



MATUSON
ASSOCIATES

Evraz Highveld Steel and Vanadium Limited

GENERAL MEETING OF AFFECTED PERSONS

15 August 2019

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Business Rescue

Business Rescue

UPDATE ON BUSINESS RESCUE

Since the commencement of business rescue, the following steps were taken:

- Successfully decommissioned the entire steel making and vanadium operations in a controlled environment to preserve assets for future start-up.
- Reconfigured to function as an Industrial Business Park, accommodating **51 tenants**, employing more than **1200 employees** and conducting business with approximately **300 suppliers** since its re-launch.
- Ring fenced the strategic assets, which can be operated or sold as free-standing operational units.
- Structural mill was restarted through a Contract Manufacturing Agreement with ArcelorMittal, to toll manufacture steel sections and rail products.
- Number of additional income generating opportunities identified and executed allowing the business rescue team to pay creditors in terms of the payment waterfall.

Overview

Highveld Industrial Park

SNAPSHOT



Asset Rental

- Highveld Industrial Park currently accommodates **51 industrial tenants** creating new employment positions for **1,207 people**.
- Over **8,000 sqm** of prime industrial office / workshop space available for rental.
- Various strategic assets identified for restart under lease or toll arrangement.
- Structural Mill restarted under Contract Manufacturing Agreement with ArcelorMittal.
- The Highveld site has large portions of agricultural and industrial land. Plan being developed for optimal utilisation of available land.

Commodity Handling

- Highveld's rail infrastructure includes more than **45km of rail lines** which include rail wagon off loading and loading equipment. Strategically linked to Richards Bay as well as Maputo ports.
- Rail off loading facilities equivalent to **8000tpd** of capacity.
- Highveld's private rail siding has been developed as an export terminal for coal, with a road to rail strategy. At present, approximately **450 road trucks** enter the Highveld premises daily.
- Since the re-opening of the Highveld private siding in December 2016, more than **3.2m tonnes** of coal have been moved onto the Highveld site for export purposes.
- Highveld's site is well situated as **storage and distribution** centre of amongst others Waterberg coal used in surrounding power stations.

Utility Supply

- The park boasts electrical infrastructure to support a **350MVA** power supply, directly from ESKOM of which approximately **60MVA** has been assigned to current users.
- Water supply of up to **20ML** per day is available from the largest municipal dam in South Africa – the Witbank dam. On site water purification facilities supply potable water.
- Piped oxygen from 2 Oxygen Plants (940tpd – Afrox, 500tpd - Air Liquid) is available on site. Both plants currently idling and off take of ca. **800tpd** is available.
- The Industrial park furthermore supplies the tenants with the following services:
- Security, Information Technology systems, Training facilities.
- Metallurgical and Analytical Laboratory services.
- Health Clinics and canteens.

