

Highveld Steel and Vanadium Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration No. 1960/001900/06)
Share code: HVL ISIN: ZAE000003422
("the Corporation" or "Highveld" or "the Group")

Group Reviewed Results for the three months ended 31 March 2010

Chairman and CEO's Review

- **Group revenue increased by 32% from R927 million for Q1 2009 to R1 223 million for Q1 2010**
- **Headline loss per share 17.1 cents compared to earnings of 132.8 cents**
- **Despite markets continuing to marginally improve, Highveld foresees a more difficult Q2 2010**

Business environment

World steel demand is growing faster and earlier than expected, primarily driven by China's growth, and is now expected to hit pre-crisis levels this year. It is expected that global steel use will rise by some 10% to exceed 1.2 billion tons this year.

South Africa's manufacturing output has grown by about 3% year-on-year in the first quarter.

Financial results

The loss for the quarter was R17 million, compared to a profit of R130 million for 2009. Consequently, earnings per share reduced from 131.0 cents to a loss of 17.1 cents. Cash flows remain strong.

Operations

Steel

Production performance during Q1 2010 was better than Q1 2009. Sales activity in Q1 2010 also showed positive trends, with prices increasing. However, despatches are still being made on orders taken in late 2009 and early 2010 at low prices, which have a detrimental impact on our margins.

However, steel production for Q1 2010 was seriously compromised against budget due to intermittent disruptions to gas supplies.

Export sales for Q1 2010 decreased by 39%, compared to Q1 2009 in line as we focused on the domestic market, which yields higher margins. Hence domestic sales volumes increased by 116% over the same period.

The Corporation's crude steel output increased by 30% in the first quarter, compared to the same period last year and the production of rolled products increased by 167% for the same period.

Vanadium

A notable recovery is evident in the vanadium market since the year end 2009, with prices reacting to positive market demand.

A total of 1 901 tons of V in vanadium slag was produced during the quarter, compared to 930 tons in the same period last year.

The average vanadium price achieved for the period increased with 7%, compared to the same period last year.

Business risks

The severe impact on production caused by the continual failures of gas supply during the period remains one of the primary risks of the Corporation. The Corporation is considering taking recourse against the gas provider. Rail transport, high energy costs as well as municipal water supply remain serious business risks.

Safety, health, environment and quality

The Corporation ended with a Lost Time Injury Frequency Rate of 0.32, compared with 0.34 for the same period last year.

Outlook

The outlook for our steel production for the second quarter is weak, mainly due to the major production interruptions suffered during April 2010.

Revenue from our vanadium slag sales continues to be strong.

However, barring any unforeseen circumstances and considering the improvement in demand and prices for both steel and vanadium products, we are expecting to see improvement as from the second half of 2010.

B J T Shongwe

(Chairman)

13 May 2010

A S MacDonald

(Chief Executive Officer)

Directors: B J T Shongwe *(Chairman)*, A S MacDonald *(Chief Executive Officer)* *(British)*, G C Baizini *(Italian)*, M Bhabha, C B Brayshaw, J W Campbell, Mrs B E de Beer, A V Frolov *(Russian)*, Mrs B Ngonyama, P M Surgey, P S Tatyatin *(Russian)* and T I Yanbukhtin *(Russian)*

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GROUP REVIEWED FINANCIAL RESULTS

Basis of preparation

The Group's financial results for the quarter ended 31 March 2010 set out below have been prepared in accordance with the principal accounting policies of the Group, which comply with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act in South Africa and are consistent with those applied in the Group's most recent annual financial statements.

These results are presented in terms of IAS 34 applicable to Interim Financial Reporting.

Significant accounting policies

The Group has adopted the following new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the IFRIC of the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2010.

- i) From January 2010 the Group changed its accounting policy for the valuation of scrap inventory from a cost formula where equal costs were allocated to scrap than to prime steel, to a cost formula where scrap inventory is allocated a value equal to the market price of scrap at the time. It is not possible to apply this change in allocation of costs retrospectively therefore it is done on all scrap produced from 1 January 2010.
- ii) The following Standards, amendment to Standards and Interpretations, effective in future accounting periods have not been adopted in these financial statements:
 - IFRS 9, Financial instruments (Phase 1 of new standard to replace IAS39) (effective from 1 January 2013)
 - IAS 24, Amended – Related party disclosures (effective 1 January 2011)
 - IFRIC 14, Amended – Prepayments of a minimum funding requirement (effective 1 January 2011)
 - IFRIC 19, Extinguishing Financial liabilities with Equity instruments (effective 1 July 2010)

