
EVRAZ HIGHVELD STEEL AND VANADIUM LIMITED

Minutes of the first meeting of Creditors of EVRAZ Highveld Steel and Vanadium Limited (in business rescue) (“EVRAZ Highveld” or “the Company”) held in terms of section 147 of the Companies Act, 71 of 2008 (“the Companies Act”), held at ENSafrica at 150 West Street, Sandton, on Thursday, 30 April 2015 at 10:00 (“the Meeting”).

(TO BE READ WITH THE PRESENTATION SLIDES)

PRESENT:

BUSINESS RESCUE PRACTITIONERS

Mr P Marsden (Business Rescue Practitioner (BRP))

Mr D Terblanche (BRP)

EVRAZ HIGHVELD MANAGEMENT AND TURNAROUND TEAM (DESCRIBED IN 3 BELOW)

Mr B Petersen (Chairman of the Board)

Mr IJ Burger (CEO)

Mr JJ Fourie

Mr H Visagie

Mr D Pienaar

Mr C Carelse

CREDITORS:

As per attendance register

NO.	Item
1.	<u>THE BUSINESS RESCUE PROCESS:</u>

Mr Marsden noted that on 13 April 2015 the EVRAZ Highveld Board resolved to begin Business Rescue (BR) and the resolution was filed at CIPC on the same day. The appointed Business Rescue Practitioners (BRP’s) are Messrs P Marsden and D Terblanche.

The purpose of BR is to facilitate the rehabilitation of a company that is financially distressed. It provides a temporary moratorium on claimants’ rights against the company and provides for

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the development of a plan to rescue the company by either restructuring the company to a sustainable business or obtaining a better result than the immediate liquidation of the company. If the BR fails, the proceedings would immediately be converted into liquidation proceedings.

Objectives: To express an opinion on the prospects of success of the BR process, to engage with stakeholders and to capture the interest of stakeholders in the BR Plan, which has to be published by 22 May 2015, unless this date is extended in terms of section 150 (5) of the Companies Act.

2. THE BUSINESS RESCUE TIMELINE:

The key dates of the process were explained, including the publication of the BR Plan on 22 May 2015, unless this date is extended.

3. THE EVRAZ HIGHVELD TEAM AND TAP PRESENTATION:

Barend Petersen, Chairman of the EVRAZ Highveld Board, was introduced. He introduced the EVRAZ Highveld team, including Johan Burger (CEO), Johan Fourie (COO), Derek Pienaar, Connie Carelse, and Hannes Visagie. He noted the importance of the Company to the national economy. EVRAZ Highveld is a significant role player in the steel market and sole local producer in certain structural products. In addition it is a significant role player in the vanadium market.

The Company had some environmental liabilities that could be turned into revenue generating projects. It has a well equipped training centre and it employs over 2000 employees. It is of national importance that the Company survives the BR process.

The first quarter of 2015 was the first event of a positive EBITDA in a long time. The turnaround process is strengthened by the Turnaround Plan (TAP). The Company is currently trading at a loss. There is a vision of achieving a breakeven position within 6 months and a profit position thereafter.

The EVRAZ Highveld team comprise very skilled and knowledgeable experts in their respective fields.

Currently the market is extremely depressed and at an all time low. It is the view of the

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Company that the TAP can yield an improvement of the Company's position.

The TAP Team comprise experienced as well as young and innovative minds to lead the Company to a successful turnaround.

The focus of the TAP is aimed at the following points, under the central symbol of a heartbeat:

a. “For Highveld by Highveld process”:

The process is driven by employees of EVRAZ Highveld and buy-in of the whole workforce is a key focus.

b. “Buy-in by all stakeholders”:

A successful turnaround of the Company is dependent on the support of its stakeholders.

c. “Sustainability of the outcome of the process”:

It was acknowledged that any change in the Company has to start with its workforce. The TAP is fundamentally different from any previous programs or initiatives as there have been significant efforts to motivate and empower the workforce and management.

The TAP Team is led by committed managers who underwent significant training to prepare them for the process.

Mr Fourie noted that he is convinced of the sustainable future of the Company. The target dates of the project goals of the TAP are realistic and include a reduction of costs within 3 months on a phased basis. At the end of phase one a general reduction of overtime, maintenance, labour and other costs have been achieved.

The second phase of the project focuses on improved efficiencies.

d. “Positive behaviour”:

The workforce and stakeholders are consciously encouraged to approach the TAP process in a positive spirit and to make valuable contributions thereto.

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4. **THE PROSPECTS OF RESCUING THE COMPANY: THE BRP' VIEW AS TO WHETHER OR NOT THERE IS A REASONABLE PROSPECT OF RESCUING THE COMPANY, AS ENVISAGED IN TERMS OF SECTION 147 OF THE COMPANIES ACT, AND RELATED INFORMATION:**

Mr Marsden noted that the adverse market had a huge impact on the ability of the Company to be profitable. The BR attempts to provide the opportunity to turn around the Company.

