

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")

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

Shareholders are advised that the Business Rescue Proceedings of the Company have not been concluded within three months of the date of commencement thereof and therefore, as required, the Business Rescue Practitioners have prepared a further 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 update reports, as well as the Business Rescue Plan, which are all available on the Company's website:

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

## **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. Operational update:
  - 2.1.1. Significant progress has been made in restructuring the operations of the Company to improve the Company's ability to trade sustainably in the future.
  - 2.1.2. The application to the International Trade Administration Commission of South Africa for an

increase in the rate of customs duty on structural steel was granted.

2.1.3. The Training and Layoff Scheme in respect of the Company's employees was also approved.

2.2. Proposed transaction update:

2.2.1. Pursuant to the adoption of the Plan, the BRPs commenced with implementing the proposed transaction contemplated in the Plan.

2.2.2. In terms of the proposed transaction, the deadline for the fulfilment or waiver of the conditions precedent was 31 January 2016.

2.2.3. As at 31 January 2016, all of the conditions precedent had not been fulfilled or waived. Consequently the proposed transaction has failed.

2.2.4. In the circumstances, the BRPs are proceeding in terms of Proposal 3, which contemplates the sale of the business, or portions thereof, as a going concern, alternatively the sale of the Company's assets.

2.2.5. The BRPs will convene a general meeting of Affected Persons to advise Affected Persons of the process that will be followed in terms of Proposal 3. Such meeting will take place **at 10h00 on 23 February 2016** at the address detailed below:

Elijah Mashiloane Hall

Evrax Highveld

Old Pretoria Road

Portion 93 of the Farm Schoongezicht 308 JS

eMalahleni (Witbank)

### **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 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")**

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

#### **5. Update in Litigation Since Last Report**

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

5.1.1. SARS has filed its answering affidavit.

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

5.2.1. SARS has filed its answering affidavit.

5.3. **Urgent Court Proceedings instituted by East Metals and Mastercroft in respect of the Mapochs Mine (Pty) Ltd ("Mapochs") business rescue plan ("Mapochs urgent application")**

5.3.1. The parties will now argue costs of the Mapochs urgent application.

#### **6. Suggested Way Forward**

6.1. The BRPs will convene the general meeting of Affected Persons and continue to implement the Plan in accordance with Proposal 3.

#### **7. Conclusion**

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

eMalahleni

5 February 2016

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