

EVRAZ Highveld Steel and Vanadium Limited
(Incorporated in the Republic of South Africa)
(Registration No: 1960/001900/06)
Share code: EHS ISIN: ZAE000146171
("Highveld" or "the Company")

FURTHER REPORT IN TERMS OF SECTION 132(3)(a) OF THE COMPANIES ACT 71 OF 2008

Shareholders are advised that despite efforts to complete the Business Rescue Proceedings of the Company within three months of the date of commencement thereof, the proceedings have not been concluded and therefore, as required, the Business Rescue Practitioners have prepared a second report in terms of Section 132 (3) (a) of the Companies Act 71 of 2008 ("Act") ("the Report") for submission.

The Report was prepared by Piers Marsden and Daniel Terblanche, the Joint Business Rescue Practitioners ("joint BRPs") and should be read in conjunction with the previous report, for actions taken during subsequent to the published Business Rescue Plan, which are all available on the Company's website:

<http://www.evrazhighveld.co.za/businessrescue.asp>

The Report

The content of this Report is as follows:

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.

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.

2. Business Rescue Process

2.1. Pursuant to the adoption of the Plan, the joint BRPs have commenced with the preparation of the transaction documents in terms of the proposed transaction contemplated in the Plan.

3. Proof of Claims

3.1. Creditors were required to submit their claims by 16 November 2015, being the final claims date provided for in the Plan.

3.2. All claims are currently being reviewed by the joint BRPs and management. A reconciliation process is underway in respect of differences between the Company's ledger and claim forms.

3.3. A mechanism for the resolution of disputed claims is provided for in the Plan.

4. South African Revenue Service ("SARS")

4.1. On 18 November 2015, the Company received a finalisation of audit letter from SARS in terms whereof SARS advised that it had finalised its audit in respect of the Company's income tax for the 2007 to 2009 tax period. On 19 November 2015, the Company received a copy of the assessments issued by SARS in respect of the aforesaid tax period.

4.2. In terms of the additional assessments, the following amounts are payable

	Net Amount Payable
2007 Year of Assessment	R252 994 295.35
2008 Year of Assessment	R383 520 469.20
2009 Year of Assessment	R43 346 526.45
Total	R679 861 291.00

4.3. The joint BRPs have formally requested SARS to provide detailed reasons for reaching the decision to issue the aforesaid additional assessments, as provided for in Rule 6 of the Rules promulgated under section 103 of the Tax Administration Act, 28 of 2011.

5. Litigation

5.1. Court Proceedings instituted by East Metals AG ("EM") and Mastercroft S.A.R.L ("Mastercroft") ("the main application"):

5.1.1. As advised in the previous report, on or about 21 October 2015, EM and Mastercroft instituted proceedings in terms of which they seek *inter alia* to declare:

- the Plan as invalid;
 - a) that the vote which took place at the s151 Meeting on 13 October 2015, in terms of the which the Plan was adopted, as invalid and to have the vote set aside; and
 - b) that the agreement on the remuneration of the joint BRPs as provided for in the Plan as invalid and set aside.

5.1.2. The Company and the joint BRPs have opposed the main application and have filed an answering affidavit.

5.1.3. The main application has also been opposed by the IDC, SARS and NUMSA.

5.1.4. Although the Economic Development Department ("EDD") is not a party to these litigations, it has expressed its opposition to the main application.

5.2. Urgent Court Proceedings instituted by EM and Mastercroft ("the urgent interdict application"):

5.2.1. As advised in the previous report, on or about 26 October 2015, EM and Mastercroft instituted an urgent application in terms of which they seek *inter alia* to interdict and restrain the Company and the BRPs from implementing the Plan in respect of the Company, pending the final determination of the main application.

5.2.2. The Company and the joint BRPs opposed the urgent interdict application and filed an answering affidavit. EM and Mastercroft have filed a replying affidavit to the aforesaid answering affidavit.

5.2.3. The urgent interdict application has also been opposed by the IDC, SARS and NUMSA. IDC has filed its answering affidavit.

- 5.3. Urgent Court Proceedings instituted by EM and Mastercroft ("the substituted service application"):
- 5.3.1. As advised in the previous report, on or about 2 November 2015, EM and Mastercroft instituted a further urgent application in terms of which they sought *inter alia* leave of the Court to serve the main application by way of substituted service.
- 5.3.2. The joint BRPs filed an answering affidavit whereafter East Metals and Mastercroft filed a replying affidavit.
- 5.3.3. At the hearing on 17 November 2015, the parties agreed to an order setting out the grounds upon which East Metals and Mastercroft are required to effect substituted service of the main application and urgent interdict application on affected persons.
- 5.4. Urgent Court Proceedings instituted by East Metals and Mastercroft in respect of the Mapochs Mine (Pty) Ltd ("Mapochs") business rescue plan ("Mapochs urgent application")
- 5.4.1. On 30 November 2015, East Metals and Mastercroft instituted further urgent proceedings in terms of which they sought to *inter alia*:
- Interdict the Company and joint BRPs from giving effect to, furthering or facilitating the proposed transaction contemplated in the business rescue plan of Mapochs; and
 - Interdict the meeting convened in terms of section 151 of the Act in respect of Mapochs.
- 5.4.2. The Mapochs urgent application was opposed by the Company, the joint BRPs and Mapochs' joint business rescue practitioners. Answering affidavits were filed by the aforesaid parties.
- 5.4.3. SARS further applied for leave to intervene to oppose the Mapochs urgent application.
- 5.4.4. At the hearing on 30 November 2015, East Metals and Mastercroft removed the matter from the urgent roll.
- 5.4.5. The parties will now argue costs of the Mapochs urgent application.

6. Suggested Way Forward

- 6.1. The BRPs will continue to implement the Plan.

7. Conclusion

The BRPs remain of the view that there is a reasonable prospect of the Company being rescued.

eMalahleni

6 January 2016

J.P. Morgan Equities South Africa (Pty) Ltd.