



MATUSON
ASSOCIATES

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

Registration number 1960/001900/06

(“The Company”)

August / September 2019

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 and Daniel Terblanche – Joint Business Rescue Practitioners (“joint
BRPs”)**



1. Introduction

- 1.1. The business rescue proceedings of the Company have not been concluded within three months of the date of commencement thereof, and therefore this update report is being tabled in terms of section 132(3)(a) of the Companies Act 71 of 2008 (“Act”).
- 1.2. It is important to read this report in conjunction with the Business Rescue Plan (“Plan”) and previous update reports as well as the presentation given at the general meeting of affected persons, which was held on 19 February 2018. The presentation presented is available on the Company’s website. www.evrazhighveld.co.za

2. Update on Business Rescue Proceedings

- 2.1. Successfully decommissioned the entire steel making and vanadium operations in a controlled environment to preserve assets for future start-up.
- 2.2. Reconfigured the site to function as an Industrial Business Park, accommodating 55 tenants, employing more than 1,200 employees and conducting business with approximately 300 suppliers since its re-launch.
- 2.3. Ring fenced the strategic assets, which can be operated or sold as free-standing operational units.
- 2.4. Restarted the structural mill through a contract manufacturing agreement with ArcelorMittal (“AMSA”), to toll manufacture steel sections and rail products. AMSA has exercised their option to purchase on terms stated below.
- 2.5. Identified and executed on a number of additional income generating opportunities, allowing the business rescue team to pay creditors in terms of the payment waterfall.

2.6. Structural Mill – Sale of Business

AMSA Transaction Rationale

- The structural mill is a unique asset capable of producing heavy section structural steel for structural 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 R150 million on the effective date upon the conditions precedent being met.
- Second payment of R150 million conditional on:
 - Concluding a commercial arrangement for the long-term supply of sizable mainline rail volumes; and
 - Funding for this payment by AMSA to be 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.
- The contract manufacturing agreement has been extended to the earlier of the effective date or 12 months from 1 July 2019.

2.7. Other Strategic Assets

Offers currently under DD or Exclusivity:

- Iron Plant 2
- Plate Mill

Offers currently being evaluated:

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

2.8 Employee Payments

Employees have been paid approximately 66% (R217 million) of the total amount owed to them.

The previous payment to employees was made in September 2019.

3. Proof of Claims

3.1. The claims submission period has closed.

3.2. Please refer any questions or queries relating to your claim to evrazhighveld@matusonassociates.co.za

4. Litigation

Affected Persons will be advised of further updates.

5. Suggested Way Forward

In terms of the Plan, the business rescue is proceeding in accordance with Proposal 3, i.e. the wind-down of the Company.

6. Conclusion

It is the joint BRPs' view that Proposal 3 will result in a better outcome for all affected persons than a liquidation.

Companies and Intellectual Property
Commission Republic of
South Africa

Form CoR 125.1

About this Form

- This form is issued in terms of section 132 and 141 of the companies Act, 2008, and Regulation 125 of the Companies Regulations, 2011.
- This Notice and the attached report must be published to every affected person, and to-
 - a) The Commission, if the business rescue proceedings were started by the company; or
 - b) The court, if the proceedings were ordered by the court.
- A report and Notice must be issued at the end of the first three months of the business rescue proceedings, and at regular monthly intervals after that

Contacting the
Commission

The Companies and Intellectual
Property Commission of South
Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Business Rescue Status Report

Date: August 2019

Customer Code: BOWMCT

Concerning

(Name and Registration Number of Company)

Name: Evraz Highveld Steel and Vanadium Limited

Registration No: 1960/0001900/06

The above named company commenced business rescue proceedings on
13 April 2015

Because the business rescue proceedings have not concluded within three months, the appointed business rescue practitioner provides the attached report in terms of section 132 (3).

Name and Title of person signing on behalf of the Practitioner:

Piers Marsden - Joint Business Rescue Practitioner

Authorised Signature:

