

"MS5"

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MATUSON ASSOCIATES

Tokelo Moloi
Industrial Development Corporation
18 March 2016
By: Email

Dear Tokelo

RE: Highveld Steel

Our phone call this morning and various discussions over the last few weeks refer.

I have not been able to take independent legal advice and have also not got approval from my joint practitioner, and I am sending this letter to you subject to obtaining same. You will appreciate that the business rescue practitioners have to consider the interests of all affected persons.

In principle, I am prepared to provide written consent to the perfection of the general notarial bond, subject to the following:

- o the business rescue practitioners not receiving contrary legal advice;
- o the purpose of the perfection is to provide the IDC with security up to the amount of its claim but without affecting the implementation of the adopted business rescue plan which involves the sale under the control of the practitioner the companies assets. The Companies Act obliges the business rescue practitioners to implement and which has been approved by the majority of creditors, including the IDC. We cannot allow any restriction on our ability to sell the companies assets;
- o the business rescue practitioners and the IDC need to meet to discuss and agree on a plan to realise the assets of EHSV which achieves the goals set out in the adopted business rescue plan. I have already tendered this at the meeting of creditors as well as the meeting we had at your offices yesterday.;

Matuson & Associates (Pty) Ltd Reg Nr: 2009/008967/07 VAT Nr: 4780253763

Directors: Les Matuson | Piers Marsden | Gary Kaplan | JD Lightfoot

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- the business rescue practitioners shall control the premises and hold the assets over which the IDC perfects its notarial bond as irrevocable agents for and on behalf of the IDC;
- to the extent that any such use of the movable assets results in the BRPs and/or EHSV obtaining possession of any of the movable assets, then the BRPs and/or EHSV hereby agrees that such possession will be exercised by the BRPs and/or EHSV irrevocably as agents for and on behalf of the IDC.
- no asset which is the subject to a claim by a third party may be released to such third party without the prior written consent of the IDC. In this regard the protocol to be followed in dealing with a third party claim to any assets shall be as follows:
 - the BRPs shall consider the third party claim;
 - in the event that the BRPs dispute the third party's claim then the BRPs shall deal with such dispute and the BRPs shall notify the IDC of the dispute;
 - in the event that the BRPs accept the claim of the third party then the BRPs shall submit a motivation to the IDC to consent to release the relevant asset(s) to the third party. The IDC commits to respond within 1 week to the request failing which acceptance will be deemed to have been given.
- the BRPs will be entitled to receipt the monies received from the realisation of the assets into their nominated account and will not be obliged to receipt the monies into the joint account. In this regard, and in accordance with the payment waterfall, the business rescue costs and retrenchment costs of employees have to be paid before the IDC; and

We also commit to not sell any assets, other than scrap, while these discussions are on-going. Please advise should you require any further clarity in regard to the above.

Yours faithfully

Submitted electronically



"MSG"

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Elton Anderson

From: Elton Anderson
Sent: 18 March 2016 06:48 PM
To: 'pmarsden@matusonassociates.co.za'
Subject: RE: Perfection of IDC bond - Evraz Highveld Steel

Dear Sirs,

We refer to your letter of today addressed to our client relating to your consent to the perfection of the general notarial bond and confirm that it is our client's instruction that it is agreeable to the following:

1. The business rescue practitioners being appointed as the sole agent for IDC perfected bond;
2. the IDC GNB perfected security be limited to R150 million together with interest thereon;
3. conclude an agreement on the sale process/wind down, the commission and incentives and waterfall of the proceeds; and
4. the IDC is also willing to agree that proceeds of the sold assets be paid into an account under the control of the BRP, from which account, the BRP will pay the proceeds in accordance with the agreed waterfall.

Yours faithfully,



Elton Anderson
Director Commercial Litigation
Tshisevhe Gwina Ratshimbilani Inc.

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e : e.anderson@tgrattorneys.co.za
w : www.tgrattorneys.co.za

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41 Rivonia Road
Sandhurst, Sandton, 2196
P.O. Box 782352, Sandton, 2146

Company Registration: 2011/006563/21

ABSIP

Peter Tshisevhe - 2015 Corporate & Finance Lawyer of the year



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From: Elton Anderson
Sent: 18 March 2016 12:21 PM
To: 'pmarsden@matusonassociates.co.za'

Handwritten signature/initials.

"MSGA"

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Elton Anderson

From: Piers Marsden <pmarsden@matusonassociates.co.za>
Sent: 22 March 2016 09:45 AM
To: Elton Anderson
Subject: Re: Perfection of IDC bond - Evraz Highveld Steel

Hi Elton

Thanks for your email. I appreciate your client willingness to find a workable solution, to which I am also committed.

I am broadly happy with the email outlined below and will engage with your client on point 3 as a matter of urgency. Once this is concluded, we can proceed with the perfection.

Regards
Piers

From: Elton Anderson <e.anderson@tgrattorneys.co.za>
Date: Friday 18 March 2016 at 6:46 PM
To: piers m <pmarsden@matusonassociates.co.za>
Subject: RE: Perfection of IDC bond - Evraz Highveld Steel

Dear Sirs,

We refer to your letter of today addressed to our client relating to your consent to the perfection of the general notarial bond and confirm that it is our client's instruction that it is agreeable to the following:

1. The business rescue practitioners being appointed as the sole agent for IDC perfected bond;
2. the IDC GNB perfected security be limited to R150 million together with interest thereon;
3. conclude an agreement on the sale process/wind down, the commission and incentives and waterfall of the proceeds; and
4. the IDC is also willing to agree that proceeds of the sold assets be paid into an account under the control of the BRP, from which account, the BRP will pay the proceeds in accordance with the agreed waterfall.

Yours faithfully,



Elton Anderson
Director Commercial Litigation
Tshisevhe Gwina Ratshimbilani Inc.

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**MATUSON
ASSOCIATES**

Evrast Highveld Steel and Vanadium Limited (in business rescue)

Registration number 1960/001900/06

("The Company")

January 2016

**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 ("BRPs")

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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
Evraz 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 Mastercrocft S.A.R.L ("Mastercrocft") ("the main application"):
 - 5.1.1. SARS has filed its answering affidavit.
- 5.2. Urgent Court Proceedings instituted by EM and Mastercrocft ("the urgent interdict application"):
 - 5.2.1. SARS has filed its answering affidavit.
- 5.3. Urgent Court Proceedings instituted by East Metals and Mastercrocft 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.



"MS8"

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MATUSON
ASSOCIATES



Mapochs Mine Proprietary Limited

Registration number 2008/009382/07

("The Company")

16 February 2016

General update report to all Affected Persons

Prepared by:

John Lightfoot and John Evans – Joint Business Rescue Practitioners and Receivers for Creditors

Matuson & Associates (Pty) Ltd Reg Nr: 2009/008967/07 VAT Nr: 4780253763

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1st Floor, One on Ninth, Off Glenhove Road & Ninth Street, Melrose Estate, Johannesburg, 2196 | PO Box 92/96, Norwood, 2117

1. Introduction

- 1.1. The Business Rescue Proceedings of the Company concluded on 2 December 2015 when the Business rescue practitioners filed a notice of substantial completion.
- 1.2. This report is to be read in conjunction with the previous reports issued by the business rescue practitioners.
- 1.3. Actions dealt with in this report therefore largely cover matters subsequent to earlier reports.
- 1.4. Defined terms have the same meaning as ascribed to them in the adopted Business Rescue Plan.

2. Business Rescue Process

2.1. Key timelines:

	EVENT	DATE
1	Business Rescue Plan Published	20 November 2015
2	Business Rescue Plan (as amended) Adopted	30 November 2015
3	Notice of substantial implementation filed	2 December 2015

3. Implementation of the Business Rescue Plan

- 3.1. On 2nd December 2015, the Offeror paid the full Offer Price into the Plan Fund and accordingly Substantial Implementation (as defined in the Business Rescue Plan) was achieved.
- 3.2. As provided in the Business Rescue Plan the role of the BRP's became that of Receivers on behalf of the Company, IRPL and Creditors, this to implement the remaining and outstanding terms of the Business Rescue Plan and as more fully set out in it.

4. Proof of Claims by Creditors

- 4.1. The adopted Business Rescue Plan provides that all Creditors are to lodge their claims on or before 31 January 2016. As a number of claims still remained outstanding the Receivers took the decision to extend the deadline for submission and adjudication of claims by one month, to 29 February 2016.

4.2. The Receivers are continuing the process of adjudicating the Claims received and following up with creditors whose claims remain outstanding. A list of outstanding creditors' claims is attached hereto on Annexure A. If you are on the attached list, please submit your claim on the attached form to mapochs@matusonassociates.co.za and chriswalter@rsadvisors.co.za.

4.3. Many Creditors have already submitted claims which have been adjudicated and accepted. They have been duly notified and we have requested that they provide us with written confirmation of their banking details.

4.4. In respect of those claims that have been accepted and banking details provided, we paid a first distribution to these creditors of 6.5 cents in the Rand on 29 January 2016. A second distribution of 6.0 cents was paid on 12 February 2016 thereby bringing the total distribution to date to 12.5 cents in the Rand, which on an estimated total participating claims of R202 million amounts to a distribution of approximately R25 million.

4.5. Rejected claims are being dealt with in terms of paragraph 13 of the Business Rescue Plan.

5. Litigation - Court Proceedings instituted by East Metals ("EM"), Mastercraft and Global Renewable Energy Limited ("GRE"):

Details of these proceedings were dealt with in our previous report and we are pleased to advise that GRE have consented to pay the wasted costs incurred.



Annexure A – List of creditors who have not submitted claims

Altech Netstar
Ambu Training Bk
Auto Fuel (Pty) Ltd (Rand Trust Sec
Barloworld Equipment
Bearing Man Group (Pty) Ltd
Consolidated Safety Equipment Distributors
Consolidated Water Conditioning
Delta Health And Safety Equipment
Dual Couplers Cc
Eskom
Eskom Holdings Limited
Eskom Holdings Ltd - Northern Region
Fuchs Lubricants Sa (Pty) Ltd
Gkd Buismet Sa (Pty) Ltd
Gundle Plastall (Pty) Ltd
Hytec
King Mabhoko Lodge Cc
Letaba Dewatering A Div Of Set Point
Lethiba Construction And Projects
Life Occupational Health
Magnum Metals
Metrofile
Midas
Mohlare Koma High School
Nj Mnisi Enterprises
Pencox Auto Air Cc
Powermite Africa - A Div. Of Hudaco
Sebenza Supplies Cc
Sheltam (Pty) Ltd
Sizwe Forms And Printing (Pty) Ltd
Sunfox 106 Cc T/A Execuair
The U Joint & Cv Joint Centre
Tractor Grader Supplies Cc
Transfire (Pty) Ltd
Ukweza Holdings
Universal Rigging & Moving
G4S Security Services Sa (Pty) Limited

NOTICE TO AFFECTED PERSONS OF EVRAZ HIGHVELD STEEL AND VANADIUM LIMITED
Registration Number 1960/001900/06

Dear Sir/Madam,

NOTICE OF POSTPONEMENT OF GENERAL MEETING OF AFFECTED PERSONS

Notice is hereby given of the **postponement** of the general meeting of affected persons of EVRAZ Highveld Steel and Vanadium Limited ("the Company") from 23 February 2016 to a later date to be confirmed in due course.

There will accordingly be **no general meeting of affected persons on 23 February 2016.**

Please do not hesitate to contact the Joint Business Rescue Practitioners at
evrazhighveld@matusonassociates.co.za.

Yours faithfully



Piers Marsden
Joint Business Rescue Practitioner



Daniel Terblanche
Joint Business Rescue Practitioner

**NOTICE TO AFFECTED PERSONS OF EVRAZ HIGHVELD STEEL AND VANADIUM LIMITED Registration
Number 1960/001900/06**

Dear Sir/Madam,

NOTICE OF GENERAL MEETING OF AFFECTED PERSONS

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 10h30 on Thursday, 17 March 2016 at the address detailed below:

Elijah Mashiloane Hall

Evrast Highveld

Old Pretoria Road

Portion 93 of the Farm Schoongezicht 308 JS

eMalahleni (Witbank)

Please do not hesitate to contact the Joint Business Rescue Practitioners at
evrazhighveld@matusonassociates.co.za

Yours faithfully



Piers Marsden

Joint Business Rescue Practitioner



Daniel Terblanche

Joint Business Rescue Practitioner

Evrast Highveld Steel and Vanadium Limited

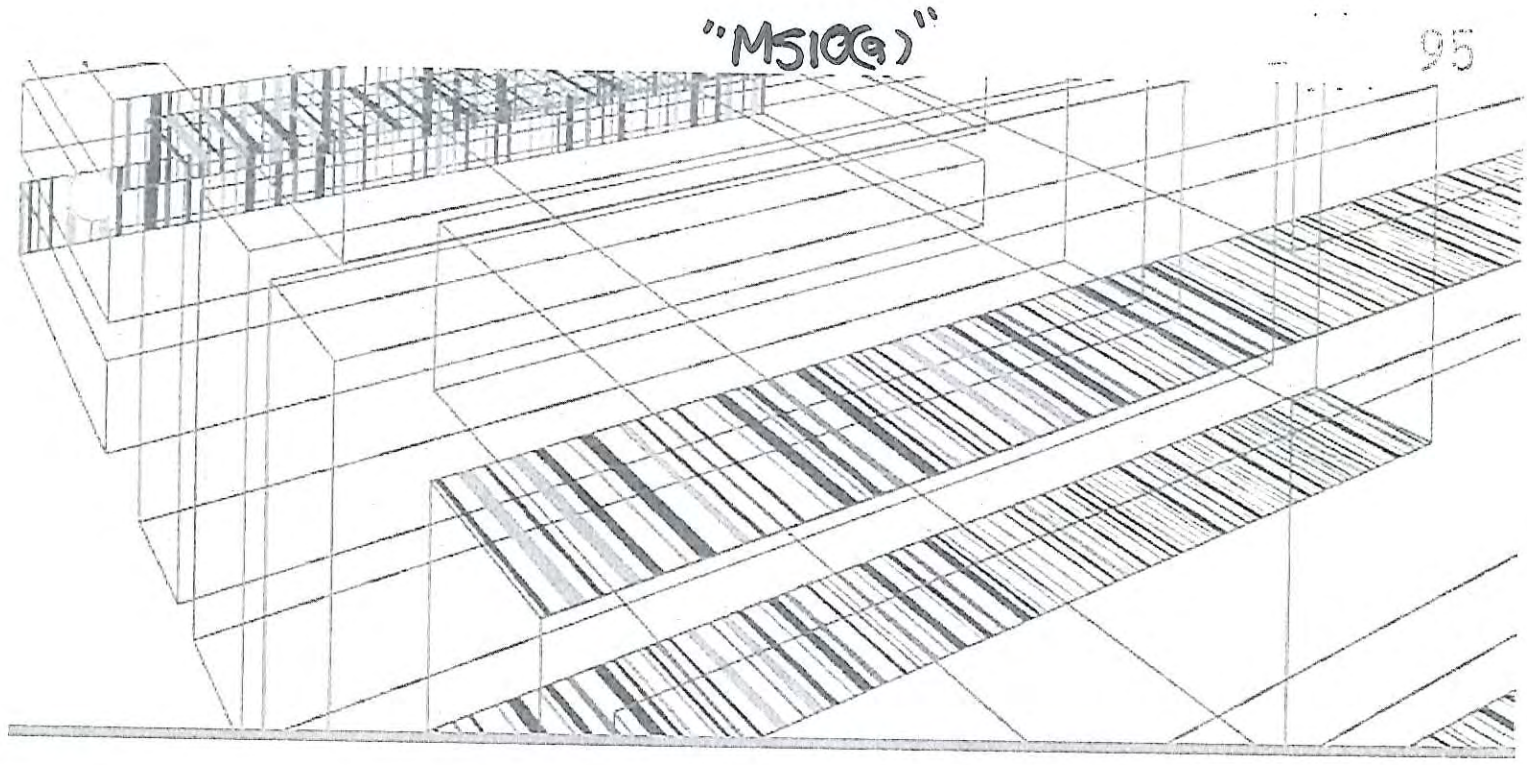
Registration No.: 1960/001900/06, Incorporated in the Republic of South Africa

