
EVRAZ HIGHVELD STEEL AND VANADIUM LIMITED

Minutes of the meeting with Creditors of EVRAZ Highveld Steel and Vanadium Limited (in business rescue) (“EVRAZ Highveld” or “the Company”) in terms of Section 151 of the Companies Act, 71 of 2008 (“the Act”), held at Elijah Mashiloane Hall, Steelworks, eMalahleni, on Thursday, 8 October 2015 at 11:00 (“the Meeting”).

(TO BE READ WITH THE PRESENTATION SLIDES ANNEXURE “A1” and “A2”)

PRESENT:

BUSINESS RESCUE PRACTITIONERS

Mr P Marsden (Business Rescue Practitioner (EH BRP))
Mr D Terblanche (EH BRP)
Mr J Evans (MM BRP)
Mr J Lightfoot (MM BRP)

EVRAZ HIGHVELD MANAGEMENT

Mr IJ Burger (CEO)
Mr A Maralack
Mr H Visagie
Mr JJ Fourie
Mr D Pienaar
Mr C Carelse
Mr R Martin
Ms A Honeyborne
Ms A Weststrate

CREDITORS:

As per attendance registers – Annexure “B1” and “B2”

NO.	Item
1.	<u>INTRODUCTION</u>

Mr Marsden opened the meeting and indicated to creditors that the GRE offer was the subject of litigation and that the creditors had the opportunity to obtain more information on the offer.

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2. GRE OFFER

Mr Eugene Rossouw, a director of GRE, discussed the GRE offer in more detail. The offer has been presented to the BRP's and seeks to acquire EVRAZ Highveld (the offer is available on the EVRAZ Highveld website for ease of reference). The offer seeks to purchase several assets apart from EVRAZ Highveld and the Mapochs Mine, and through its energy generation focused operations, feed into the national energy framework.

GRE's focus on EVRAZ Highveld is to run at the Company's maximum capacity with iron and Vanadium production as resultant product. Vanadium will be utilised for energy storage. The 4000MW energy generation project requires more Vanadium for the power plant than EVRAZ Highveld can produce.

Lasal International Inc ("Lasal") is the controlling shareholder of GRE and is an American based company and is tax based at the Isle of Man. GRE offers the creditors a R1/R1 return. Lasal certified that it has the cash funds at its disposal for the equity requirement of its R5 billion offer, although there is no formal guarantee available yet. GRE requires the complete EVRAZ Highveld and Mapochs Mine businesses and its products. The EVRAZ Highveld plant and the Mapochs Mine are required for the intended operations of GRE to produce Vanadium.

3. GENERAL DISCUSSION / QUESTIONS ON THE GRE OFFER:

3.1 Discussion by BRP – Piers Marsden ("PM"):

BRP's concerns include that there is no indicative timeline for the completion of the transaction; it is a multi-jurisdictional offer; BRP's will not be allowed to do any distributions before all the condition precedents have been satisfied; etc.

The BRPs are not confident with the *bona fides* of the offer. GRE has been given the opportunity to provide a proper guarantee to their offer, but they have not complied with this requirement. The detail of the shareholder was not disclosed before this meeting and the shareholder support letter that was presented by Mr Rossouw just before this meeting is not satisfactory and does not meet the requirements of a proper guarantee.

The BRP's research on GRE and its shareholders could not yield any confirmation of the substance of GRE or its shareholders or its financial ability to fund the offer.