The financial information has been reviewed by Ernst & Young Inc. whose unmodified review report is available for inspection at the Corporation's registered office.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed as at 31 Mar 2010	Reviewed as at 31 Mar 2009	Audited as at 31 Dec 2009
Note	Rm	Rm	Rm
ASSETS			
Non-current assets	1 868	1 979	1 884
Property, plant and equipment	1 868	1 957	1 884
Deferred tax asset	-	22	-
Current assets	3 041	2 794	3 013
Inventories	1 285	895	1 228
Trade and other receivables and prepayments	884	784	711
Cash and short-term deposits	5 872	1 115	1 074
TOTAL ASSETS	4 909	4 773	4 897
EQUITY AND LIABILITIES			
Capital and reserves	3 059	2 962	3 074
Non-current liabilities	721	749	712
Provisions	478	432	469
Deferred tax liability	243	317	243
Current liabilities	1 129	1 062	1 111
Trade and other payables	818	719	771
Provisions	169	20	182
Income tax payable	142	306	156
Interest-bearing loans and borrowings	5 -	17	2
TOTAL EQUITY AND LIABILITIES	4 909	4 773	4 897
Net cash	872	1 098	1 072
Net asset value - cents per share	3 085	2 987	3 101

CONDENSED CONSOLIDATED INCOME STATEMENT

	Reviewed for the three months ended 31 Mar 2010	Reviewed for the three months ended 31 Mar 2009	Audited for the year ended 31 Dec 2009
Note	Rm	Rm	Rm
Sale of goods	1 223	927	4 252
Revenue	1 223	927	4 252
Cost of sales	(1 073)	(571)	(3 578)
Gross profit	150	356	674
Selling and distribution costs	(60)	(213)	(243)
Administrative expenses	6 (115)	(20)	(201)
Other operating income/(expenses)	1	(5)	(38)
Operating (loss)/ profit	(24)	118	192
Finance costs	(12)	(17)	(61)
Finance income	11	33	73
(Loss)/Profit before tax	(25)	134	204
Income tax credit/(expense)	7 8	(4)	(41)
(Loss)/Profit for the period/year	(17)	130	163
	Cents	Cents	Cents
(Loss)/earnings per share - basic and diluted	(17.1)	131.0	164.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed for the three months ended 31 Mar 2010	Reviewed for the three months ended 31 Mar 2009	Audited for the year ended 31 Dec 2009
	Rm	Rm	Rm
(Loss)/Profit for the period/year	(17)	130	163
Other comprehensive income/(loss):			
Exchange differences on translation of foreign operations	2	(10)	(37)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD/YEAR	(15)	120	126

HEADLINE EARNINGS PER SHARE

	Reviewed for the three months ended 31 Mar 2010 Rm	Reviewed for the three months ended 31 Mar 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Reconciliation of headline (loss)/earnings			
(Loss)/Profit for the period/year	(17)	130	163
Add after tax effect of:			
Net gain on disposal and scrapping of property, plant and equipment	-	1	4
Headline earnings	<u>(17)</u>	<u>131</u>	<u>167</u>
	Cents	Cents	Cents
Earnings per share - headline and diluted	(17.1)	132.8	168.1
	Million	Million	Million
Number of shares			
Ordinary shares in issue as at end date *†	99.2	99.2	99.2

* Rounded to nearest hundred thousand

† Agree to weighted average and diluted number of ordinary shares

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD / YEAR ENDED**

	Issued capital and share premium Rm	Other capital reserves Rm	Retained earnings Rm	Total Rm
2009				
Balance at 1 January 2009	585	191	2 173	2 949
Total comprehensive (expense)/income for the quarter		(10)	130	120
Balance at 31 March 2009 - Reviewed	585	181	2 303	3 069
Total comprehensive (expense)/income for the quarter		(35)	16	(19)
Balance at 30 June 2009 - Reviewed	585	146	2 319	3 050
Total comprehensive expense for the quarter		(2)	(41)	(43)
Balance at 30 September 2009 - Reviewed	585	144	2 278	3 007
Total comprehensive income for the quarter		9	58	67
Balance at 31 December 2009 - Audited	585	153	2 336	3 074
2010				
Total comprehensive income/(expense) for the quarter		2	(17)	(15)
Balance at 31 March 2010 - Reviewed	585	155	2 319	3 059

	Reviewed for the three months ended 31 Mar 2010 Cents	Reviewed for the three months ended 31 Mar 2009 Cents	Audited for the year ended 31 Dec 2009 Cents
Dividends per share			
Dividends declared and paid	-	-	-

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed for the three months ended 31 Mar 2010	Reviewed for the three months ended 31 Mar 2009	Audited for the year ended 31 Dec 2009
Note	Rm	Rm	Rm
Cash flows from operating activities			
Cash (used in)/generated by operations before tax paid	(131)	9	104
Income tax paid	-	(442)	(565)
Net cash used in operating activities	(131)	(433)	(461)
Cash flows from investing activities			
Proceeds from disposal of discontinued operations	-	-	164
Net additions to property, plant and equipment	(51)	(62)	(196)
Net cash used in investing activities	(51)	(62)	(32)
Cash flows from financing activities			
Increase/(decrease) in short-term loans	(2)	17	2
Net cash generated by/(used in) financing activities	(2)	17	2
Effects of exchange rate changes on cash held in foreign currencies	(18)	(8)	(36)
Net decrease in cash and cash equivalents	(202)	(486)	(527)
Cash and cash equivalents at the beginning of the period/year	1 074	1 601	1 601
Cash and cash equivalents at the end of the period/year	872	1 115	1 074

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Companies Act and JSE Limited Listings Requirements

Compliance with the Companies Act, No. 61 of 1973 as well as the Listings Requirements of the JSE Limited has been maintained throughout the reporting periods.