Certified in accordance with the requirements of DIN EN ISO 9001: 2008 and DIN EN ISO 14001: 2004 Quality and Environmental Management Systems

P.O. Box 111, Witbank 1035, Tel: +27 (0) 13 690 9911, Fax: +27 (0) 13 690 9293, www.evrazhighveld.co.za, general@evrazhighveld.co.za

DIRECTORS: B Petersen (*Chairman*), I J Burger (*Chief Executive Officer*), M Bhabha,
V Borisov (*Russian*), A P Maralack, T Mosololi, D Ščuka (*Czech*), P S Tatyarin (*Russian*), T I Yanbukhtin (*Russian*)

COMPANY SECRETARY: Ms A Weststrate



Highveld Wind Down *Execution Plan*

08/03/2016

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Executive summary

- ☐ The plan is expected to take 36 months to complete.
- ☐ The plan is designed to generate cash within the constraints of the current market dynamics - scrap prices are dropping and local scrap consumers are limiting their intake.
- ☐ The Metallurgical industry in the country is shrinking, thus limiting the achievable prices.
- ☐ The plan yields R1,134bn, being adequate to cover all costs and pay a minimum dividend of 10c to creditors.



Contents

- ☐ Executive Summary
- ☐ Operations Overview
- ☐ Wind Down Overview
- ☐ Asset Liberation Strategy
- ☐ Deliverables
- ☐ Wind Down Schedule
- ☐ Base Assumptions
- ☐ Cash Flow Projection
- ☐ Iron Making Wind Down
- ☐ Steel Plant Wind Down
- ☐ Structural Mill Wind Down
- ☐ Flat Products Wind Down
- ☐ Engineering Services & Others Wind Down



Operations Overview: Steelworks

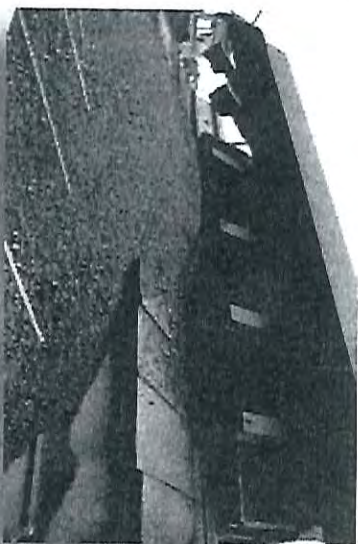


eMalahleni, Mpumalanga

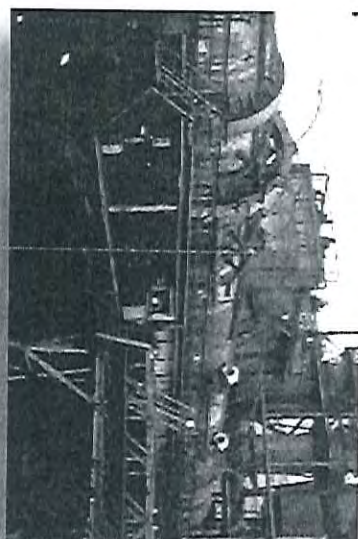


- Approximately 2 242 employees
- Only producer of heavy structural steel in Africa
- ISO 9001: 2008 and 14001: 2004 certified

Operations Overview: Iron making & Steel plant



Tippler



Kilns
13 reduction
kilns



Furnaces
7 furnaces
2 submerged arc furnaces
4 open slag bath furnaces
1 decommissioned



Shaking ladles
4 shaking ladles for scrap melting and
Vanadium extraction



Basic oxygen furnaces
3 BOF's for steel making

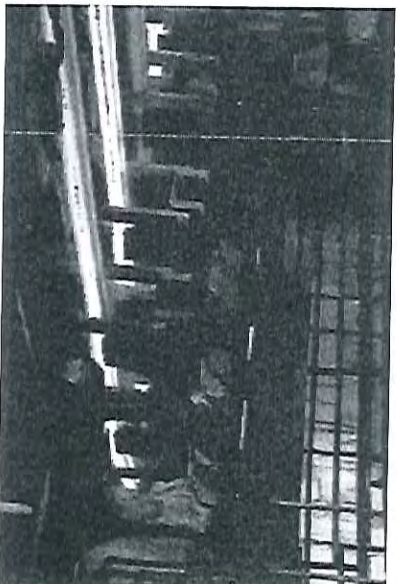


Continuous casting machines

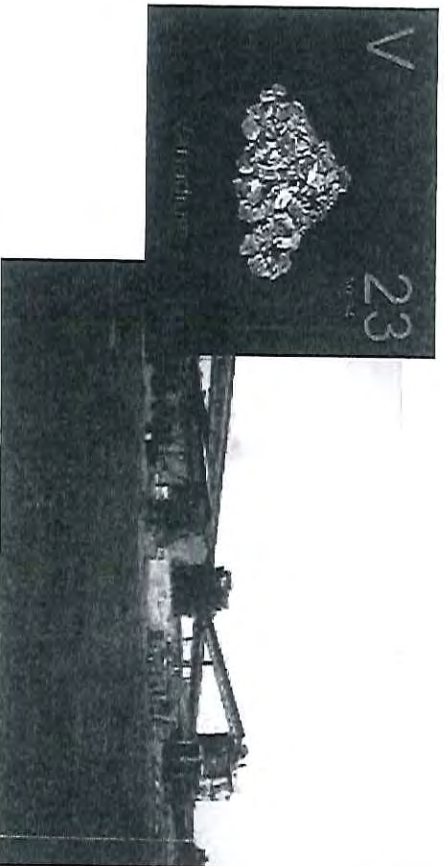
Operations Overview: Iron making & Steel plant (Cont.)



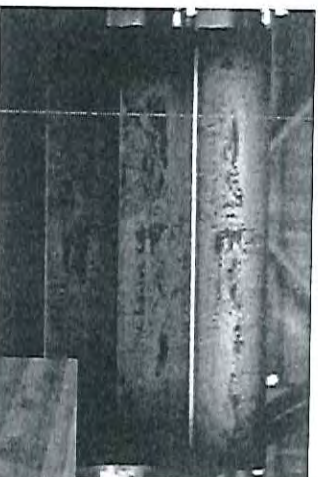
Vanadium Slag



Casting Machine



Vanadium crushing plant



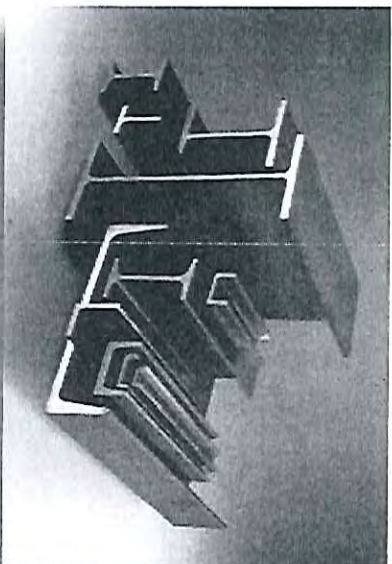
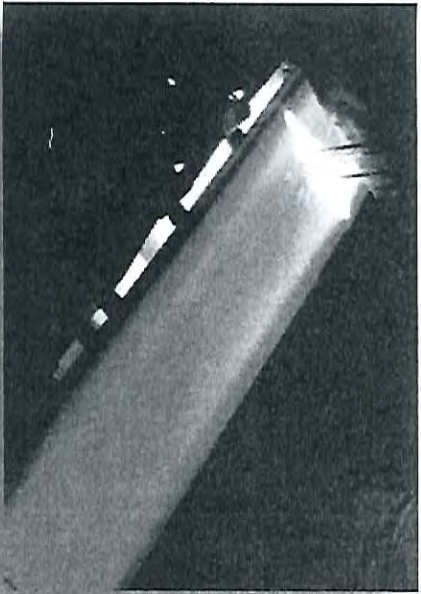
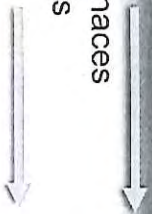
- Slabs
- Big blooms
- Medium blooms
- Billets



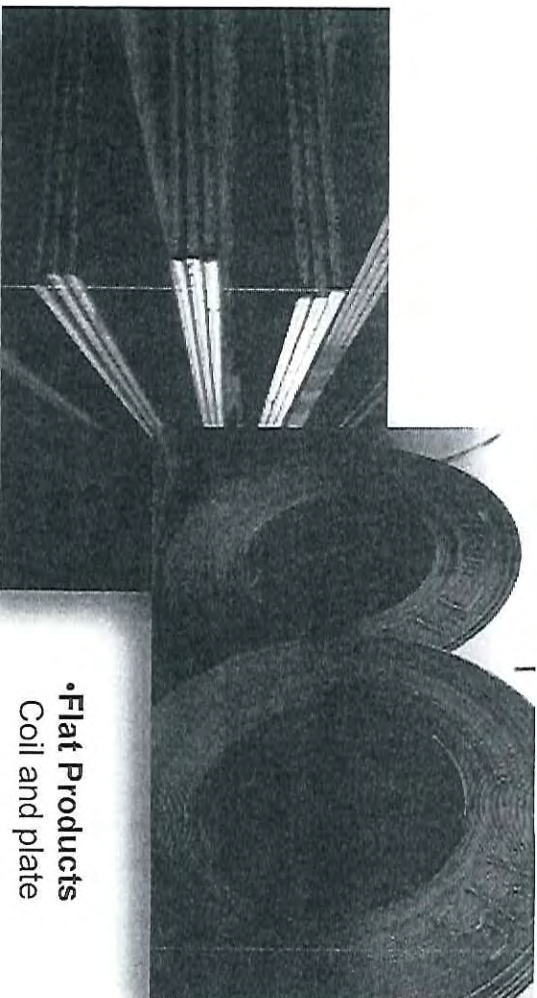
Operations Overview: Rolling Mills



- Reheat furnaces
- Rolling mills



- Structural Steel:**
- Beams
 - Columns
 - Joists
 - Channels TFC
 - Channels PFC
 - Equal angles
 - Rounds
 - Rails



- Flat Products**
- Coil and plate

Wind Down Overview

- ☐ Highveld Steel went into Voluntary Business Rescue on 13 April 2015.
- ☐ Primary operations ceased on 20 July 2015.
- ☐ The Business Rescue plan was adopted on 13 October 2015, with 3 proposals:
 - Sale of the entire business to International Resources Limited (IRL), including a share transaction with majority share holder Evraz – effective date 31 January 2016;
 - Sale of the entire business to IRL, excluding a share transaction with majority share holder Evraz – effective date 31 January 2016;
 - Wind down of the business, with sale of assets.
- ☐ On 5 February 2016 it was announced that the proposed sales transaction with IRL has failed. The Business Rescue Practitioners (BRPs) opted to implement proposal 3 as per the Business Rescue (BR) plan – wind down.
- ☐ Execution is expected to take 36 months, up to end February 2019.