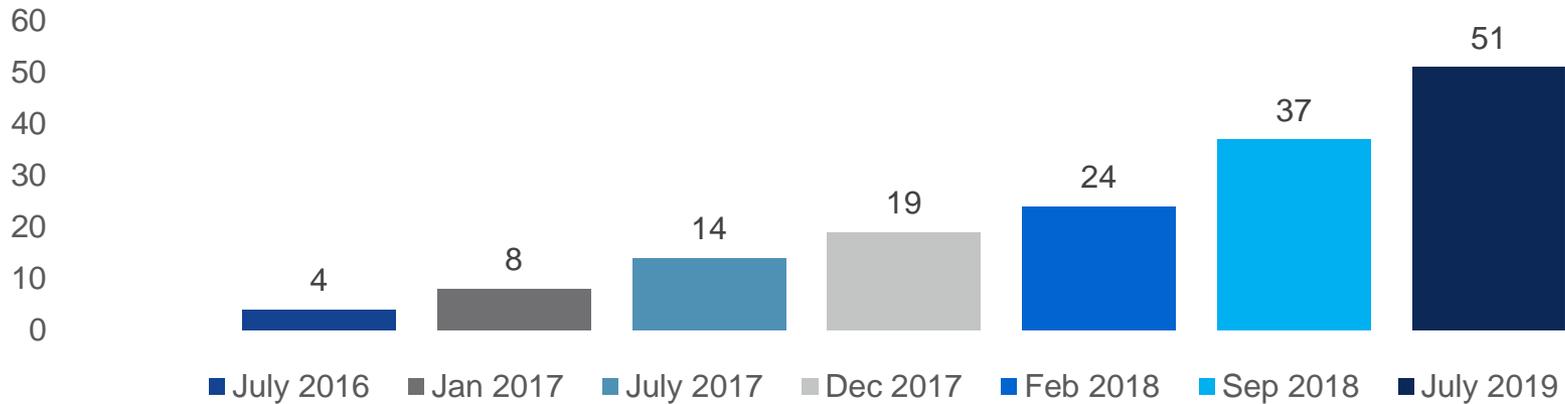
Natural Gas Supply

- The industrial park has a significant annual allocation of natural gas from SASOL.
- NOVO Energy in 2019 opened a **R130m** large-scale natural gas compression facility at the Industrial park which will ultimately bottle and transport compressed gas to end users.
- On site distribution network also in place to distribute gas to various users on site (rotary kilns – Ironmaking, reheat furnaces – Structural Mill, Plate Mill).

