



**EVRAZ Highveld Steel and Vanadium Limited
(in business rescue)**

Registration number 1960/001900/06

(“Highveld”)

March 2022 update

**Report to the Companies and Intellectual Property Commission and to all Affected
Persons**

In terms of Section 132(3)(a) of the Companies Act 71 of 2008

Prepared by:

Piers Marsden - Business Rescue Practitioner (“BRP”)



Attention: **All Affected Persons of EVRAZ Highveld Steel and Vanadium Limited (in business rescue) ("Highveld")**

RE: REPORT ON THE PROGRESS OF THE BUSINESS RESCUE PROCEEDINGS OF EVRAZ

Introduction

1. In terms of section 132(3) of the Companies Act 71 of 2008 ("Act"), if a company's business rescue proceedings have not ended within three (3) months after the start of those proceedings, or such longer time as the Court, on application by the practitioner, may allow, the practitioner must –
 - 1.1. prepare a report on the progress of the business rescue proceedings, and update it at the end of each subsequent month until the end of those proceedings; and
 - 1.2. deliver the report and each update in the prescribed manner to each affected person, and to the:
 - 1.2.1. Court, if the proceedings have been the subject of a court order; or
 - 1.2.2. Commission ("**CIPC**"), in any other case.
2. As defined in S128(1)(a) of the Companies Act, no. 71 of 2008 as follows:

"affected person" in relation to a company, means-

A shareholder or creditor of the company;

Any registered trade union representing the employees of the company; and

If any of the employees of the company are not represented by a registered trade union, each of those employees or their respective representatives.
3. Therefore, as required, this **Update Report** is being delivered by the business rescue practitioner ("**BRP**") in terms of section 132(3) of the Act.
4. Reference is made in this Update Report to the adopted business rescue plan ("**Plan**"). Any capitalised terms not defined herein shall have the meaning ascribed to same in the Plan. It is therefore important that this Update Report be read in conjunction with the Plan and the previous update reports.



Business Rescue Proceedings.

5. The business rescue practitioner is pleased to announce that Dividend No.4 in the amount of R8,8m will be paid to concurrent creditors at the end of March 2022. The monthly payments presently being paid to former employees will continue until such time that the business rescue generated sufficient funds to settle the balance due to former employees. There has been a significant reduction in the debt owed to retrenched employees as well as post commencement creditors. The company has paid 3 dividends to concurrent creditors over the past 18 months, excluding dividend No.4 as mentioned. See schedule 7.5 below indicating the balances due to creditors as at 15 March 2022.
6. The Covid-19 pandemic impacted the closing of sale transactions with delays experienced in fulfilling conditions precedent. The most significant of these were obtaining permits to operate strategic assets.
7. Total payments made to creditors as at 15 March 2022 amount to R618 million and the BR process now focuses on:
 - 6.1 collection of the purchase price payments from Purchasers of strategic assets, as well as the Titanium and Vanadium bearing resources;
 - 6.2 preparing and managing creditor dividend payments; and
 - 6.3 reporting on dividend payment projections.

Update on the sale of Strategic Assets

8. The main focus of the Business Rescue is the collection of the proceeds from the sale of the strategic assets and executing on the agreements concluded.

8.1. Iron Plants, Steel Plant and Plate Mill

Highveld entered into definitive agreements with an entity for the purchase of the Iron Plants, Steel Plant and Plate Mill. There are certain conditions precedent that must be fulfilled for the sale transaction to close, following which the purchase price will be payable over a period of 5 years.



The restart of these assets is expected to commence after 24 months from the close of the transaction. Significant capital will have to be invested by the Purchaser of these assets to ensure that the plant is compliant with environmental legislation.

The environmental requirements for the operation of some of these assets have become increasingly rigorous and may require reauthorisation prior to start-up. Based on discussions with the Purchaser, the recruitment of employees to operate these assets will occur at a later stage when the operator has secured funding, refurbished the assets and has secured all the operational licencing for the Iron and Steelmaking Assets.

8.2. Structural Mill

The last two conditions precedent relating to environmental matters are still being attended to. Some 15 conditions precedent (CP's) needed to be addressed to conclude the transaction, of which 2 remain.