Asset Liberation Strategy

□ It is anticipated that assets will be classified into any one of three categories:

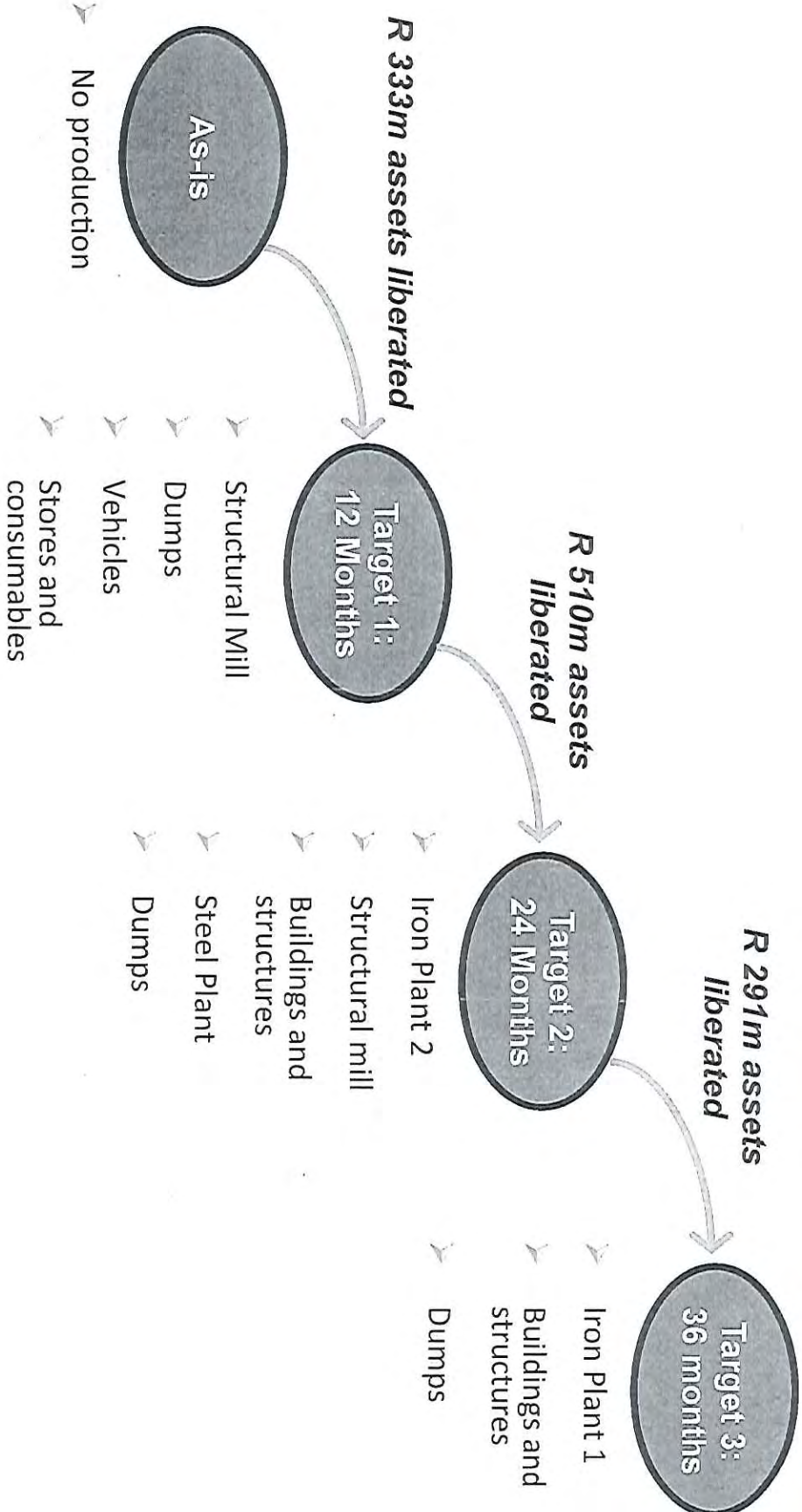
- **Asset Class 1: Liquid Assets (LA).** These are the assets which can be converted to cash in quick time. These assets include items such as copper, scrap steel, raw material stocks, etc.
- **Asset Class 2: Re-usable Assets (RA).** These are assets which can typically be sold as movable and operational assets. These assets generate a larger return when compared to the pure scrap value and will typically be sold by auction to either original equipment suppliers or operational production plants. Examples of these assets are pumps, valves, motors, mud guns, switch gear, cables, etc.
- **Asset Class 3: Strategic Assets (SA).** These are assets which will be sold as operational plants, potentially as individual businesses or as a going concern. By selling assets off in this way, higher selling prices can be achieved when compared to LA and RA assets. Examples of these assets are the Structural Mill, Individual rotary kilns at the Iron plants, Iron Plant 2, etc.

Key Deliverables

- ☐ The creditors of Highveld Steel approved the BR plan, hence the dividend range of proposal 3, wind down, of 10c to 14c has to be met. This represents R220m minimum.
- ☐ BR costs, estimated at R38m for the period, to be covered.
- ☐ Staff retrenchment costs of R328m.
- ☐ Post Commencement Funding (PCF) of R150m to be paid back to the IDC.
- ☐ Wind down costs of R378m.
- ☐ Wind down revenue of R1,134bn to be generated.
- ☐ Business wind down activities will include as a minimum:
 - All IT systems backed-up and shut down under controlled environment.
 - All statutory reports and submissions completed and documentation identified and stored safely.
 - Financial reports, audits and accounts balanced, reconciled and safely stored.
 - Human Resources / employee records secured, debt validated / documented and safeguarded.
 - Ongoing environmental obligations / sampling being maintained and managed orderly.
 - Current and future financial liabilities will be managed and executed under control of the BRPs.
- ☒ Company secretarial duties and requirements will be wind down in a compliant manner.
- ☐ Develop best case scenario for Mapochs Mine (Pty) Ltd.

Asset Wind Down Schedule

- ☐ Asset wind down schedule highlights
- ☐ Note: Proceeds include sale of assets and other income streams

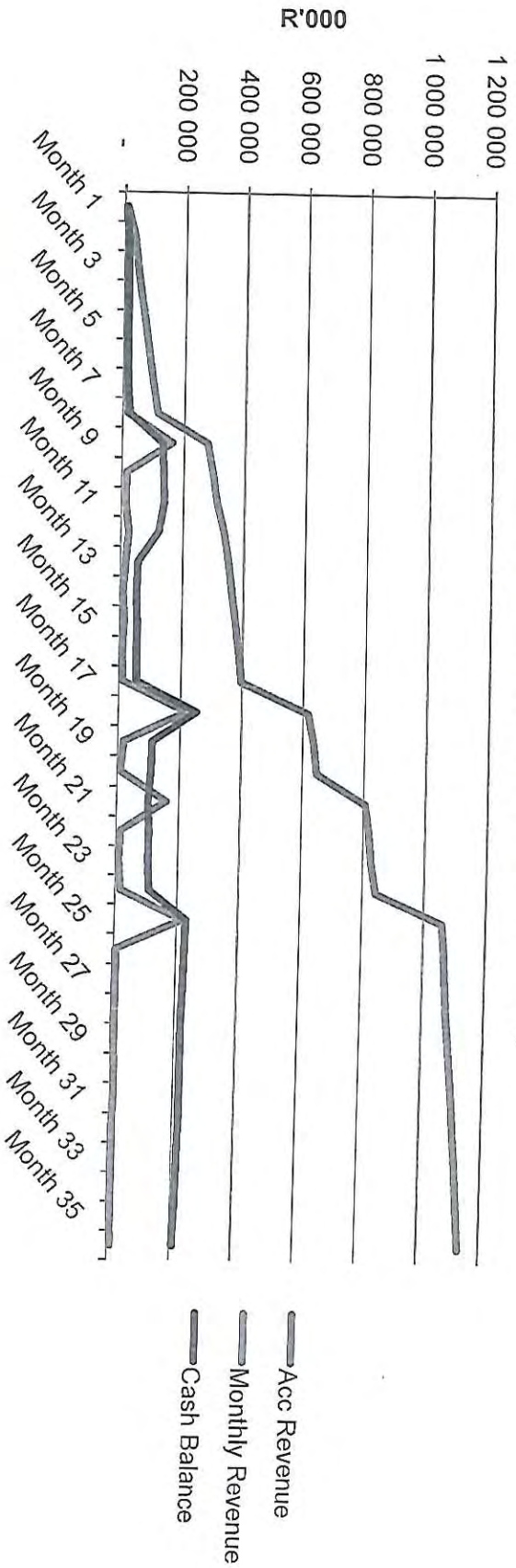


Base Assumptions

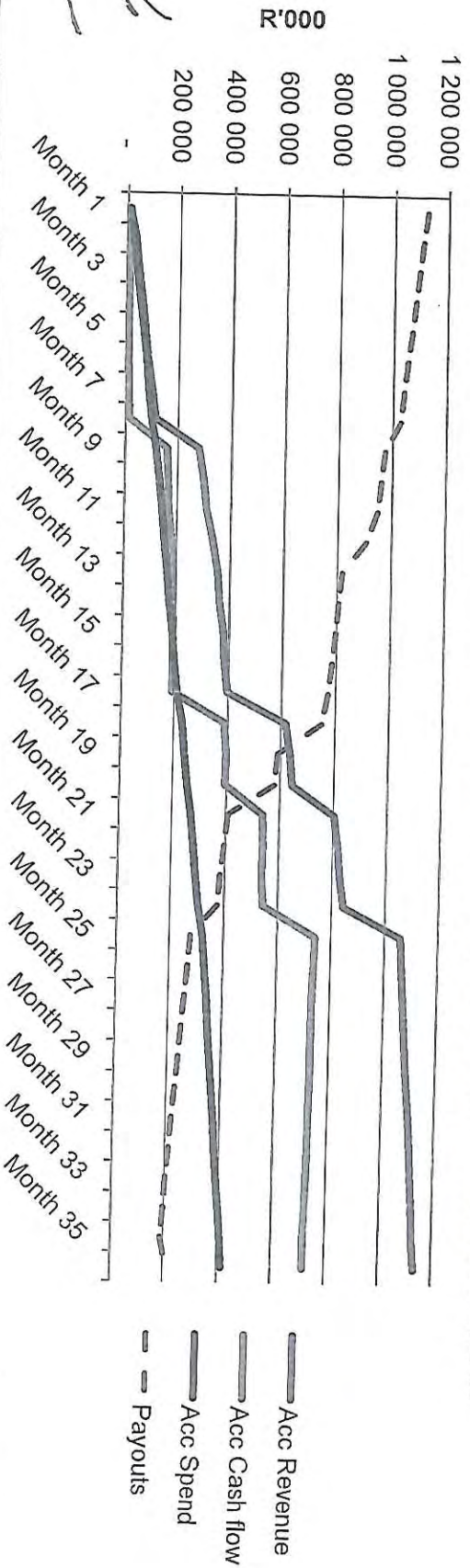
- ☐ The Business is in wind down.
- ☐ The contracted party will have access to all assets and be allowed to demolish in line with the wind down plan.
- ☐ Only the Structural Mill and Iron Plants are sold as going concerns.
- ☐ Consumables and plant spares will be sold via private treaty and / or auction.
- ☐ Structures / buildings and sheds will be offered as complete fabricated structures before being cut up and sold as scrap
- ☐ The Steel Plant will be demolished first.