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3.1.1 The BRP's could determine the following about GRE:

There is no indicative time line for the finalisation of the GRE offer. It is clearly a complex multi-jurisdictional transaction that will not complete before Highveld runs out of money;

In terms of the offer BRPs are not allowed to make any distribution of any portion of the money before the Offer Conditions are not fulfilled (paragraph 24.1);

there are 9 suspensive conditions. They are not capable of waiver. There is no drop dead date for fulfilment – this can carry on for years;

GRE also requires the “renegotiation of certain agreements with suppliers” but does not list who these suppliers are;

Legally cannot give effect to at least 2 suspensive conditions

- terminating certain employment contracts (24.1.2) – prevented to do so by Labour Relations Act.
- settling all environmental claims (paragraph 24.1.6) – these needs to be rehabilitated over a period of time – cannot buy your way out of it;

GRE Offer is subject to the “absence of applicable laws and injunctions restricting, or Government related intervention, seeking to prevent the implementation of the Offer”. Uncertain what this means in a multi-jurisdictional transaction – dealing at least with money flowing between St. Lucia, USA, UK, Austria, Switzerland; South Africa and Isle of Man in this offer; and

GRE still does not have proof of funding. There are many risks in accepting an offer of this nature.

3.1.2 Analysis of GRE Offer:

It is known that:

- GRE is a Company situated in the Isle of Man;
- the shareholders are “Private Equity Structures” from overseas, but their identities are confidential and remain undisclosed;

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- that the funds are held by PLG Bank in St Lucia – a West Indies Island; and
- that PLG Bank is not a commercial bank as is generally understood.

GRE is represented by:

- Connie Myburgh – duly authorised representative;
 - Mike Ralston – duly authorised representative;
 - Eugene Rossouw – director of GRE and deposed to court papers;
 - Diaan Ellis – attorney for GRE in court applications;
 - Gavin Zietsman –director of GRE
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- Correspondence indicates that GRE wants to invest in various entities;
 - They refer to the Lesotho Breeze Wind Farm as reference as one of the first projects to fall under the GRE banner (Letter dated 27 July 2015) – GRE does not yet have any rights to this project;
 - GRE has entered into “conditional agreements to acquire the controlling interests in groups of South African companies which will supply infrastructure and technical abilities” and propose to use these companies to acquire Highveld. GRE is arranging for the funding;
 - The electricity generated by the Lesotho Breeze Project will be channelled to Highveld and it will use that to power the furnaces and plant;
 - GRE is in the process of acquiring controlling interests in Moyo Eco Power Pty Ltd (letter dated 14 August 2015) which holds the rights in respect of the Lesotho Highlands Power Project;
 - GRE is in the process of negotiating with Duferco to purchase Vanchem Vanadium Products (Pty) Ltd;
 - GRE is in the process of negotiating with Evraz PLC to buy Vametco and Stratcor; (GRE letter dated 9 August 2015)
 - GRE is focused on renewable energy and has “no steel making experience” – (competition filing completed by GRE)
 - GRE has no Net Asset value in South Africa – competition filing completed by GRE
 - GRE has no turnover in South Africa - competition filing completed by GRE;
 - GRE has pending litigation since 28 July 2018 and has launched 2 x urgent applications to date – 2nd application is in court today;
 - Recent Media articles state that GRE has made an offer for Jubilee Platinum but that the offer was incapable of implementation because “did not honour the terms of the transaction” according to Jubilee; and

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- In May 2015, Jubilee agreed to sell a 65% stake in Jubilee Smelting and a 40% holding in PowerAlt, the generating business, for US\$9.1mn to GRE.

3.1.3 Public Information on GRE

In another unrelated matter court proceedings pending in the High Court of South Africa Gauteng Local Division, Johannesburg, under case number 15/06791, between First Rand Bank and Harrison & White and others – also involves GRE as an acquirer of certain business from the distressed Harrison & White:

- Harrison and White is under business rescue and has been for the last 2 years;
- GRE wishes to acquire certain assets from Harrison and White and offered to put up post commencement funding;
- Moyo Eco Power is part of Harrison & White;
- Since 30 September 2013 GRE has not been able to raise the funding to give effect to the proposed transactions (first draft of Harrison & White business rescue plan paragraph 6.5 “PCF”)
- The same individuals are involved in this matter being:
 - Mr Connie Myburgh;
 - Mr Mike Ralston;
 - Mr. Gavin Zietsman;
 - PLG Bank as funder;
 - Mr Diaan Ellis as attorney;
- The funding was promised on numerous occasions from September 2013 to date;
- GRE is in the process of obtaining the funding from an undisclosed private funder;
- As at today we understand the funding is still not available.
- In this matter there have been 6 drafts of the proposed business rescue plan;
- The meeting to vote on the plan has been adjourned at least 14 times in the period September 2013 to date;
- First Rand Bank has applied for the liquidation of Harrison & White as a business rescue is now impossible;
- The matter has been opposed – the court papers are in excess of 1000 pages and litigation has been ongoing since February 2015. The matter is unlikely to be finalised soon; and
- BRPs do not see GRE consummating and implementing both the Harrison & White and Highveld transactions in the reasonable foreseeable future.

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Lack of funding remains the common problem.

3.2 Question and Answers on the GRE Offer:

3.2.1 Question:

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Has GRE increased/ substantiated their guarantee?

Response:

Mr Piers Marsden (“PM”):

GRE alleges they have a valid guarantee with PLG Bank in St Lucia – a West Indies Island (“PLG”), but BRP’s could not get confirmation of the validity of the guarantee.

Mr Eugene Rousseau (“ER”):

GRE is of the view that the guarantee is a valid guarantee from PLG bank. There is currently no South African guarantee, but is in process of being issued through ABSA bank.

GRE does has the financial ability to do good on the indicated projects and to conclude all its intended transactions, including the Harrison and White transaction.

3.2.2 Question:

Is there any proof of transactions successfully concluded by GRE?

Response:

ER:

None currently. GRE has been positioning themselves to complete all the intended transactions and to secure Lasal as the funding investor. There is a signed contract between Lasal and GRE.

PM:

The letter by ER does not have the appearance of a valid guarantee or letter as it is not on

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company letterhead and is certainly not issued in the name of Lasal.

3.2.3 Question:

Mr Maartin van Wijngaarten

What are the merits of the court application and what are the creditors requested to decide on.
What is the GRE strategy?

Response:

ER:

GRE was informed that it was no longer a valid bidder to the EVRAZ Highveld business and the BRPs were required to present the GRE bid to the creditors.

PM:

The process dictates that the creditors need to turn down the Business Rescue Plan and only once the creditors have voted against the IRL the BRPs can entertain any alternative offers.

3.2.4 Question:

Mr Maartin van Wijngaarten

What is the strategy of GRE if it loses the court case?

Response:

ER:

It is the creditor's prerogative and discretion to vote and approve the IRL deal. However GRE urged creditors to consider the GRE offer which gives a better dividend to creditors.

3.2.5 Question:

Mr Frank Klinkert

Are Creditors required to vote for the BR Plan with the IRL offer, alternatively for another BR

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Plan?

Response:

PM:

Creditors are required to vote for the BR the plan with its current detailed options. If the current plan is not approved, alternatives, including alternative offers could be considered. Liquidation was the very last resort and was not viewed as a feasible option.

3.2.6 Question:

What are the contents of the GRE offer?

Response:

ER:

Most importantly a R1/R1 dividend to the creditors. The GRE proposal is not currently part of the BR Plan. Therefore, only when the GRE offer is included into the BR Plan, GRE can execute its offer.

3.2.7 Question:

Can the GRE shareholder provide a proper letter in support of the transaction?

Response:

ER:

The shareholder has already expressed its support and a letter to that effect is imminent.

3.2.8 Question:

Who is behind GRE from a technology perspective? How achievable are the conditions precedent of the IRL and GRE offers respectively?

Response:

ER:

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There are sufficient technical resources. The GRE transaction is supported by a significant number of associated technologies and transactions.

3.2.9 Question:

Is there financial substance to the GRE offer at this meeting?

Response:

ER

No, not at the meeting. However, proof may be available by next Tuesday which would include that the Bank of America will confirm that it holds money on behalf of GRE to consummate the intended transaction.

3.2.10 Question:

Currently the only valid offer on the table is the offer of IRL. Is the GRE offer valid beyond today and this meeting?

Response:

ER

The offer is valid beyond today and this meeting.

3.2.11 Question:

Is Vanadium 100% part of the GRE business plan?

Response:

Yes

4. IRL OFFER - CONTINUATION OF THE Q&A FROM THE PREVIOUS CREDITORS MEETING:

4.1 The concerns of creditors from the previous meeting were discussed with IRL. It was made clear to IRL that local procurement will have to be assumed for the business plan and their offer. IRL has to give current creditors of EH an “offer of last refusal” preference for procurement to IRL. It was indicated that the BRP’s will insist on this as a condition to the sale.

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4.2	The BRPs were concerned about the conditionality of the offer as the conditions precedent are challenging. Warranties were difficult to give.
4.2.1	The environmental liabilities were one of the significant matters of concern and the BRPs proposed to the Authorities the establishment of an environmental trust to ring fence the Company's environmental liabilities. This proposal was made to the Authorities on the environmental liabilities. This proposal is currently before the minister for decision and indications are that the proposal may be acceptable to the Authorities.
4.2.2	The DMR involvement at the Mapochs Mine was also one of the issues that were complicating the offer.
4.2.3	The IDC involvement or quasi-government involvement whereas the IDC is already the equity provider and was also providing a portion of the capex required going forward. IRL is insisting that the SA Government needs to be on board in the transaction. All the capital is immediately required on the effective date with a final 3 rd payment on the first anniversary of the effective date.
4.3	Question and Answers on the IRL Offer:
4.3.1	<p>Question:</p> <p>Mr Frank Klinkert How long will local procurement remain preferential?</p> <p>Response: PM: This matter has not finally been detailed in discussions with IRL and still has to be discussed further with IRL</p>
4.3.2	<p>Question:</p> <p>Mr Frank Klinkert Will the quality and price perspective of local procurement have to be competitive with Chinese pricing or SA pricing?</p> <p>Response:</p>

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Suppliers have to be competitive with Chinese pricing

4.3.3 Question:

Mr Frank Klinkert

Suppliers experience the same competitive challenges with Chinese imports that EVRAZ Highveld is experiencing. Therefore local suppliers cannot compete with Chinese suppliers – this is a huge concern for suppliers. If the suppliers are not protected by the Company in this transaction, there is effectively no benefit to Suppliers/ creditors and they therefore require achievable price discrimination.

Response:

PM:

He will discuss the matter with IRL but indicated that this is a difficult matter and cannot guarantee any positive outcome to the matter.

4.3.4 Question:

Mr Mervin van Rooyen

Has any technical person in EVRAZ Highveld looked at the technical side of the IRL offer? He is not confident that from an engineering perspective the IRL offer is achievable. The IRL plan indicates unachievable volumes in unachievable execution periods.

Response:

Mr IJ Burger (“IJB”):

The Turnaround strategy and TAP plan addresses some of these concerns significantly. One important variable, however, but which has an impact on the offer, is the current volatile market. IRL has done extensive research on the technical side of the business.

PM:

Capital investment plays a big role in the Company’s failure to achieve technological targets the last few months. Therefore it is rather a market than a technical issue.

4.3.5 Question:

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Could creditors get more detail on the proposed dividend, the timing thereof, the timing of wind down and liquidation processes? Creditors get less than 20c/R1 in terms of the offer, even less. It is often experienced that the 2nd and 3rd payments never materialises. There is currently a concern with creditors that the recurring holding costs whilst awaiting for payment.

Response:

With reference to the presentations presented at the meeting and the BR Plan it is stated that the BR Plan has 3 options in the IRL offer.

The IRL offer seeks to retain as many creditors as possible with a future growth view. The BR Plan is IRL's best offer and IRL would not commit to a long term procurement perspective. The IRL offer is currently the best deal for employees.

4.3.6 Question:

It was stated that the proposed dividend is unacceptable to creditors.

