, plant and equipment (PPE).
- Collect all debtors.
- Sell all stock.
- Dividend will only be received once liquidation process is completed – At best the process will take two years to complete.
- Liquidation associated costs including fees are much higher than business rescue costs.
- Low possibility for plant to start up again – Plant will be dismantled and sold off.
- If Hoch SARS claim realize then it will become a preferent claim, thus the concurrent dividend will be impacted.
- The local community will be negatively impacted should EHSV be liquidated.
- All employees immediately lose their jobs and receive no severance packages, only R 28 k after the liquidation process is completed.
Proposal 3A (Conservative)

- Sell all process, plant and equipment (PPE) in a controlled manner to maximize cash generated.
- Start process by selling high value movable PPE to generate cash for first dividend expected to be paid in June 2016.
- Sell off other remaining PPE in a manner as to realize fair market value.
- Collect all debtors.
- Sell all stock at fair value.
- PPE, stock and debtors valuation as per KPMG report was used in calculations.
- Continue recovering iron, slag and lime from dumps as an extra revenue source during this period.
- The process is expected to be concluded in 19 months.
- The business can still be purchased at any time during this process that will result in a higher dividend payment for creditors.
- If Hoch SARS claim realize then it will become a concurrent claim and not a preferential claim as in liquidation.
- Employment numbers will be adjusted in line with operational requirements and affected employees will receive severance packages in line with statutory requirements according to S189 process.
Proposal 3B

- Lease one of the open slag bath (OSB) furnaces at Iron making for production of Ferro-Alloys. Assuming that environmental regulatory requirements can be met.
- Restart production of structural steel products at a rate of 3 kt/month from externally procured blocks in January 2016. Assume blocks are sourced at a feasible cost.
- Restart production of high margin siding rails at a rate of 1.5 kt per month in January 2016.
- Restart production of main line rails at a rate of 2 kt per month in January 2016 (Slow ramp-up).
- Collect all debtors and sell all stock at fair value.
- Sell PPE not needed for production of structural steel and Ferro-Alloys.
- Payment of first dividend to creditors in June 2016 from proceeds of sale of PPE, collection of debtors and selling of stock.
- The business can still be purchased at any time during this process that will result in a larger dividend payment for creditors.
- If Hoch SARS claim realize then it will become a concurrent claim and not a preferential claim as in liquidation.
- Employment numbers will be adjusted in line with operational requirements and affected employees will receive severance packages in line with statutory requirements according to S189 process.