Cash flow Projection

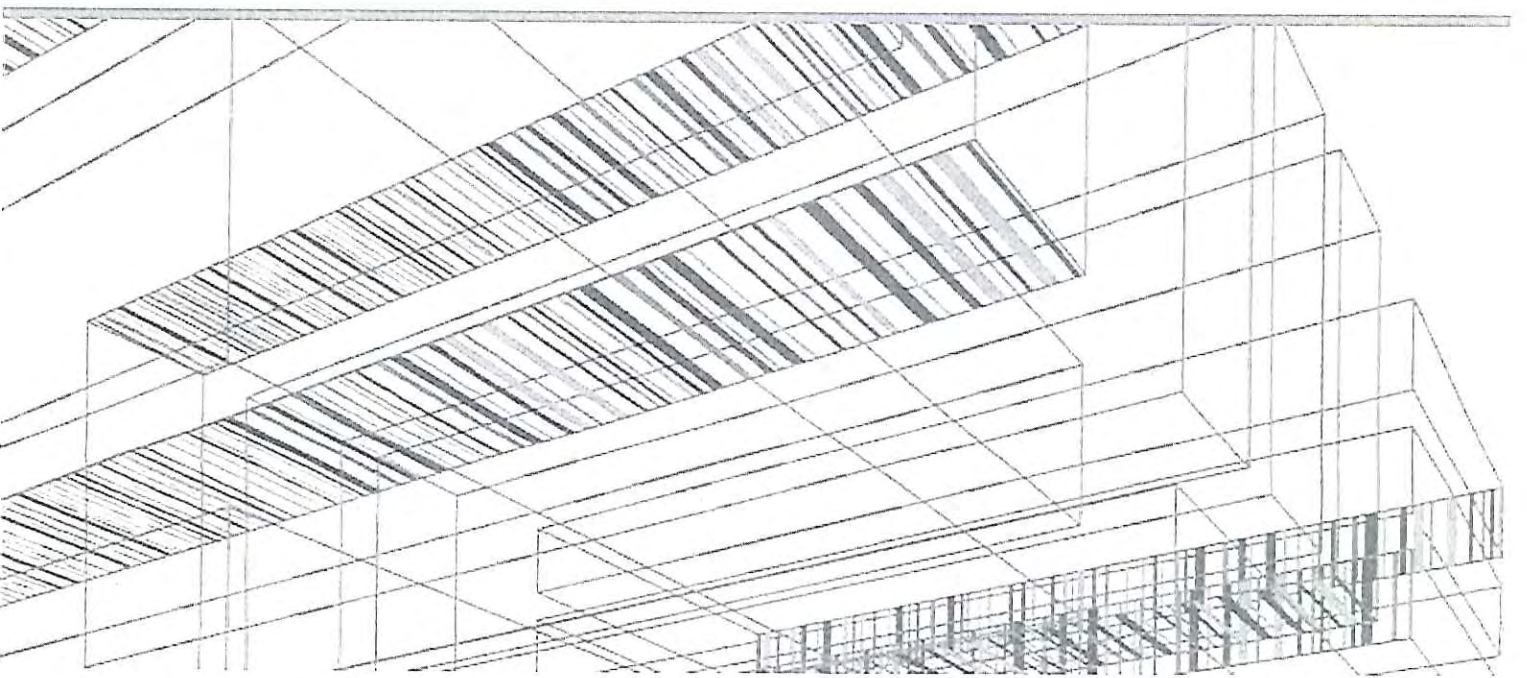
Total Revenue Summary



Summary of Accumulated Revenue, Cost and Cash flow



Iron Making Wind Down



P. 4

Asset Liberation Strategy

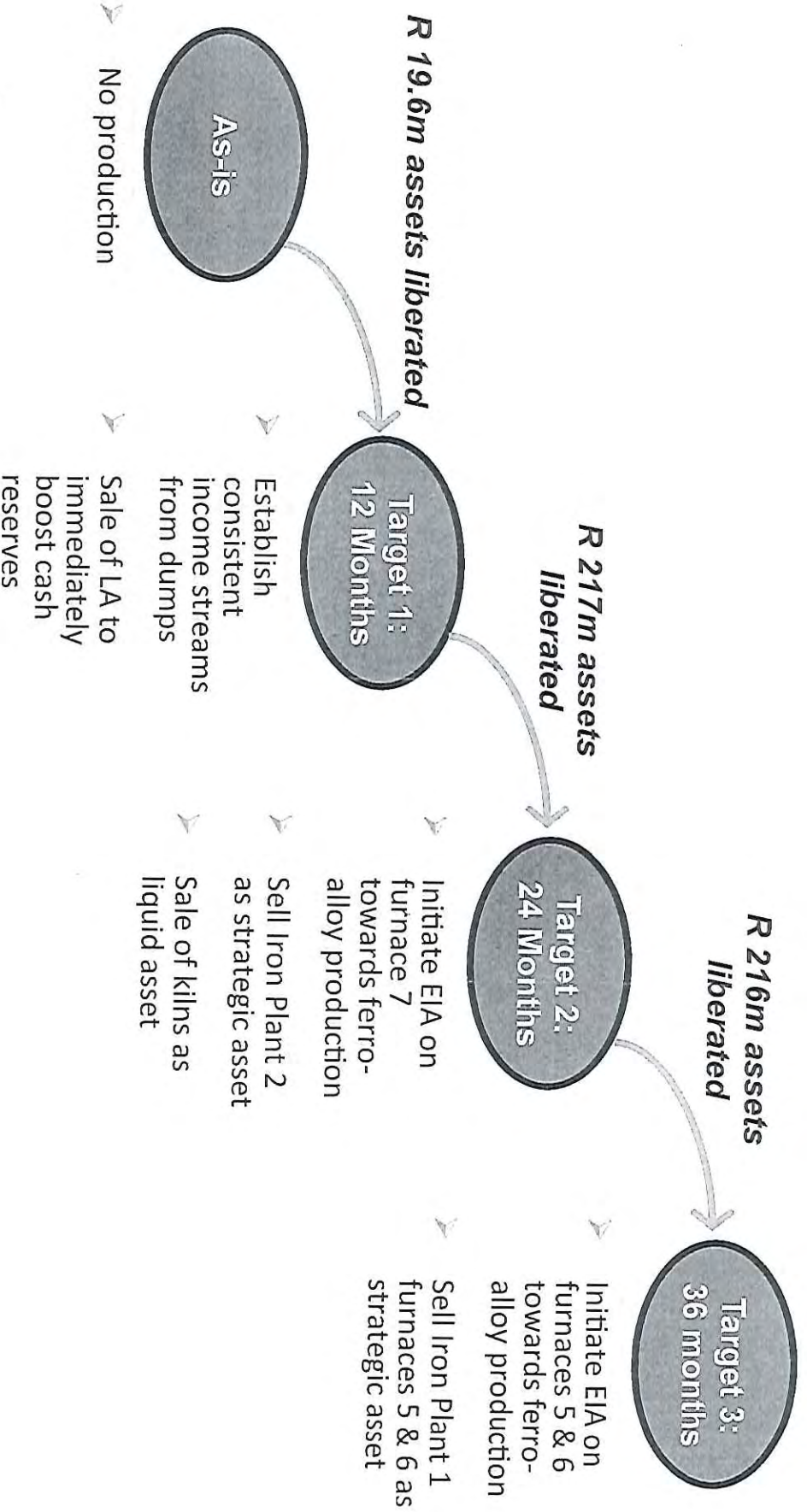
- ☐ Immediate focus will be placed on selling all liquid assets such as furnace copper, movable scrap such as kiling ladles, bogies, slag pots and redundant transformer coils.
- ☐ Re-usable asset sales will be marketed to neighboring furnace facilities including:
 - Trans Alloys
 - Rand Carbide
 - Ferrometals
 - Middelburg Ferro Chrome
 - Columbus
- ☐ In order to sell Iron making strategic assets, it is highly recommended that an Environmental Impact Assessment process is initiated towards ferro-alloy production such as FeCr, FeMn, etc. This will greatly increase the sales potential of the asset.
- ☐ Whilst strategic assets are marketed, a care and maintenance team will perform routine maintenance / inspections, to preserve the asset and to maximise return when assets are sold.

Asset Summary

High-level Asset Summary			
Asset	Class	Expected Value	Comment
Iron recoveries	SA (Class 3)	R23.8m	Rework of Elkem slag dump
Slag stockpile	SA (Class 3)	R7.2m	Sale of slag as aggregate material
Furnaces 1,2 & 3	LA (Class 1)	R7.6m	Sale of furnaces & reticulation as scrap
Iron Plant	RA (Class 2)	R4m	Sale of furnaces 2 and 3 mud guns
Iron Plant 1 operating unit	SA (Class 3)	R200m	Furnaces 5,6 kilns 4,5,6,7,8,
Iron Plant 1 kilns	RA (Class 1)	R10m	Sale of kilns 1-3 & 9-10
Iron Plant 2	SA (Class 3)	R200m	Sold as complete operating unit
Total		R452.6m	

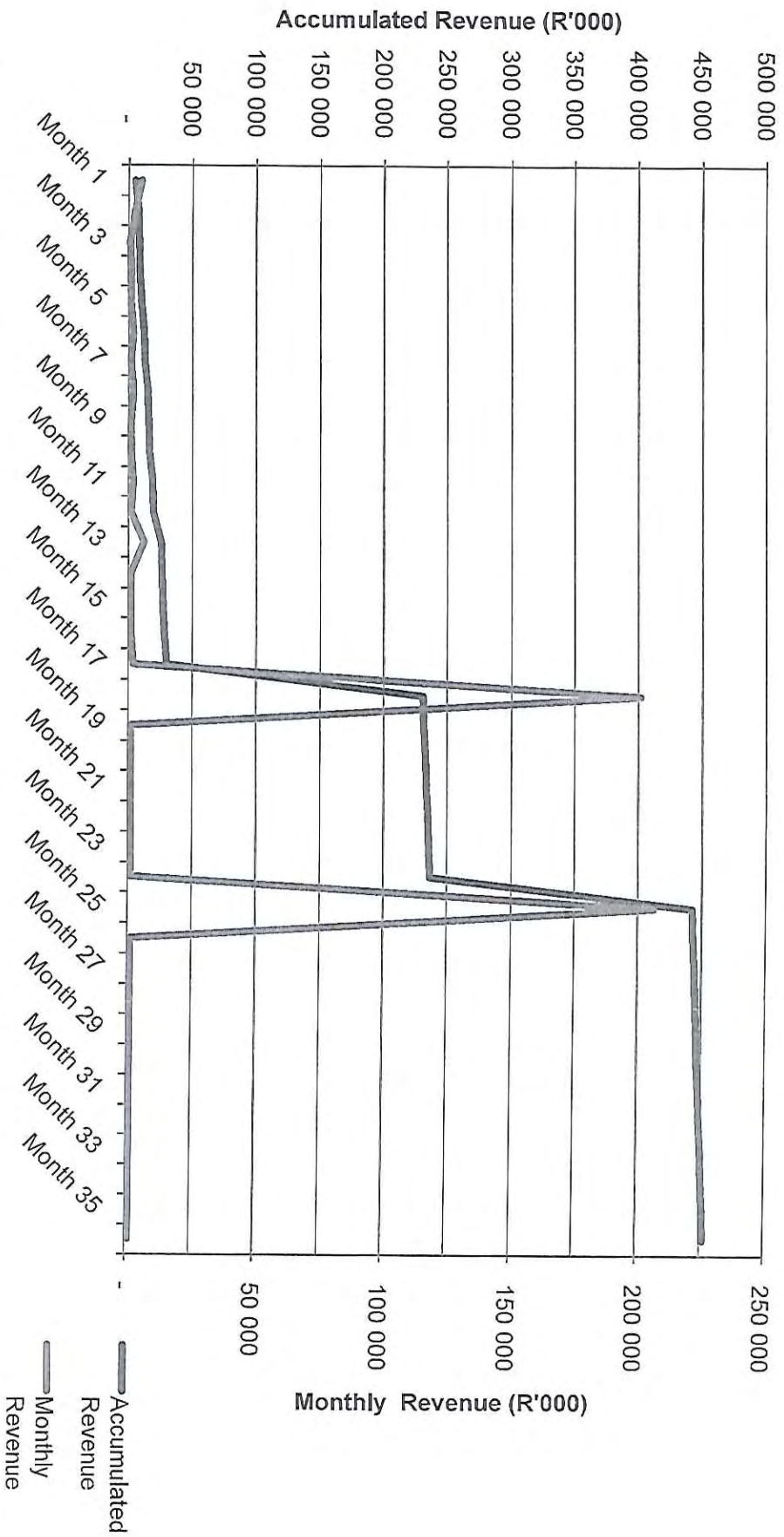
Asset Wind Down Schedule

- Asset wind down schedule highlights

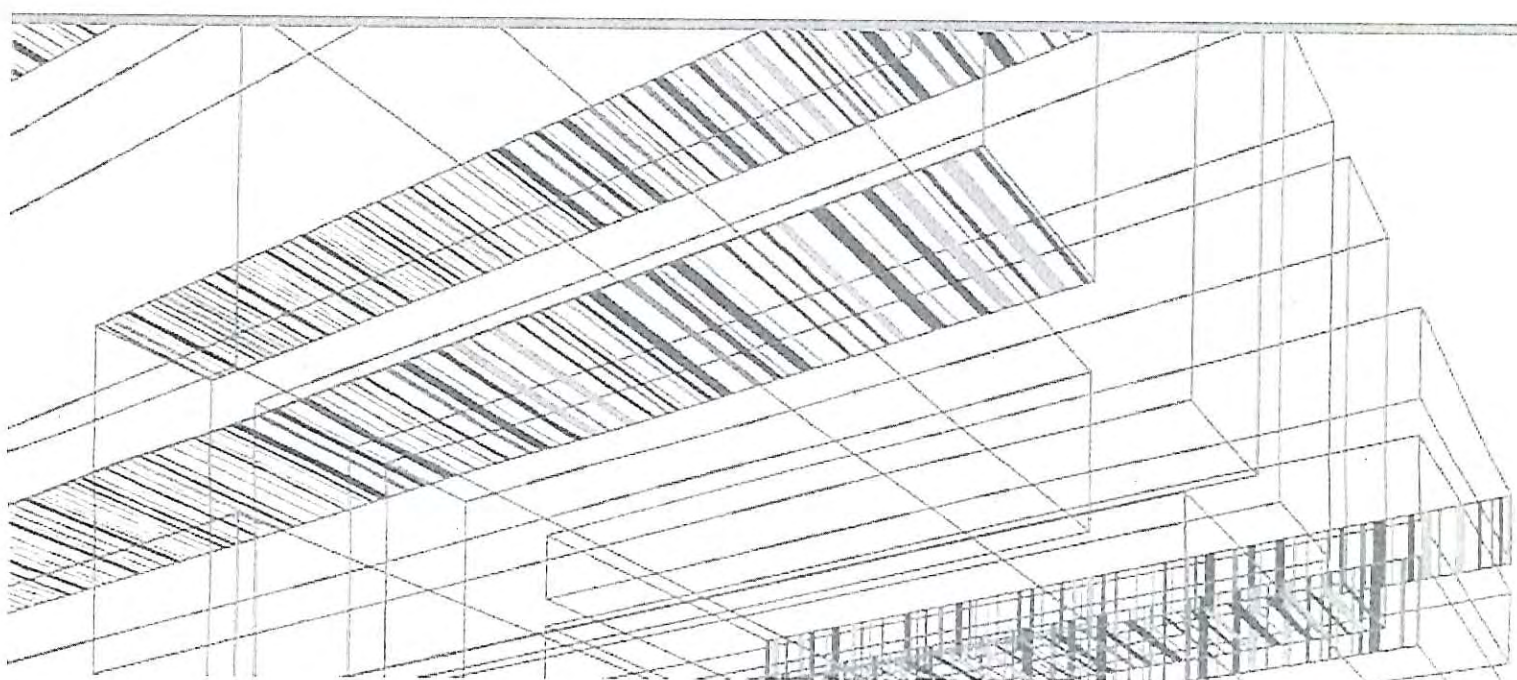


Cash generated from Iron making Wind Down

Iron Making Revenue Summary



Steel plant Wind Down



Asset Liberation Strategy

- ☐ The Steel plant equipment – in it's current condition – is adequate to produce roughly 650,000 tons of steel, as opposed to the company's proposed output levels of 900,000 tons per annum.