Industrial Park

RENEWED ECONOMIC ACTIVITY

Tenants on site at Highveld Industrial Park



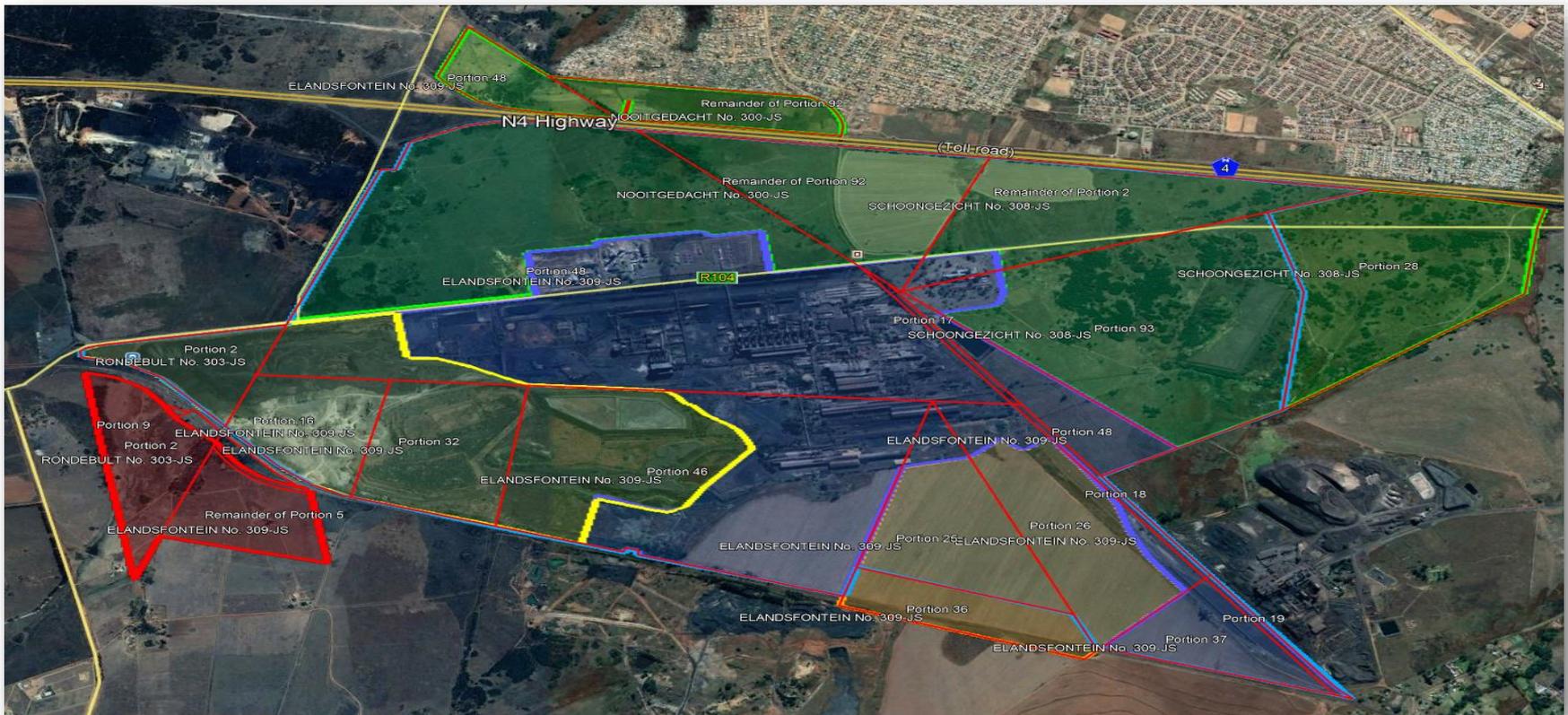
Employment at Highveld Industrial Park



Vacant Site Locations

FUTURE EXPANSION

- 300 hectares of prime areas identified for future development as part of the Highveld Industrial Park Precinct plant.
- We appointed property development consultants to assist in developing plans for human settlements, schools, clinics and hospitals and shopping centres for the benefit of the surrounding community.
- Design phase of project is expected to conclude in June 2020.



Structural Mill

Acquisition of the Structural Mill

AMSA Transaction Rationale

- Unique asset capable of producing heavy section structural steel for infrastructural development, and, with further investment, mainline rails
- The localisation of mainline rails will support jobs, strengthen industrial capability and
- Enable export opportunities, while allowing for the transfer of specialised intellectual property and skills associated with rail production

Key Commercial Terms

- Payment of **R150m** on the effective date.
- Second payment of **R150m** conditional on:
 - Concluding a commercial arrangement for the long-term supply of sizable mainline rail volumes, and
 - Funding for this payment secured from the IDC, with a long stop date of 31 December 2023; or
 - The business achieves profitability targets.
- The key conditions precedent are mainly customary and regulatory in nature.
- Tolling Agreement has been extended to the earliest of the effective date or 12 months from 1 July 2019.

Creditors

Claims

Post-Commencement Claims

	Commencement Date	Paid to Date	Balance Outstanding
	R' millions		
Employees (Retrenchment Costs)	329	217	112
PCF Provider	150	25	125
Total Post-Commencement Creditors	479	242	237

Pre-Commencement Claims

	# of Claims	Value of Claims	Accepted Claim Value
	R' millions		
Claims Accepted	528	1558	1469
Claims Rejected	16	342	0
Claims in Dispute	1	689	0
Total Claims	545	2589	1469

Payment Waterfall

- As per section 135 of the Companies Act and paragraph 28 of the Plan, creditors are to be paid in the following order of priority:
 - Business Rescue Costs, including but not limited to:
 - Legal costs, the costs of the Advisors and other costs associated with the business rescue and other professional fees;
 - Holding costs; and
 - Post-commencement creditors.
 - Employees.
 - Secured PCF Creditors.
 - Unsecured PCF Creditors.
 - Concurrent Creditors.

Conclusion

Conclusion

General

- Wind-down is proceeding according to plan.
- Functional specifications / Prospectuses are available on the Highveld Website (www.evrazhighveld.co.za). Please send details of any interested parties in any of the assets to BRP's at evrazhighveld@matusonassociates.co.za.
- Schedule of non-strategic assets updated daily.

Offers currently under DD or exclusivity:

- Iron Plant 2
- Plate Mill

Offers currently being evaluated for:

- Sale of balance of Titanium containing slag.
- Sale or lease of Iron Plant 1 and Kilns.
- Various leases in Industrial Park.