The Sale of Business Agreement and the Contract Manufacturing Agreement have been extended to 30 June 2022 to allow for the finalisation of these two CP's. All efforts are being applied to ensure the closure of these CP's by Highveld and AMSA.

8.3. Sale of Resources - Titanium Rich Resource

Advanced discussions are currently underway relating to the sale of the remainder of the resource.

8.4. Sale of other strategic assets and resources

For the assets already sold to date, Highveld is now collecting payments in terms of the agreements.



Creditors' Claims update - as at 15 March 2022 (excluding dividend No.4 payable end of March 2022)

Business rescue - Claims from Creditors

Post-Commencement Claims	Rm	Commencement date	Paid to Date	Balance
Employees		329	286	43
PCF Provider *		236	236	-
Post commencement Creditors		41	16	25
Total		606	538	68

Pre-Commencement Claims	Rm	Accepted Claim Value	Dividends Paid
Claims Accepted		1 795	80
Total		1 795	80

Total Paid to All Creditors Rm at at 15 March 2022 **618**

* Inclusive of R86m interest paid to the IDC

Dividend No. 4 of R8,8m to be paid 31 March 2022 is not included in the R618m above

9. Update on Dividend Prospects

9.1. To date 3 dividend payments have been made to concurrent creditors, being R40m approved in August 2020, R20m approved in January 2021 and R20m paid at the end of September 2021.

9.2. Dividend No.4 of R8,8m will be paid to Concurrent Creditors at the end of March 2022.

9.3. The total estimated dividend to be paid to creditors is currently 61 cents in the rand, if all payments are made in full in terms of the agreements concluded. See Annexure 1 for the contracted payments.

9.4. The dividend projection if certain of the assets are scrapped should the Purchasers not perform in terms of the agreements concluded is estimated at 34 cents in the rand.

10. As indicated in Annexure 1, the potential dividend may increase by a further 10 cents if certain conditions are met in the sale agreement with ArcelorMittal and a further R150 million becomes payable in terms thereof.



11. **Conclusion**

The business rescue continues in accordance with Proposal 3, i.e. the wind-down of EVRAZ Highveld Steel and Vanadium Limited (“Highveld”), as contemplated in the Plan.

The dividend payable to Concurrent Creditors is projected at 61 cents if all the payments are made in full in terms of the agreements concluded. If certain of the assets are scrapped should the Purchasers not perform in terms of the agreements concluded, the projected dividend is 34 cents in the rand. Thus the dividend range is projected between 34 to 61 cents in the rand payable to Concurrent Creditors.

The BR continues to focus on the collection of payments for assets sold and the distribution of dividends to creditors.



MATUSON
ASSOCIATES

ANNEXURE 1 – DATED 15 March 2022

**Business rescue Dividend pay-out projection
Updated Projections March 2022
Outstanding Proceeds from Strategic assets**

Asset Class	Total	Year						
	Rm	2022	2023	2024	2025	2026	2027	2028
Strategic Assets	464,8	202,3	75,4	93,2	68,4	13,5	12,0	-
Resources	601,9	47,3	53,6	14,4	53,6	127,8	167,0	138,2
Recoveries	42,1	42,1	-	-	-	-	-	-
Cost of Administration and Environmental	(25,20)	(3,60)	(3,60)	(3,60)	(3,60)	(3,60)	(3,60)	(3,60)
Available for Distribution (All Creditors)	1 083,5	288,1	125,4	104,0	118,4	137,7	175,4	134,6
Available for Distribution (Concurrent Creditors)	1 015,8	220,4	125,4	104,0	118,4	137,7	175,4	134,6

BR payments

	Rm	2022	2023	2024	2025	2026	2027	2028
Post-Commencement Claims	(68)	(68)	-	-	-	-	-	-

Distributable dividend

	1 016							
Pre-Commencement Claims	1 795							
Dividend (in cents)	56	12	7	6	7	8	10	7
Dividend 1 - 3 (Already paid)	4,45							
Projected Dividend (in cents)	61							

Upside distribution

	Rm
Amsa second R150m on HSM	150
Mapochs Mine Recovery	36
Available for distribution (Rm)	186
Dividend upside potential (in cents)	10

Total potential dividend (in cents) 71

Note - Dividend projection is based on the payment terms concluded in the agreements