- ☐ With this in mind, very little of the equipment will be sold as operating equipment and same will have to be scrapped with the exception of:

- Ladle Refining Furnaces
 - Cranes
 - Secondary Emissions Bag House

- ☐ A sequence of isolations will have to be done prior to dismantling of energy sources such as:

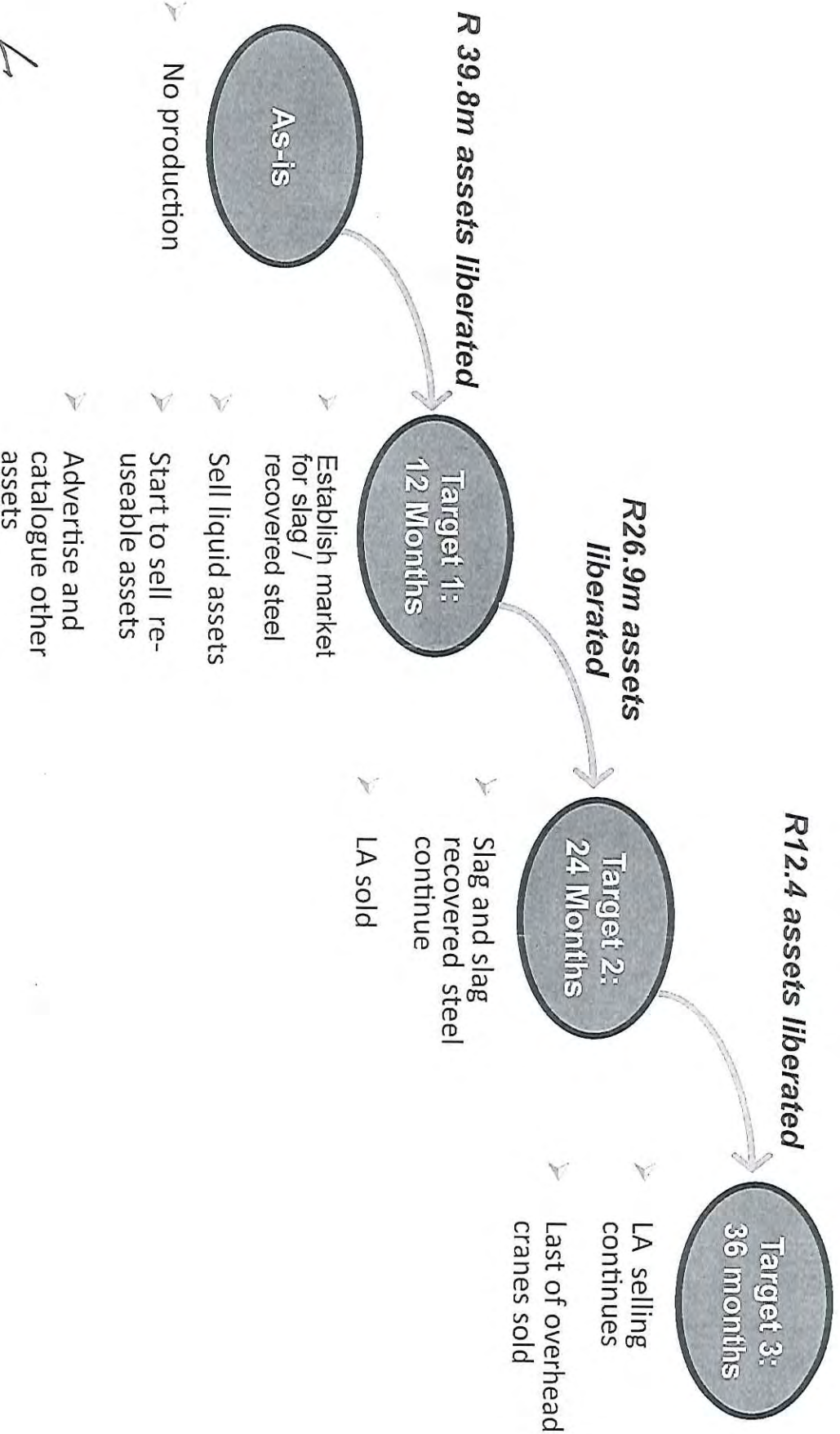
- Gas
 - Electrical
 - Compressed Air

Asset Summary

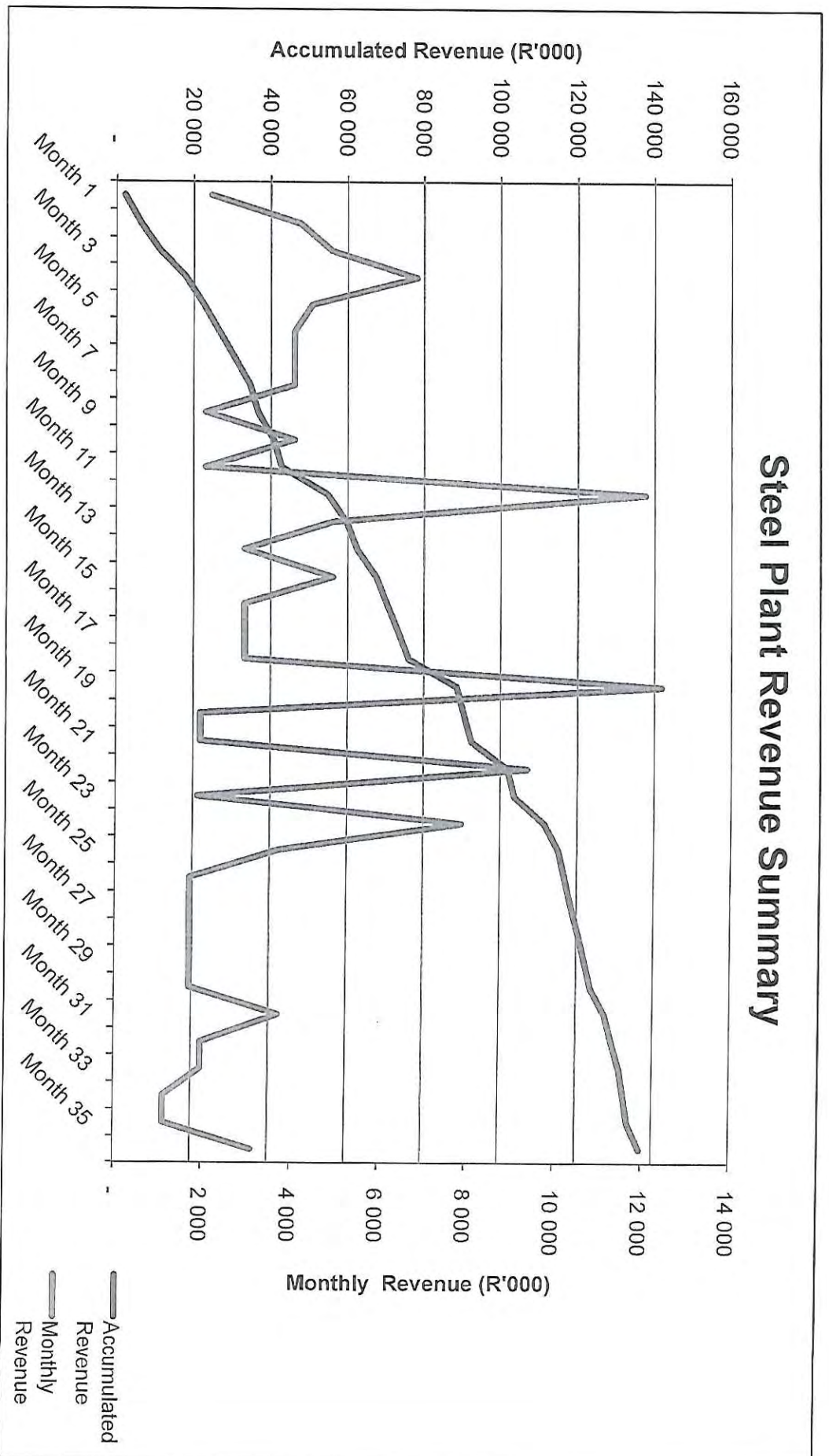
High-level Asset Summary			
Asset	Class	Expected Value	Comment
Steel Plant exterior	LA (Class 1)	R 3.5m	Redundant cable, scrap, raw materials conveyor and water plant
Vanadium Plant floor	LA (Class 1)	R 1.25m	Slabs used as floor
Slab caster	LA (Class 1)	R 3.5m	Cut slab caster to scrap
Billet caster	LA (Class 1)	R 2.5m	Cut billet caster to scrap
Bloom casters 2 & 3	LA (Class 1)	R 5.2m	Cut bloom casters to scrap
Bag house secondary emissions	RA (Class 2)	R 19m	Sell bag house complete
Ladle furnace X 2	RA (Class 2)	R 12m	Sell as complete units
Vanadium Plant (new)	RA (Class 2)	R 6m	Sell as complete plant
Casting and shaking ladles	RA (Class 2)	R 1m	Sell to other plants
Refractory	RA (Class 2)	R 10m	Sell to plants with similar vessels
Other	Various	R 15m	Sell to other plants
Total		R79m	

Asset Wind Down Schedule

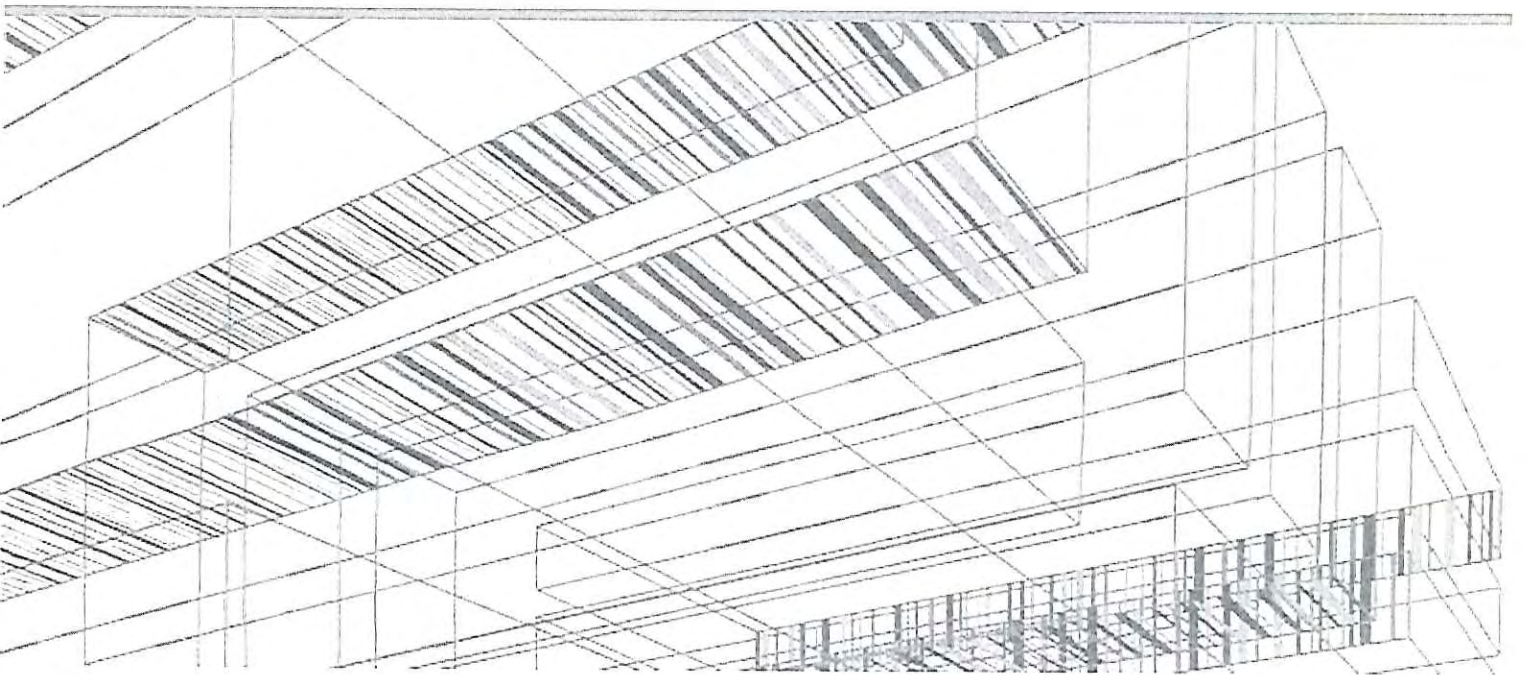
- Asset wind down schedule highlights



Cash generated from Steel plant Wind Down



Structural Mill Wind Down



1.5

Asset Liberation Strategy

- ☐ Complete the Structural mill maintenance work at a cash cost of R 20.6m.
- ☐ The strategy is to first complete the maintenance work of the Structural mill and then sell the mill as a going concern.
- ☐ The purchaser will be assisted with:
 - Commissioning of the plant after the maintenance.
 - Start-up of the plant.
 - Recruitment and appointment of the required skills.
 - Training of employees, where required (skilled employees lost due to retrenchment process).
- ☐ The funds needed to complete the maintenance will come from:
 - Option 1: Net cash generated by the wind down process.
 - Option 2: Purchaser.
- ☐ In the interim, the asset is preserved by a care and maintenance team.
- ☐ The details of the work done and that still outstanding are contained in the following slides.

High-level Asset Summary			
Asset	Class	Expected Value	Comment
Structural mill (going concern)	SA (Class 3)	R 300m	Business case for going concern available

Start-up maintenance work streams: Furnace

- ☐ Due to excessive wear the four main skid pipes were replaced.
- ☐ Part of the west side heating zone wall refractory was replaced.
- ☐ The furnace back lintel steel framework and refractories were repaired.
- ☐ Part of the front lintel refractory was replaced.
- ☐ All damaged burners were replaced.
- ☐ Furnace discharge door steel frame and refractories were repaired.
- ☐ The furnace closed loop cooling circuit capacity was increased by installing an additional evaporative cooling system.
- ☐ Maintenance was carried out on the water treatment plant, supplying makeup water to the furnace cooling system.
- ☐ Maintenance was carried out on furnace auxiliary equipment including:
 - ☐ Furnace hydraulics
 - ☐ Extractor fingers were changed together with all wearing parts
 - ☐ Charging and discharging roller tables refurbished
 - ☐ Drive communications were repaired
 - ☐ Instrumentation (flow meters, thermocouples and pressure transducers)
 - ☐ Electrical supply panels
 - ☐ Furnace emergency systems

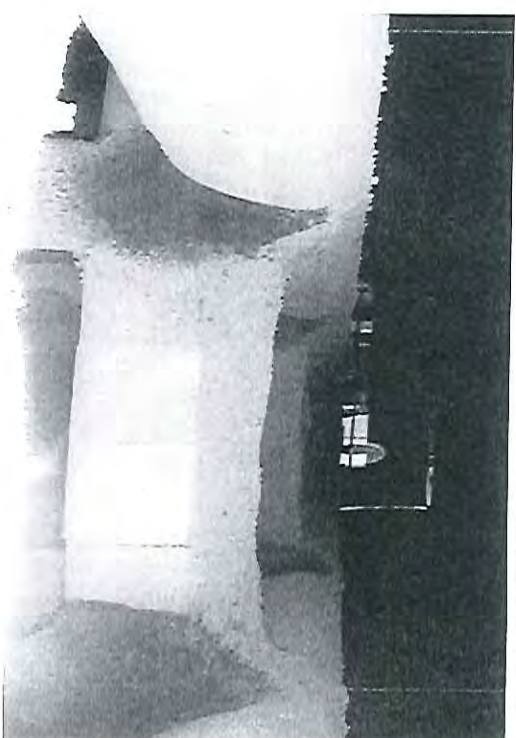


Fig.5: Furnace skid pipe repairs

Start-up maintenance work streams: Mill machining

- ☐ Window liner and bottom plate faces at the breakdown mill were machined to remove wear.
- ☐ Horizontal window liner, vertical window liner and vertical roll top and bottom liner faces were machined.
- ☐ Breakdown mill cheek plate landings were machined and new cheek plates installed. The cheek plate design was changed to address inherent instability problems.
- ☐ Oversized liners were manufactured to bring all mill liner faces back to original drawing dimensions and tolerances.
- ☐ Horizontal and vertical roll chock liners, which were out of tolerance, were replaced and high spots removed.
- ☐ Damaged liner bolt holes were repaired and standardised.
- ☐ All machining was done with the mill screw centreline as reference. Machined face dimensions were noted on technical mill drawings for future reference.