Response:

PM:

The current trading environment of the Company is to say the least extremely challenging and the Company was faced with an eroded capital base and a totally collapsed market. This is the most difficult trading environment and therefore in its current state the asset is difficult to sell and hence there is not an abundance of potential offerors.

4.3.7 Question:

Has the SARS dispute been settled?

Response:

Not yet

5 AMENDED IRL PROPOSAL

5.1 Following from the concerns were raised by creditors on certain matters in the IRL offer, IRL submitted a revised offer, which in essence amends proposal 3 in the original Business Rescue Plan

5.1.1 Proposal 3A (Conservative):

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All process, plant and equipment (PPE) are sold in a controlled manner to maximize cash generated and to provide a better return than liquidation and a lower cost than in the case of liquidation.

- 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.
- 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 Section 189 process.

5.1.2 **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;
- 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;
- All process, plant and equipment (PPE) not used for the operations above are sold in a controlled manner
- 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.

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	<ul style="list-style-type: none"> <li data-bbox="256 206 1511 286">■ The business can still be purchased at any time during this process that will result in a larger dividend payment for creditors. <li data-bbox="256 304 1511 385">■ If Hoch SARS claim realize then it will become a concurrent claim and not a preferential claim as in liquidation. <li data-bbox="256 403 1511 528">■ 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.

However, the IRL offer still remains a better option and is still rendering a better dividend than liquidation. Liquidation will minimise the chances of any re-start of the business to almost zero with a devastating effect on the Witbank community.

If the sale transaction is not successful, the process will by default continue with the original option 3 and the gradual dismantling of the plant.

5.2 Question and Answers on the amended IRL Offer:

5.2.1 Question:

Mr Mervyn van Rooyen

Is option 3B not the best option in any event?

Response:

IJB:

The IRL offer presents certain challenges, but only in the event that their offer is not accepted other alternative options will be considered. The plan is to retain as much jobs as possible and to serve the best interest of the community.

5.2.2 Question:

Mr Maartin van Wijngaarden

Has the Company assessed its stored power capacity since this matter has significant value.

Response:

IJB:

This has not been assessed but will surely be explored.

5.2.3 Question:

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The “Conspiracy theory” was raised, which entails that the Chinese and South African Governments are co-operating to the detriment of stakeholders. The view was raised that the Creditors are being unduly pressured into a particular direction and into approving the IRL offer.

Response:

PM:

The reality of EVRAZ Highveld’s position is that time (and money) is quickly running out. Liquidation is not ideal and not in the interest of anyone. There are variables that impact on the eventual outcome of the process and the offer that could be made to affected parties, such as the SARS claim that impacts on both dividend scenarios. The most significant risk to the delays herein is that the eventual the dividend will be lower in BR than in liquidation.

5.2.4 Question:

Will EVRAZ Highveld honour orders of all goods already placed before it ceased operations? There are some suppliers that procured stock for EVRAZ Highveld in order to keep the Company operational. When operations ceased the suppliers had to maintain these stocks and has to carry the cost hereof in addition to the losses suffered from non-payment of debt. The only way to recover some of these costs is to resume business with the Company in future.

Response:

PM:

EVRAZ Highveld cannot provide the creditors with any undertakings or give any guarantees to suppliers of future procurement strategies. However he indicated that he fails to see why these commitments will not be honoured by a new management.

5.2.5 Question:

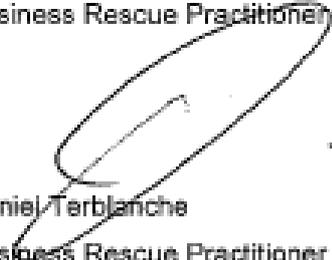
On behalf of the Company and its employees a representative of NUMSA urged the creditors to vote in favour of the offer to ensure the continuation of the business, and to serve the interest of the employees and the community of eMalahleni. The offer will also be in the interest of creditors.

There being no further business, the meeting adjourned at 14h00.



Piers Marsden

Business Rescue Practitioner



Daniel Terblanche

Business Rescue Practitioner

Date: 8 October 2015