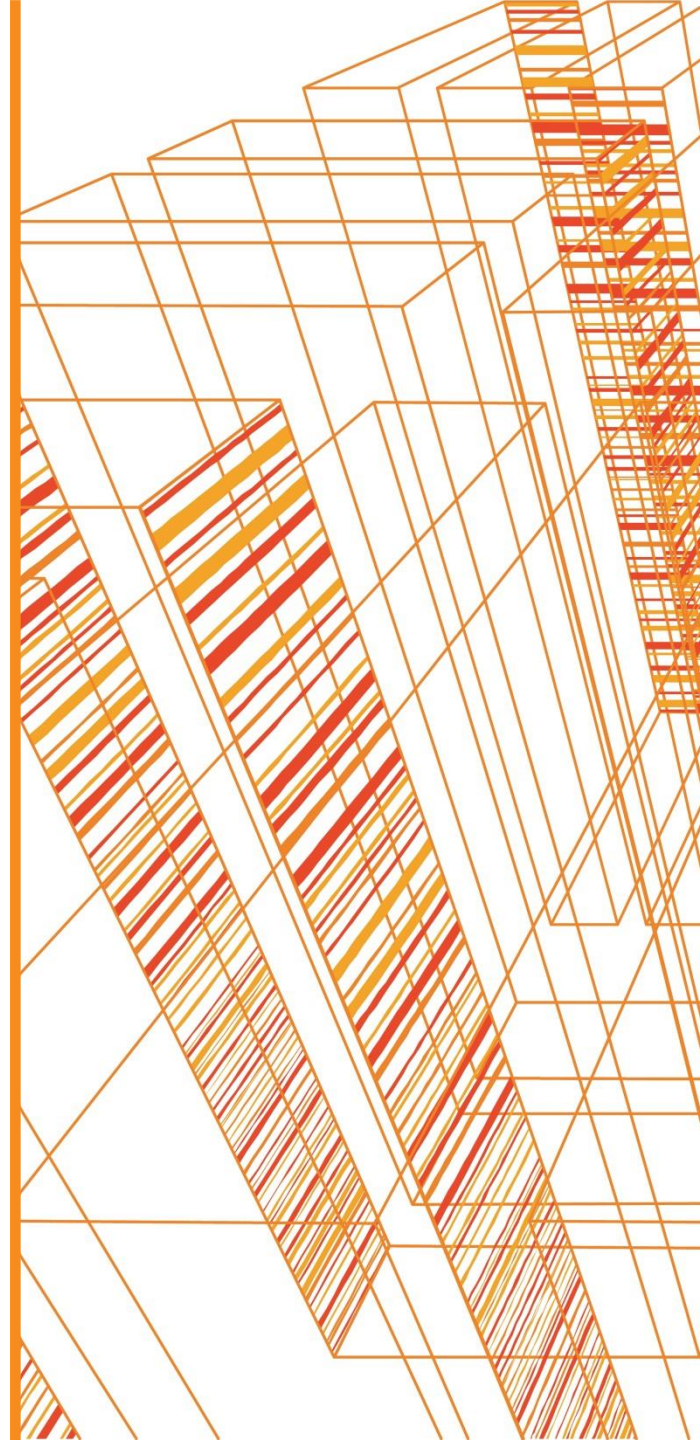


# **Evrax Highveld Steel and Vanadium: Better Results than In Liquidation (BRIL) Plan**

8 October 2015



# Descriptions

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## Liquidation:

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

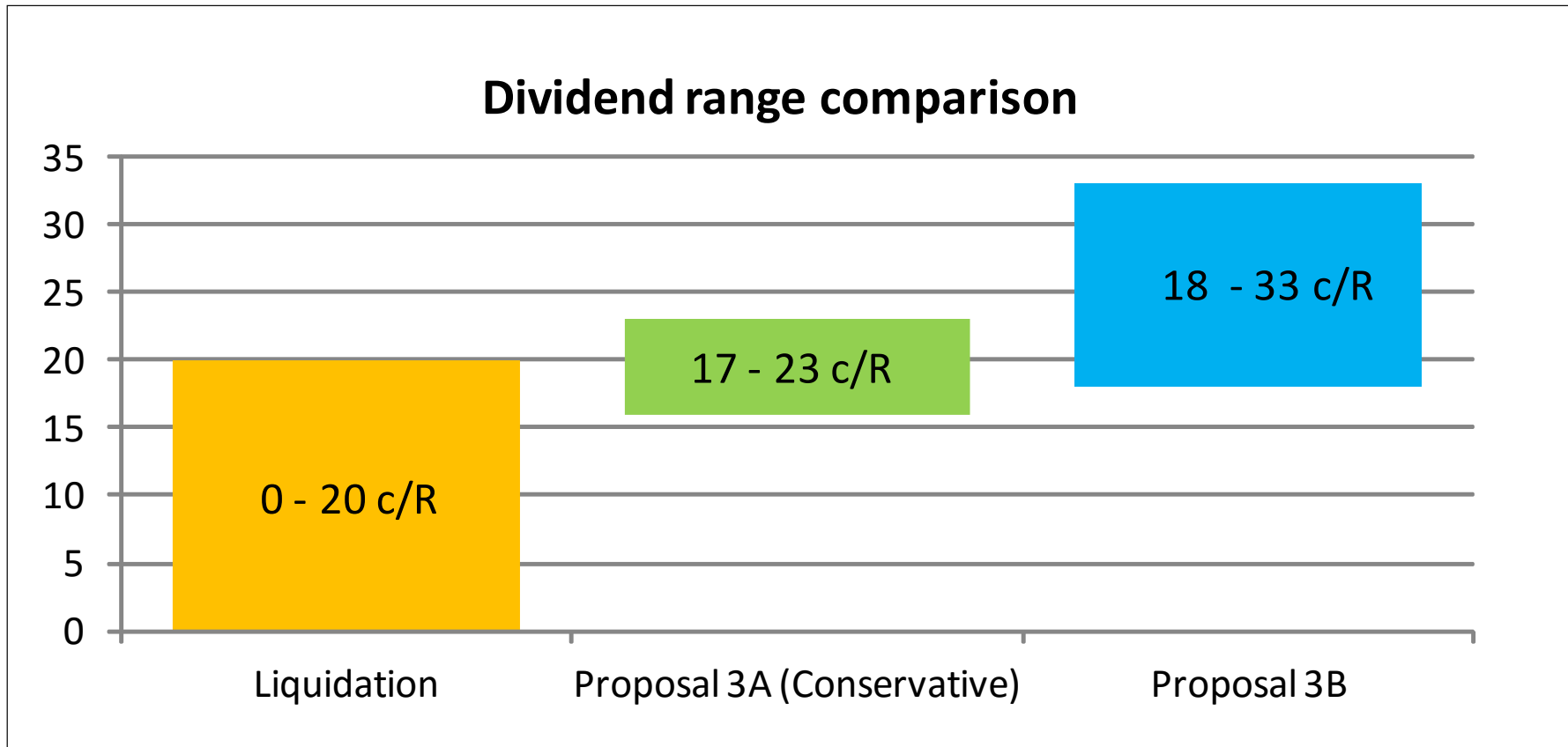
## Proposal 3A (Conservative):

- ❑ 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:

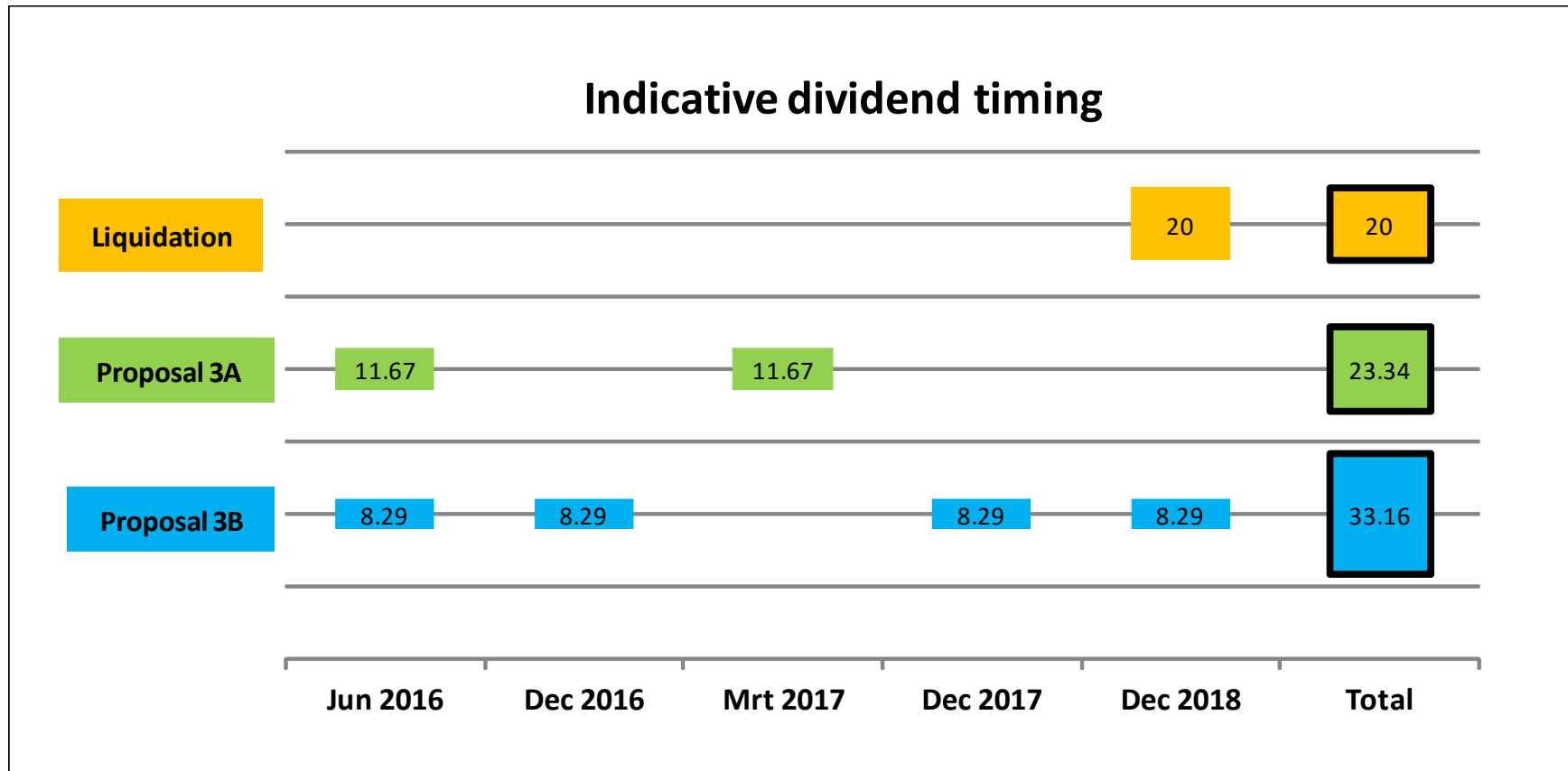
- ❑ Small scale operations continue focusing on the following:
  - Lease one of the open slag bath furnaces at Iron plant for Ferro-Alloy production.
  - Main line rails, mine and siding rails and 3 kt of other structural steel will be produced from procured blocks.
- ❑ All process, plant and equipment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