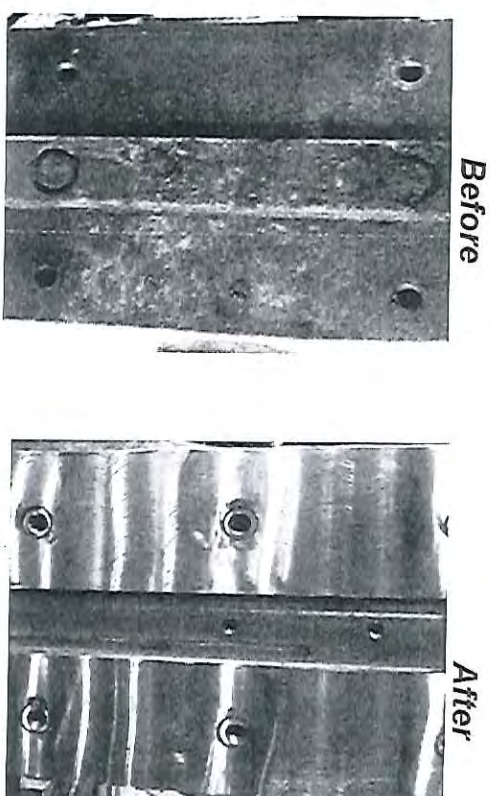


Fig 6: Mill stand machining

☒ METALOCK was the company that was used to carry out all measurements as well as the machining of the mill.

Start-up maintenance work streams: Breakdown mill

- ☐ After inspecting all the wearing parts on the auxiliary equipment of the breakdown mill, various wearing parts including brass screw nuts, liners and bushes were replaced.
- ☐ Mill spindles were removed and maintenance carried out on lifting frames, A-frames and other mill drive train stability related equipment.
- ☐ After inspecting the main pinion gearbox it was decided to do work on the box H frames and replace the bottom pinion drive side bearing.
- ☐ Worn hydraulic valves were replaced and all seals on the valve stacks were replaced.
- ☐ Cleaning was done throughout the area to expose all hydraulic pipes. Various leaks were picked up and repaired. Pipe fixing clamps were replaced where necessary.
- ☐ Breast roll fixing bolt holes were repaired.
- ☐ No.1 hot saw arbour shaft was replaced and all liners on the saw was tightened and worn liners were replaced.
- ☒ Repairs were carried out on various worn parts on the block yard transfer boggy, used to return spacers to the block yard.

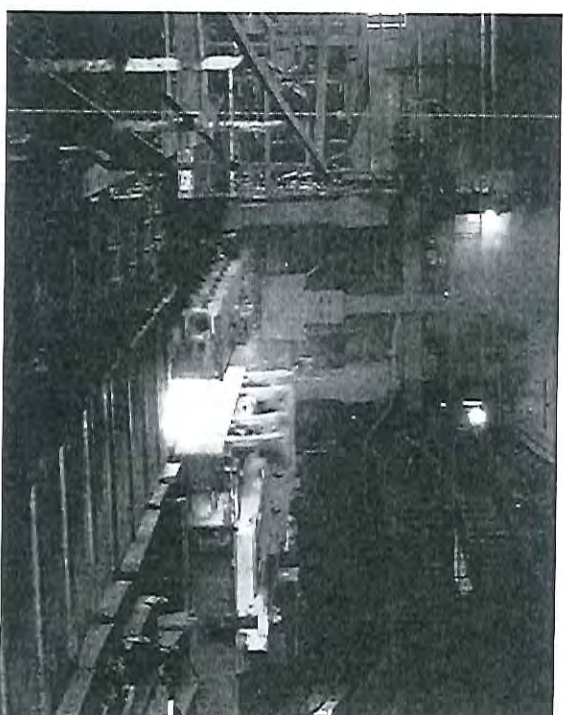


Fig 8: Breakdown mill

Start-up maintenance work streams: Universal & Edger Mill

- ☐ Warrick arm bushes were replaced and any cracks detected were repaired. Warrick arms are used to adjust the horizontal rolls and is very critical in ensuring mill stability.
- ☐ Bores of the warrick arms in the mill stands were line bored and new bushes and pins were installed.
- ☐ All liners on the warrick arm knuckles were replaced due to wear.
- ☐ Universal mill ingoing and outgoing tilting table frames were removed and structural repairs were done.
- ☐ All tilting table frame gearboxes were opened and worn parts replaced. The base of the ingoing lifting frame broke loose and was repaired.
- ☐ The spindles of the universal and edger mill were removed and liners, bushes and spindle slipper brasses were replaced depending on wear. The A-frame was structurally repaired and the base of the spindle balance frame was also repaired.
- ☐ Comprehensive maintenance was carried out on all hydraulic systems of both the mills.
- ☐ Top screw brass nut keeper plate bolt holes that were stripped were repaired back to standard.
- ☐ The drive side vertical screw gearbox bolt holes were repaired to ensure future stability.

Start-up maintenance work streams: Finishing Mill

- ☐ Warrick arm bushes were replaced and any cracks detected were repaired. Warrick arms are used to adjust the horizontal rolls and is very critical in insuring mill stability.
- ☐ Bores of the warrick arms in the mill stands were line bored and new bushes and pins were installed.
- ☐ All liners on the warrick arm knuckles were replaced due to wear.
- ☐ Ingoing and outgoing mill inserts (holding vertical rolls in place), were removed, liner faces were machined and oversize liners fitted. The keyways in the mill stand will be machined to ensure that the inserts are kept stable and in position.
- ☐ The top and bottom separator H-frames were removed, liner faces machined and new liners will be fitted.
- ☐ Worn parts on all auxiliary equipment were replaced including the internals of the screw up gearboxes.
- ☐ Horizontal bottom roll latch plate holding bolt inserts were replaced.
- ☐ Top screw brass nut keeper plate bolt holes that were stripped, were repaired back to standard.
- ☐ The ingoing and outgoing lifting jacks were replaced and their frames were structurally repaired.

Start-up maintenance work streams: Electrical repairs

- ☐ A new field frame (manufactured by LHM) was installed at the finishing mill. This was done due to the poor insulation condition of the field frame that was in position before the plant shutdown.
- ☐ The motor was successfully tested by using drive parameters to simulate operations under load.
- ☐ The edger field frame was removed and all field pole- and inter-pole windings were replaced.
- ☐ The edger field frame winding insulation was starting to deteriorate, leading to motor failures.
- ☐ All the main drive motor analogue drives were replaced in 2010 with digital drives, but the hard wired permissive circuits were never replaced.
- ☐ Field devices were re-wired directly into the PLCs of the various drives to reduce nuisance tripping and improve fault finding by adding alarms to the panel views in the mill pulpits.
- ☐ Maintenance was carried out on all other DC motors with special attention given to the motor air cooling equipment to prevent future motor failures.
- ☒ Focus was also given to cable routing to reduce damage during routine maintenance work and production.



Fig 7: Finishing mill main drive motor

Start-up maintenance work streams: Other general maintenance

Roller tables

- ☐ A total of 65 roller tables were removed and completely refurbished including barrel , journal and bearing repairs.
- ☐ The roller tables were selected according to the criticality of their positioning in the process.
- ☐ The roller table aprons were inspected and repaired.
- ☐ Roller table alignment was checked and adjusted where needed.

32" mill

- ☐ All worn parts will be replaced, including liners on the warrick arms.
- ☐ The base of the outgoing manipulator tracks will be replaced and the civils repaired.
- ☐ The roll balance frames will be removed and alignment repaired.
- ☐ The bent ingoing and outgoing rest bars, used for the tackle to rest on, will be removed and repaired.

Start-up maintenance work streams: Other general maintenance (cont.)

Finishing end

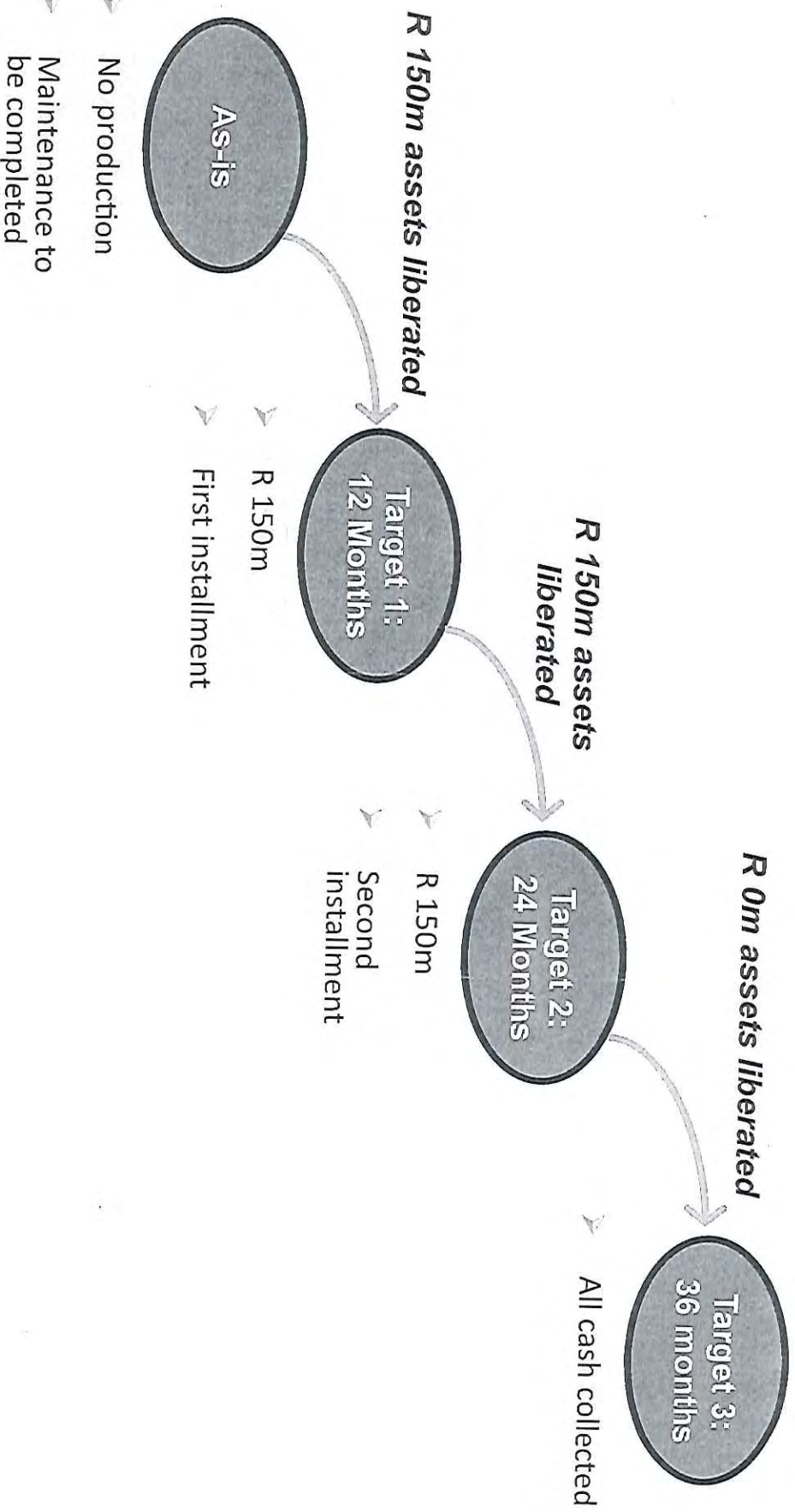
- ☐ Primary cooling bed modified skids were replaced with the original design skids.
- ☐ Bushes and pins on primary cooling bed uprights were replaced where worn.
- ☐ No. 2 piler sliding finger frame was removed and all worn parts replaced, as well as structural repairs carried out on the main frame.
- ☐ The roller straightener delivery roll screw box was repaired and new liners fitted.
- ☐ All gearboxes were inspected and internals replaced where they were worn.
- ☐ All broken skid cables and worn dog cartridges were replaced and aligned.

Production

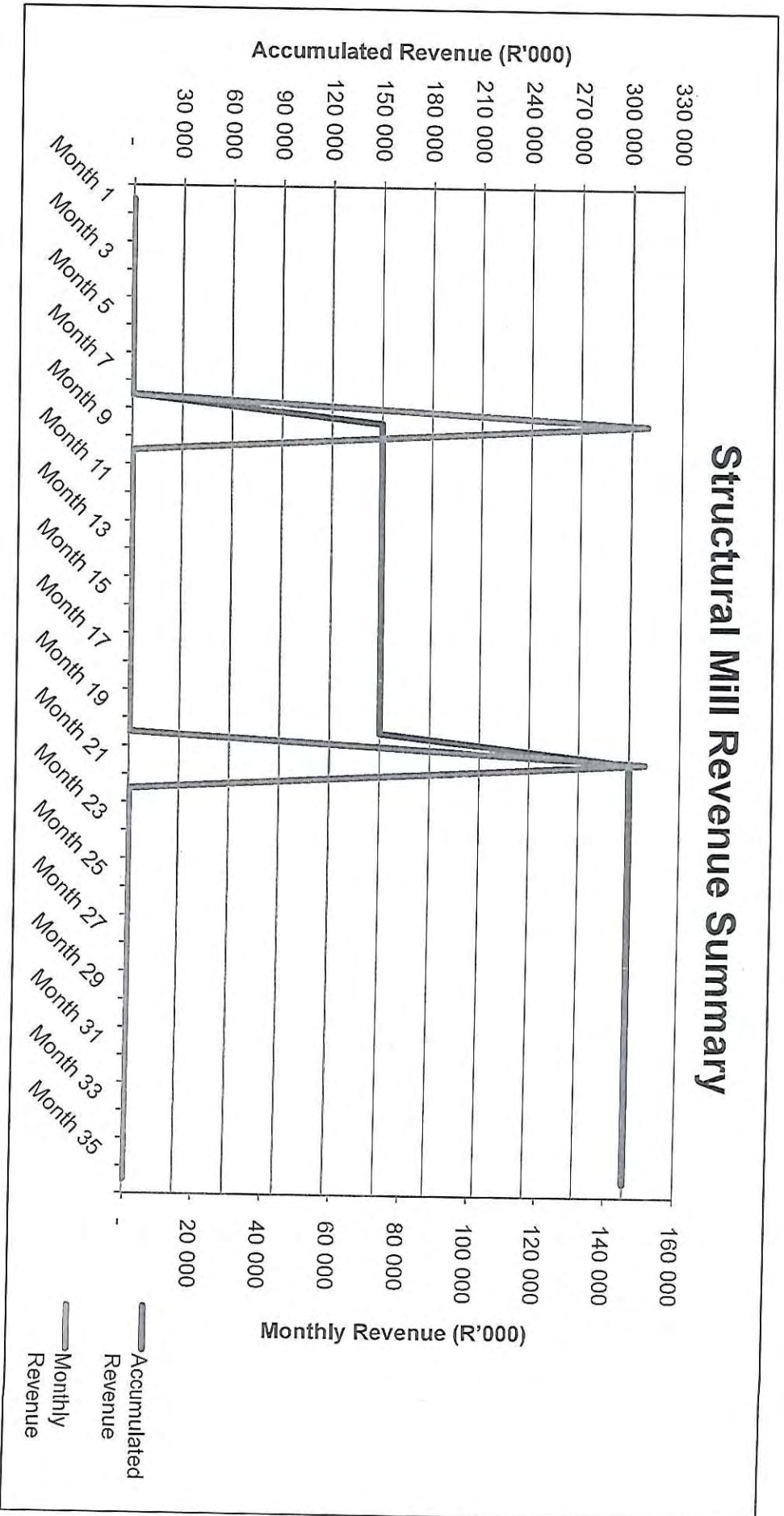
- ☐ Mill flumes were cleaned under all four the main mill stands.
- ☐ The scale pit suction chamber will be cleaned out at the end of the maintenance.
- ☐ Chock bearings were removed, inspected and load zones changed.