2 Related party transactions

Steel sales to East Metals S.A. (a fellow subsidiary of Mastercroft Limited) amounted to R104 million (Q1'2009: R232 million) for the three months ended 31 March 2010. This constitutes 13% of total steel revenue for the quarter, compared to 14% for the year ended 31 December 2009.

3 Segment Information

The Group is organised into business units based on their products and has two reportable segments as follows:

Steelworks

The major products of the steel segment are magnetite iron ore, structural steel, plate and coil.

Vanadium

The major products of the continuing vanadium segment are vanadium slag and ferrovanadium.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

The following tables present the revenue, operating profit and total assets information regarding the Group's operating segments:

	Reviewed for the three months ended 31 Mar 2010 Rm	Reviewed for the three months ended 31 Mar 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Revenue from the sale of goods			
Steelworks	839	641	3 208
Vanadium	384	286	1 044
Total	1 223	927	4 252

Intersegment revenue are eliminated on consolidation.

	Reviewed for the three months ended 31 Mar 2010 Rm	Reviewed for the three months ended 31 Mar 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Operating (loss)/profit			
Steelworks	(162)	58	119
Vanadium	138	60	73
Total	(24)	118	192

	Reviewed as at 31 Mar 2010 Rm	Reviewed as at 31 Mar 2009 Rm	Audited as at 31 Dec 2009 Rm
Total assets			
Steelworks	4 399	4 253	4 413
Vanadium	510	520	484
Total	4 909	4 773	4 897

4 Supplementary revenue information - Unaudited

		For the three months ended 31 Mar 2010	For the three months ended 31 Mar 2009	For the year ended 31 Dec 2009
Sales volumes of major products				
Total steel	Tons	147 119	77 735	580 943
Ferrovanadium	kg V	1 749 877	1 075 513	4 883 655
Vanadium slag	Tons V ₂ O ₅	1 382	-	-
Fines ore	Tons	138 302	108 352	519 578
Weighted average selling prices achieved for major products				
Total steel	\$/t	700	695	621
Ferrovanadium	\$/kg V	24	27	23
Vanadium slag	\$/kg V ₂ O ₅	6	-	5
Fines ore	\$/t	34	19	24
Average R/\$ exchange rate		7.52	9.95	8.43

5 Net cash

Net cash is calculated as follows:

	Reviewed as at 31 Mar 2010 Rm	Reviewed as at 31 Mar 2009 Rm	Audited as at 31 Dec 2009 Rm
Cash and cash equivalents	872	1 115	1 074
Bank overdraft included in other current liabilities	-	(17)	(2)
Net cash	872	1 098	1 072

6 Administrative expenses

	Reviewed for the three months ended 31 Mar 2010	Reviewed for the three months ended 31 Mar 2009	Audited for the year ended 31 Dec 2009
	Rm	Rm	Rm
Included in Administrative expenses are:			
Compensation for loss of office - Chief Executive Officer and Chief Operating Officer	(27)	0	0
Revaluation of foreign dividend receivable	(27)	0	(22)
Reversal of structural claim provision	0	27	27

7 Income tax

	Reviewed for the three months ended 31 Mar 2010	Reviewed for the three months ended 31 Mar 2009	Audited for the year ended 31 Dec 2009
	Rm	Rm	Rm
South African			
<i>Normal</i>			
Current	27	(26)	35
Non-South African			
<i>Normal</i>			
Current	(19)	22	6
Income tax expense	8	(4)	41

The period income tax expense is accrued using the estimated average annual effective income tax rate applied to the pre-tax income of the interim report.

8 Financial ratios - Unaudited

Current ratio	2.69	2.63	2.71
Market capitalisation - Rm	7 916	7 040	6 394

9 Contingent liabilities

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R235 million before tax and R169 million after tax (2009: R235 million before tax and R169 million after tax) was issued in favour of the Department of Minerals and Energy for the unscheduled closure of Mapochs Mine.

In terms of the Corporation's employment policies, certain employees could become eligible for post retirement medical aid benefits at any time in the future prior to their retirement subject to certain conditions. The potential liability should they become medical scheme members in the future is R39 million before tax and R28 million after tax (2009: R39 million before tax and R28 million after tax).

As required by certain suppliers of the Corporation, guarantees were issued in favour of these suppliers to the value of R8 million (2009: R8 million) in the event the Corporation will not be able to meet its obligations to the supplier.