# Indicative dividend yields

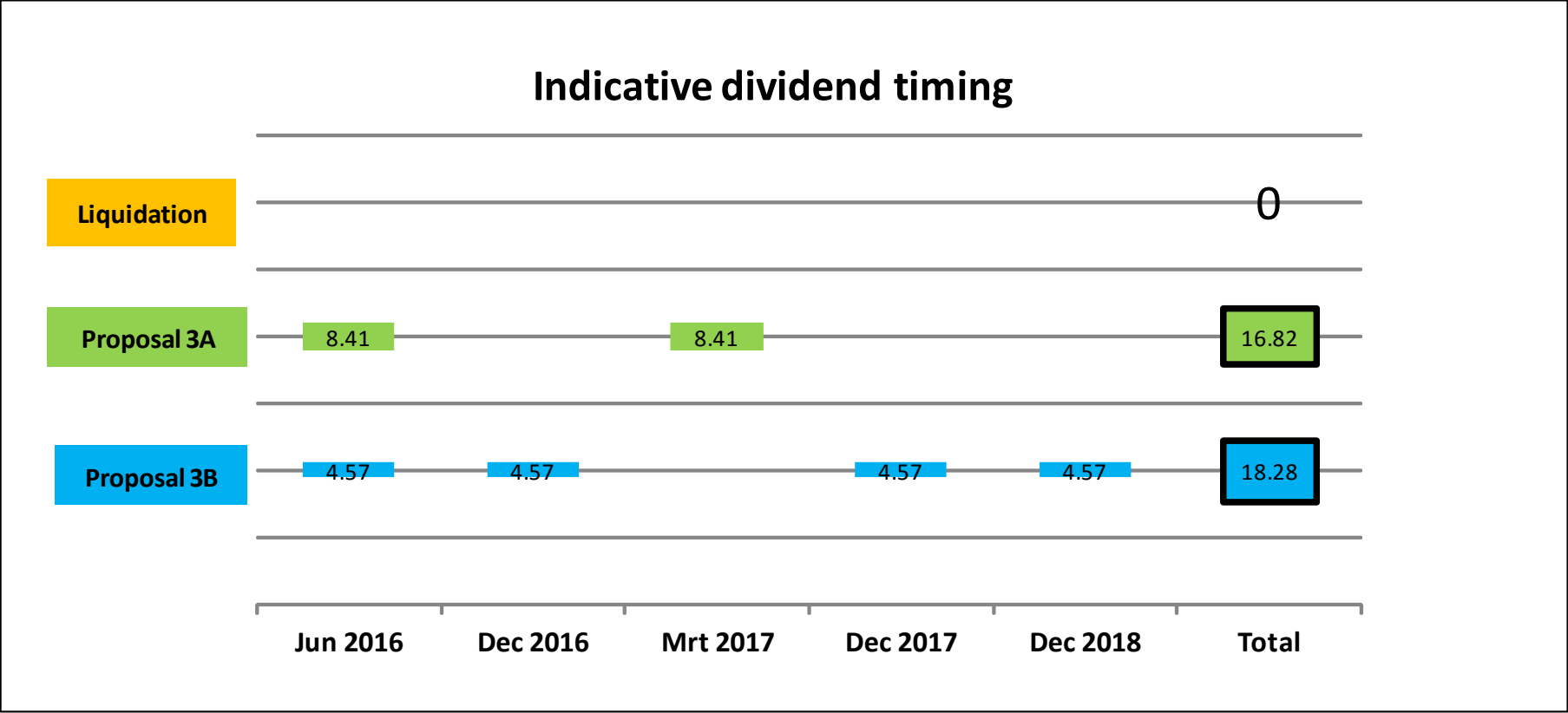


**Note:** Dividend ranges based on KPMG valuations, business rescue plan list of claims and assumptions made in financial models.

# Indicative dividend timing (Hoch SARS Claim not realizing)



# Indicative dividend timing (Hoch SARS Claim realizing)



# Liquidation

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- ❑ 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 loose their jobs and receive no severance packages, only R 28 k after the liquidation process is completed.

# Proposal 3A (Conservative)

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- ❑ 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

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- ❑ 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.