Asset Wind Down Schedule

- Asset wind down schedule highlights

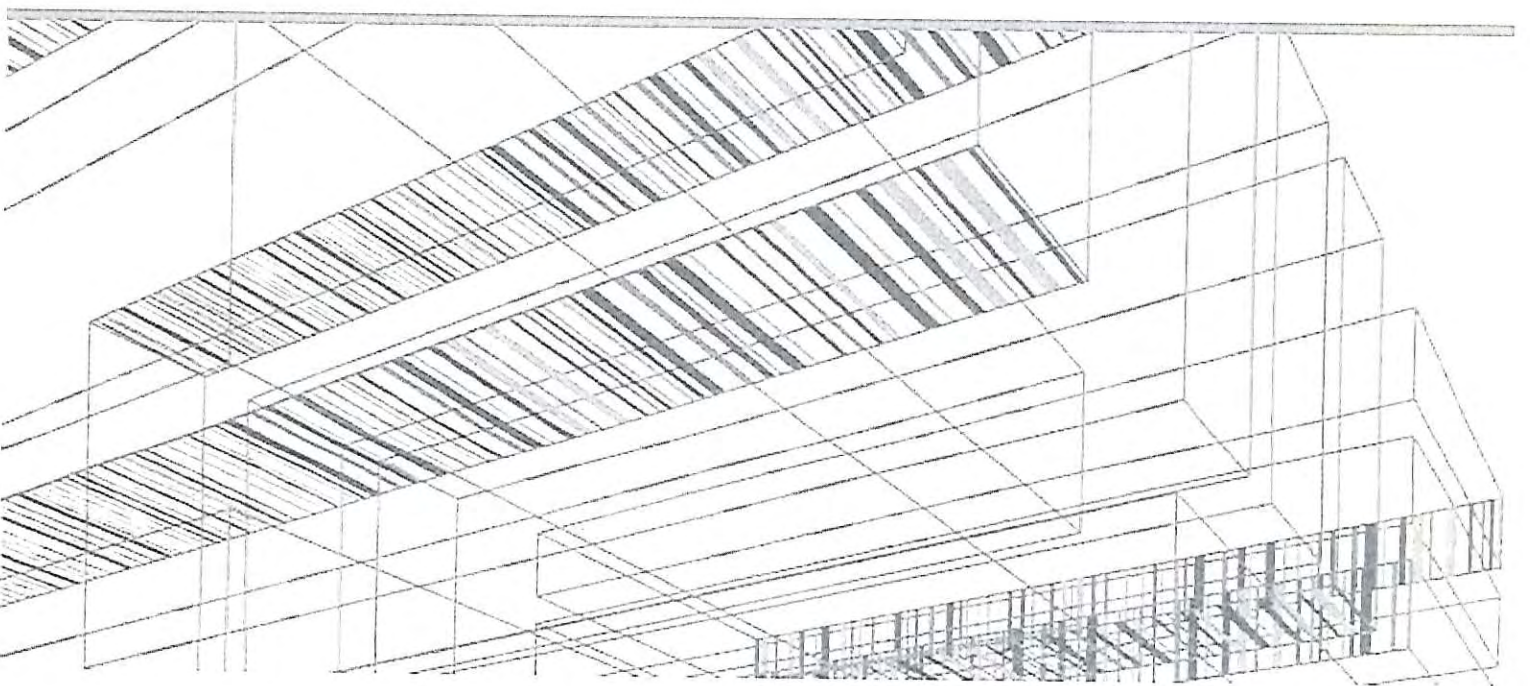


Cash generated from Structural mill Wind Down



Flat Products Wind Down

14



Asset Liberation Strategy

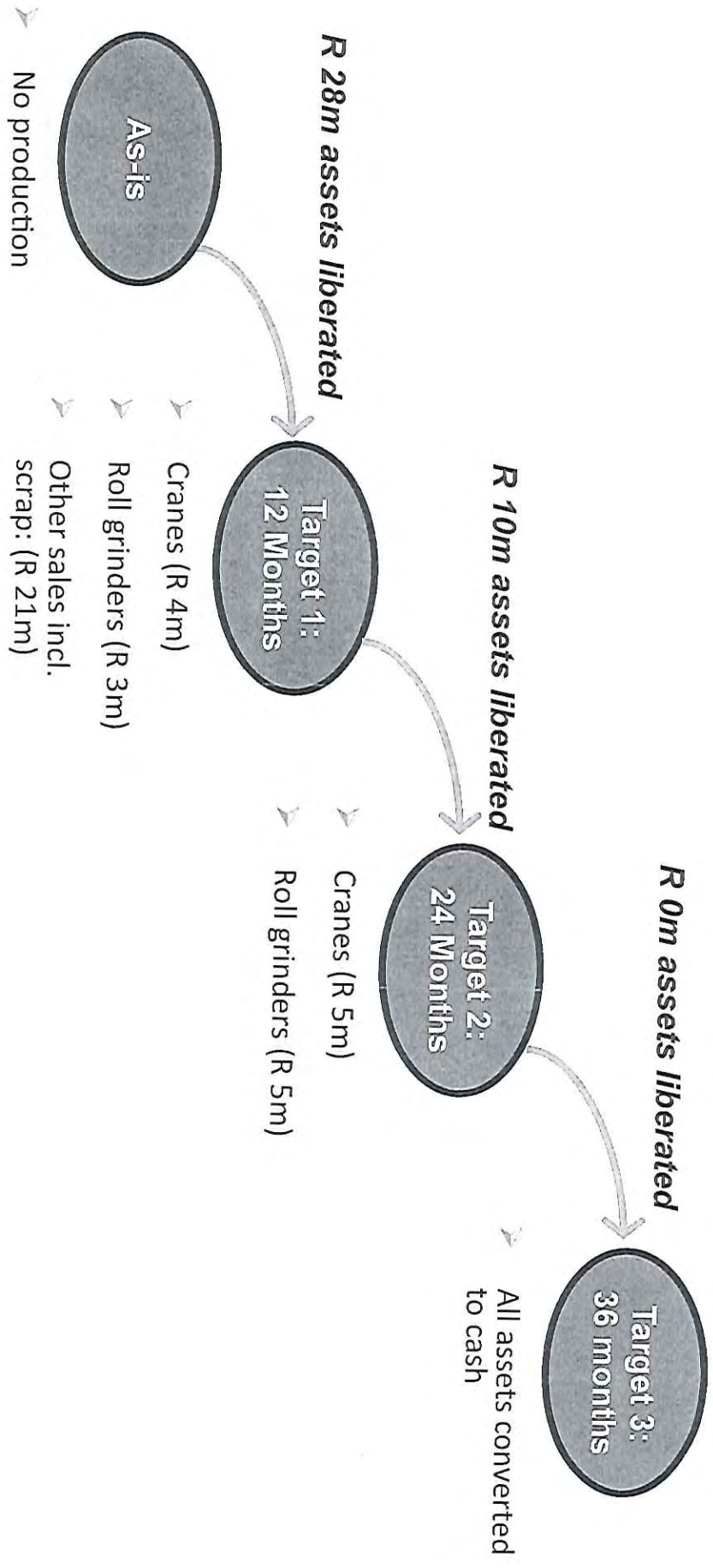
- ☐ For the first 5 months, work on selling Flat Products as a going concern (AMSA interested).
- ☐ If Flat Products is sold as a going concern, then the following services will be provided to the purchaser:
 - ☐ Appointment of the critical skills.
 - ☐ Complete all outstanding work to get Flat Products ready to roll.
 - ☐ Commissioning of the plant.
 - ☐ Start-up of the plant.
 - ☐ Training of employees, where required (skilled employees lost due to retrenchment process).
- ☐ If Flat products is not sold as a going concern in the first six months, then the plant will be dismantled and assets sold individually.
- ☐ All re-usable assets (class 2) will be sold for re-use to local or international end users.
- ☐ Firstly, end users will be approached directly and offers will be obtained / sales made.
- ☐ If the offers are not fair market value, the original equipment manufacturers (OEM) will be approached to selling the assets to their customers on a commission basis.
- ☐ Other equipment that is not re-usable will be dismantled and sold as scrap.

Asset Summary

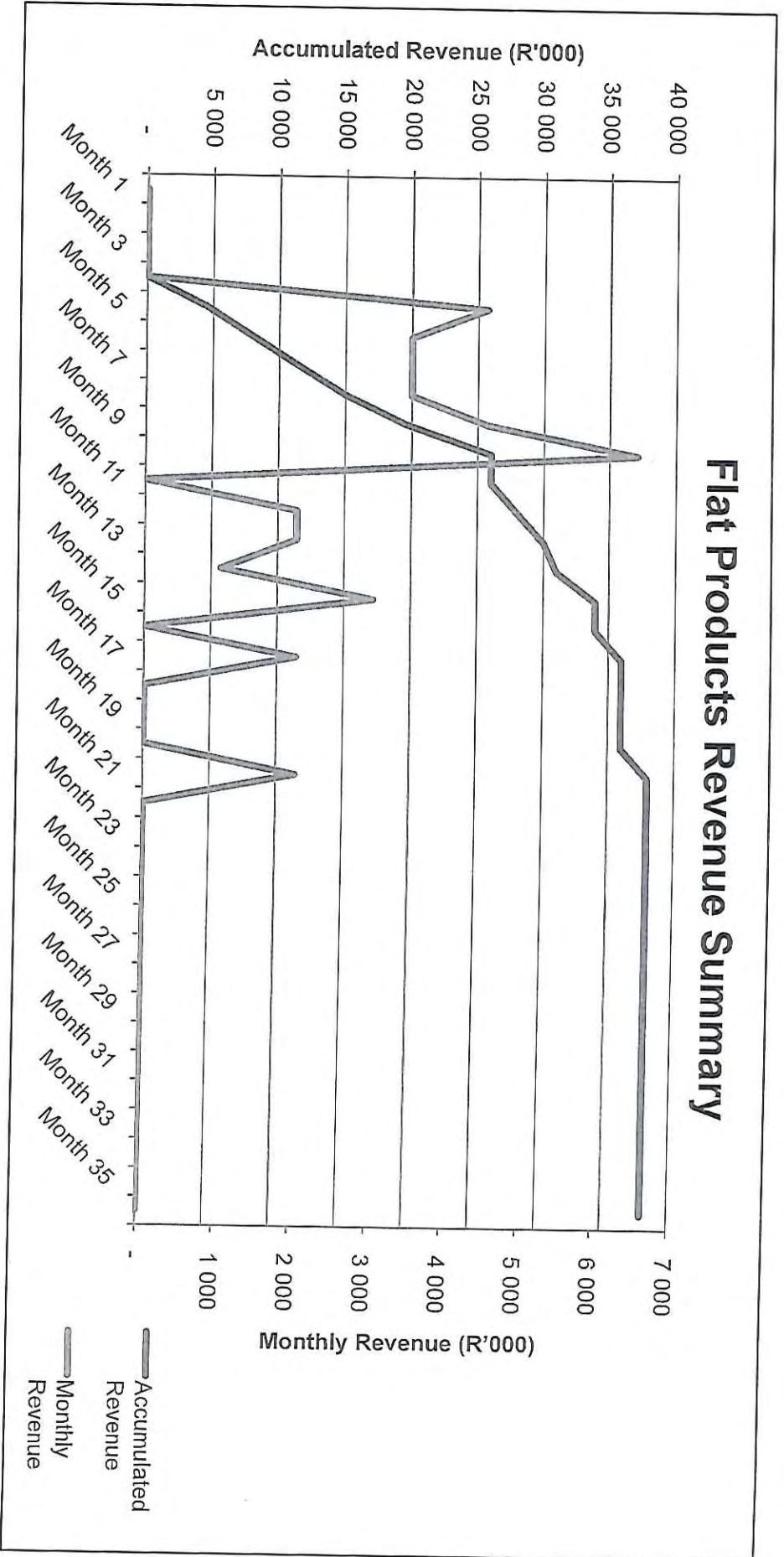
High-level Asset Summary			
Asset	Class	Expected Value	Comment
Overhead cranes	RA (Class 2)	R 9m	First crane only in month 5 in the event that Flat Products is not sold as a going concern (Note *)
Roll grinders	RA (Class 2)	R 8m	First income on the refurbished Landis roll grinder expected in month 10
Flat products motors	RA (Class 2)	R 4.5m	Note *
Descaler pumps and motors	RA (Class 2)	R 2m	Note *
Scrapping of rolling stock	LA (Class 1)	R 1m	Note *
Transformers	LA (Class 1)	R 1m	Note *
Kelk crop optimization system	RA (Class 2)	R 1m	Note *
Strip mill AGC system	RA (Class 2)	R 1m	Note *
Coiler drums and normaliser rolls	LA (Class 1)	R 0.9m	Note *
Other plant equipment	LA (Class 1)	R 9.6m	Cut all other equipment up as scrap
Total		R38m	