He gave an overview of the organisational structure, the current financial position as at 31 March 2015, including its assets and liabilities. The positive EBITDA achieved in Q1 was a landmark indicator of the potential of success of the BR process.

5. **ACTIONS TO DATE AND FUTURE ACTIONS:**

BRP's actions to date were mainly focused on keeping the Company operational, engaging the stakeholders, including the employees and unions, attending to outstanding debt, restoring cash flow. The targets set were conservative, reasonable and within the targets historically achieved by the Company.

The BRP's would also assess all the contracts of the Company.

Creditors have been engaged, including Eskom, who are very supportive.

Sourcing post-commencement finance is a key focus of the BRP's. In addition, Government has been engaged and have been supportive of the process.

Continued supply was key to keeping the Company operational towards sustainability and suppliers are being engaged for their continued support.

6. **BR VERSUS LIQUIDATION:**

BR provides a temporary moratorium on the rights of claimants and legal proceedings against the Company in order to provide the Company with the opportunity to restructure its business and operations towards sustainability or a better return than liquidation.

Stakeholder buy-in into the BR program, and in particular the creditors of the Company, is key

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to the success of the BR process.

The BR fee is determined at an hourly prescribed tariff. The BRP's will approach the Creditors forum for the approval of a higher market related fee.

There is interest in the Company. Funding and investing have to be concluded in the interests of the BR process and the creditors.

7. OPINION OF THE BRP'S:

The BRP's are of the view that there is a reasonable prospect of rescuing the Company, provided the process is supported by all stakeholders.

The BRP's will monitor and report on the progress of the BR process.

8. SUBMISSION OF CLAIMS AGAINST THE COMPANY TO THE BUSINESS RESCUE PRACTITIONERS:

All claims have to be submitted to the BRP's at businessrescue@mazars.co.za .

The BRP's will publish a BR plan that has to be approved by Affected Persons, which include creditors. The BR plan will detail the payment plan of all historic debt.

9. CREDITORS' COMMITTEE:

It was noted that Ms Letitia Field from ENS would take nominations for the Creditors' Committee (CC), the purpose of the CC is to advise the BRP's. The CC should be representative of the creditor stakeholder group.

10. GENERAL DISCUSSION / QUESTIONS:

10.1 Question:

Where does the BRP appointment fit into the TAP?

Response:

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The TAP was initiated, prior to the BR being a reality, by the new Management of the Company. The BRP's focus should be on the BR - restructuring and rescuing the Company, supplemented by the TAP.

The "For Highveld by Highveld" merely indicates that the Company was initiating the operational turnaround internally from within the Company. Indeed the stakeholders and in particular the creditors and shareholders' support were and are crucial to the success of the process.

10.2 Question:

Opposition was noted to the forming of the CC

Response:

The formation of the CC is provided for in terms of section 149 the Companies Act and is there to advise the BRP's, however it cannot instruct the BRPs, therefore it has to look after the interest of all the creditors.

Creditors supported the motion to form a CC.

10.3 Question:

The market is currently very flat with Chinese steel flooding the market, therefore it is not clear how the Company will sell its increased volumes as per the TAP targets.

Response:

Mr Burger noted that the domestic market was indeed adverse and flat. However the Company had to find dynamic solutions to the problem such as a change in product range and target market and focus on cost reduction, etc.

The expected volumes to achieve break-even are reasonable.

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10.4 Question:

What is the BR success rate?

Response:

African Bank, Ellerines, a chrome mine in the Steelpoort area, etc.

Success is dependent on whether the business is essentially sustainable, if there are possibilities of cost reduction as well as the management team. In the case of this Company there is a new motivated management team. With sufficient cash flow a turnaround is a real possibility.

10.5 Question:

Who is the financial sponsor?

Response:

A number of interested financiers have approached the BRP's for post-commencement finance.

10.6 Question:

What are the legal implications for creditors who submit claims and what are the time limits for submission?

Response:

There are no legal implications or time limits. The submission of claims merely serves as a recording of all applicable claims. The relevant claims are divided into pre and post-commencement claims and time limits for submission are determined accordingly.

10.7 Question:

Are there any risks of a contribution by creditors?

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Response:

There is no risk of a contribution by creditors who submit claims, as a contribution only applies in liquidation.


10.8 Question:

How is the approved BR Plan implemented?

Response:

By the BRPs and the existing management, if appropriate.

There being no further business, the meeting closed at 12h20.

Business Rescue Practitioner: _____ 

Business Rescue Practitioner: _____ 

Date: 13 May 2015