Asset Wind Down Schedule

- Asset wind down schedule highlights



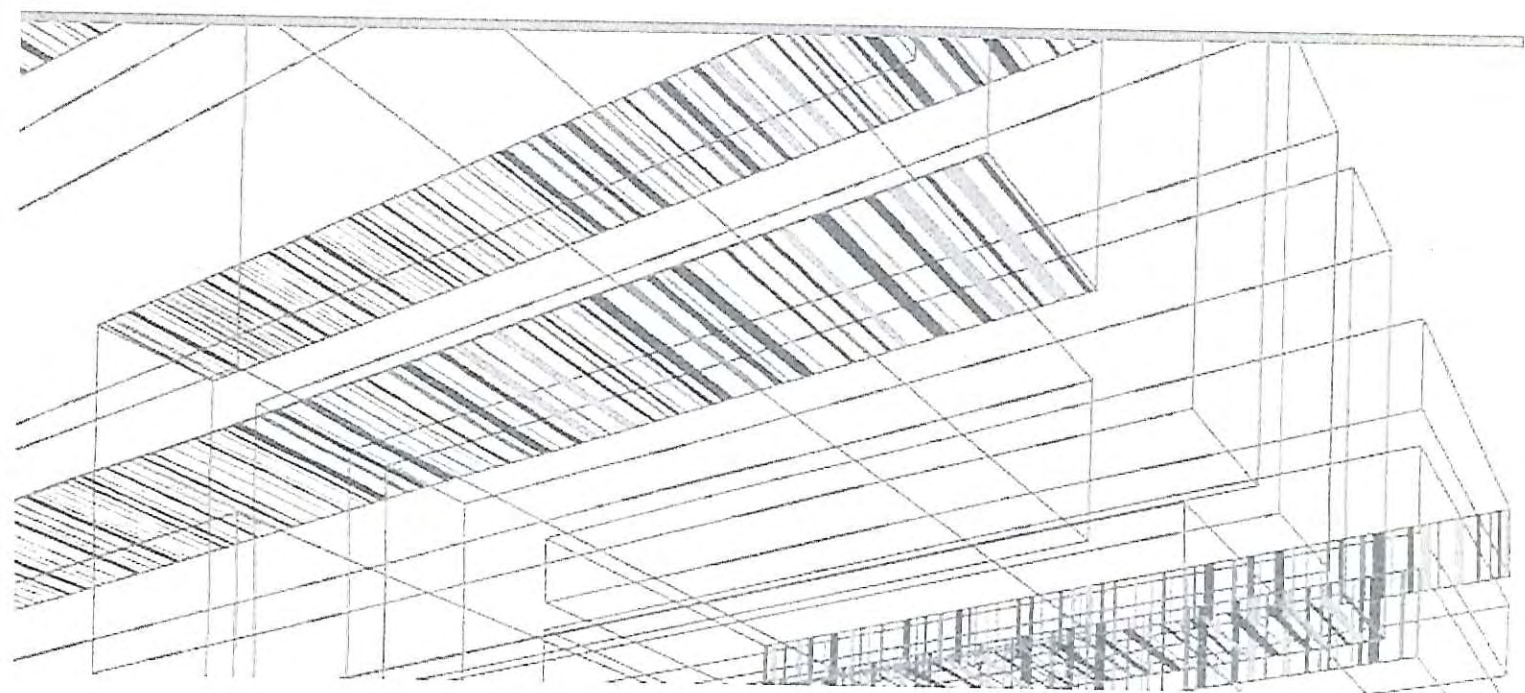
Cash generated from Flat Products Wind Down



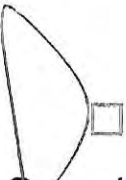
6

Services & Others Wind Down

4.



Asset Liberation Strategy

- ☐ Air Liquide and Afrox have been approached to buy the Highveld equipment that supplies them with electricity and compressed air.
- ☐ The engineering workshops have heavy engineering equipment that can be used to do heavy equipment refurbishment or manufacturing.
- ☐ This workshop will be ring fenced and sold as a going concern.
- ☐ According to the labour relations act every medium to large employer has to pay a skills development levy of 1% of its total labour bill to the skills development fund of MERSETA. Employers can claim a large portion of these funds back if they prove that it is used to develop the skills of their employees. The business case therefore exists for the training centre to provide this service to employers in the region. The strategy is to sell the training centre as a going concern as per business case above.
- ☐ All debtors are secured by CGIC. All debtors will be collected / claimed from CGIC to recover 95 % of the outstanding value.
- ☐  Transport vehicles that are in good condition will be sold as is. Minor repairs will be carried out on other vehicles to increase their fair market value.

Asset Liberation Strategy (cont.)

- ☐ The office block and Information Technology (IT) offices will be sold as a unit.
- ☐ Ad hoc spares and stock will be listed and sold at value.
- ☐ Scrap vehicles as well as scrap lying around the works will be collected and sold as scrap.
- ☐ Stores and consumables will be listed and the items not needed for the operating plants sold as a going concern, will be sold at best value.
- ☐ All buildings, structures, scrap yard, main site gas plant and scrap yard will be dismantled and sold as scrap.
- ☐ SASFIN claim to be settled.

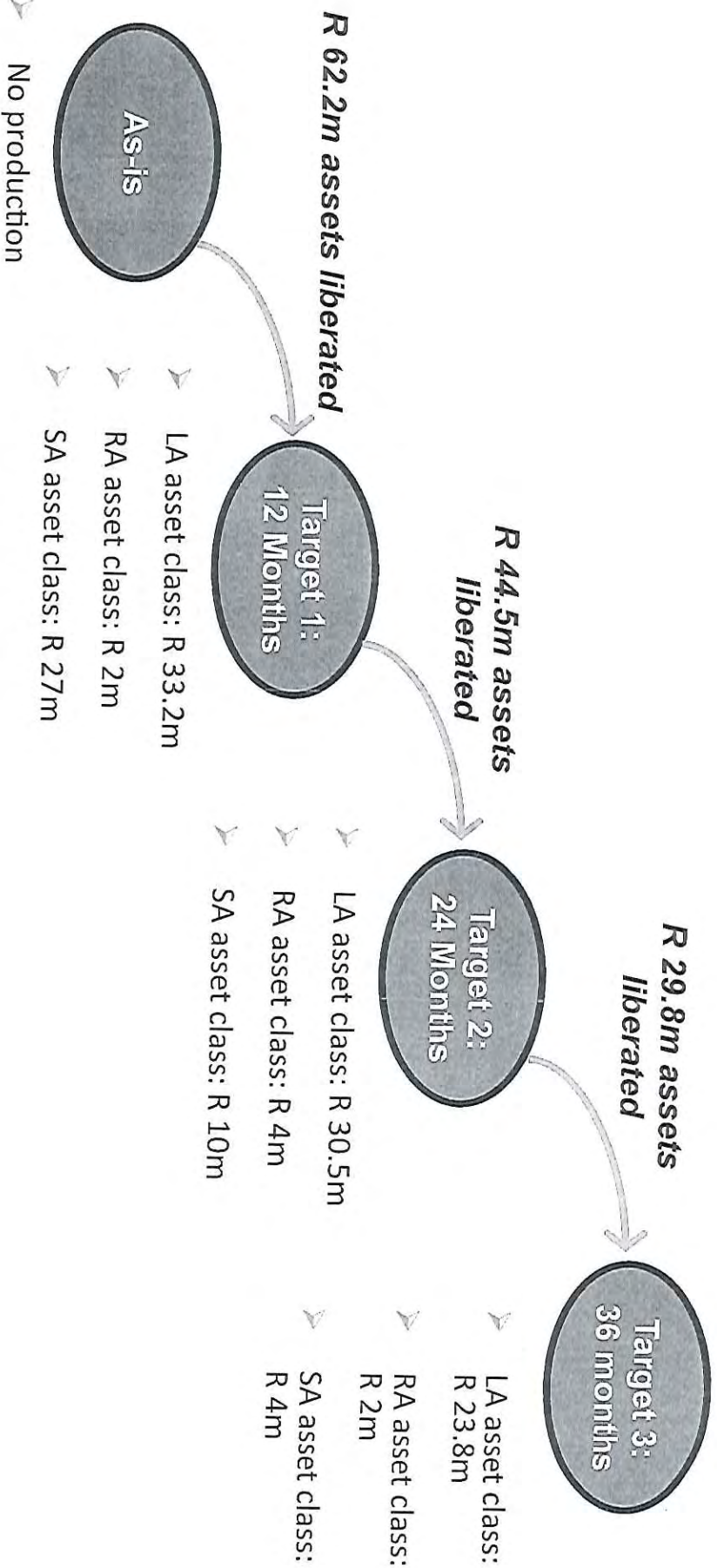


Asset Summary

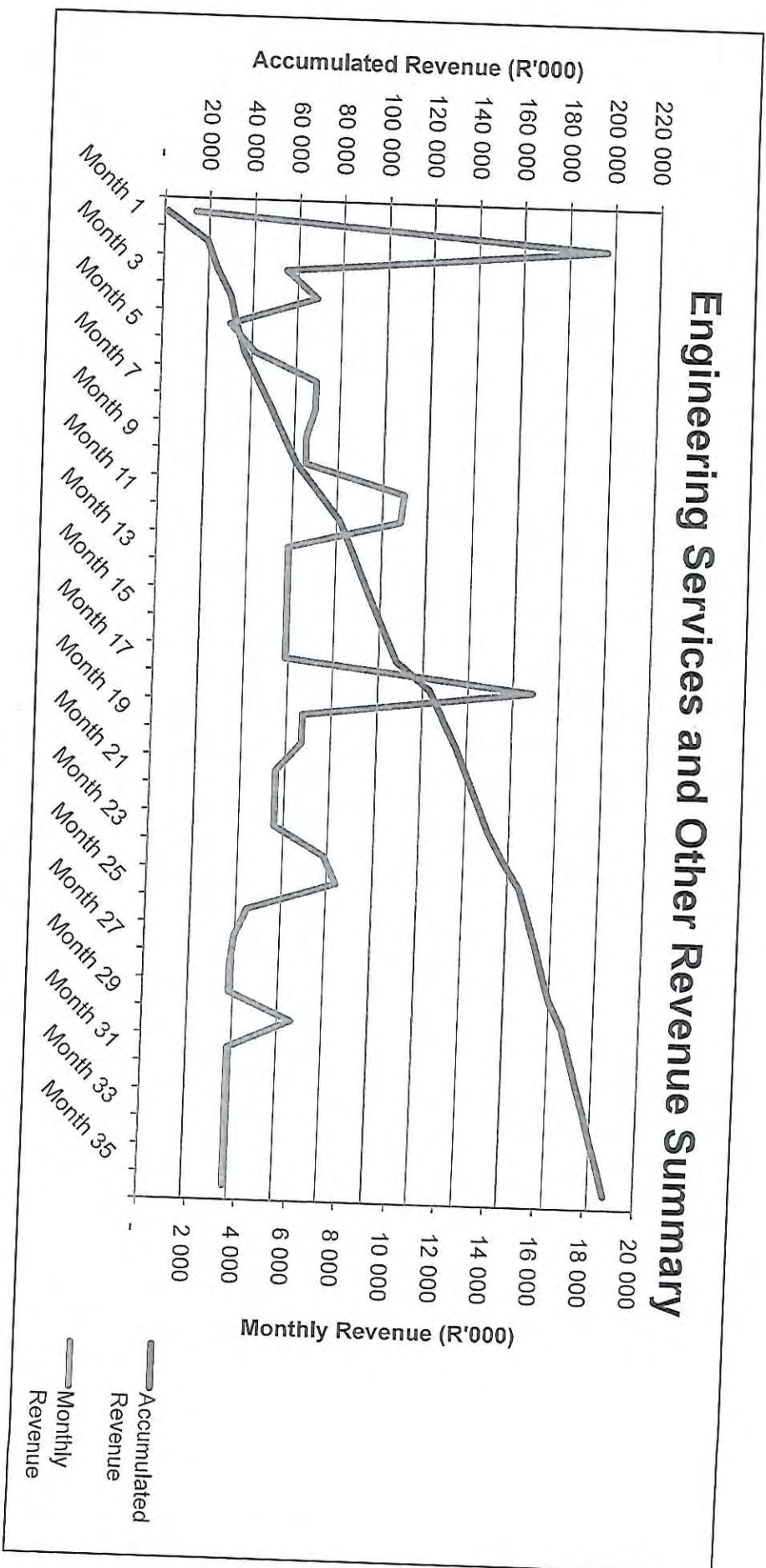
High-level Asset Summary			
Asset	Class	Expected Value	Comment
Main compressor house	RA (Class 2)	R 1.5m	Main plant compressors
Air Liquide electrical	RA (Class 2)	R 4m	Transformers
Main site gas plants	LA (Class 1)	R 1.3m	Sell as scrap
Scrap yard	LA (Class 1)	R 1m	Sell as scrap
Afrox electrical / compressors	RA (Class 2)	R 8m	
Workshops	SA (Class 3)	R 6m	Sell as going concerns
Office & IT	RA (Class 2)	R 2.5m	Sell to re-use
Transport and vehicles	RA (Class 2)	R 25m	Do some repair work on some to increase value
Ad hoc stock and spares	LA (Class 1)	R 2.25m	Sell as scrap
Scrap vehicles	LA (Class 1)	R 1.125m	Sell as scrap
Ad hoc scrap clean up	LA (Class 1)	R 1.912m	Sell as scrap
Stores & consumables	LA (Class 1)	R 15m	Sell as scrap
Debtors	LA (Class 1)	R 5.527m	To be collected
SASFIN	LA (Class 1)	R 12.5m	Settle dispute
Buildings and structures	LA (Class 1)	R 46.875m	Dismantle and sell as scrap
Training centre	SA (Class 1)	R 2m	Sell as going concern
Total		R136.48m	

Asset Wind Down Schedule

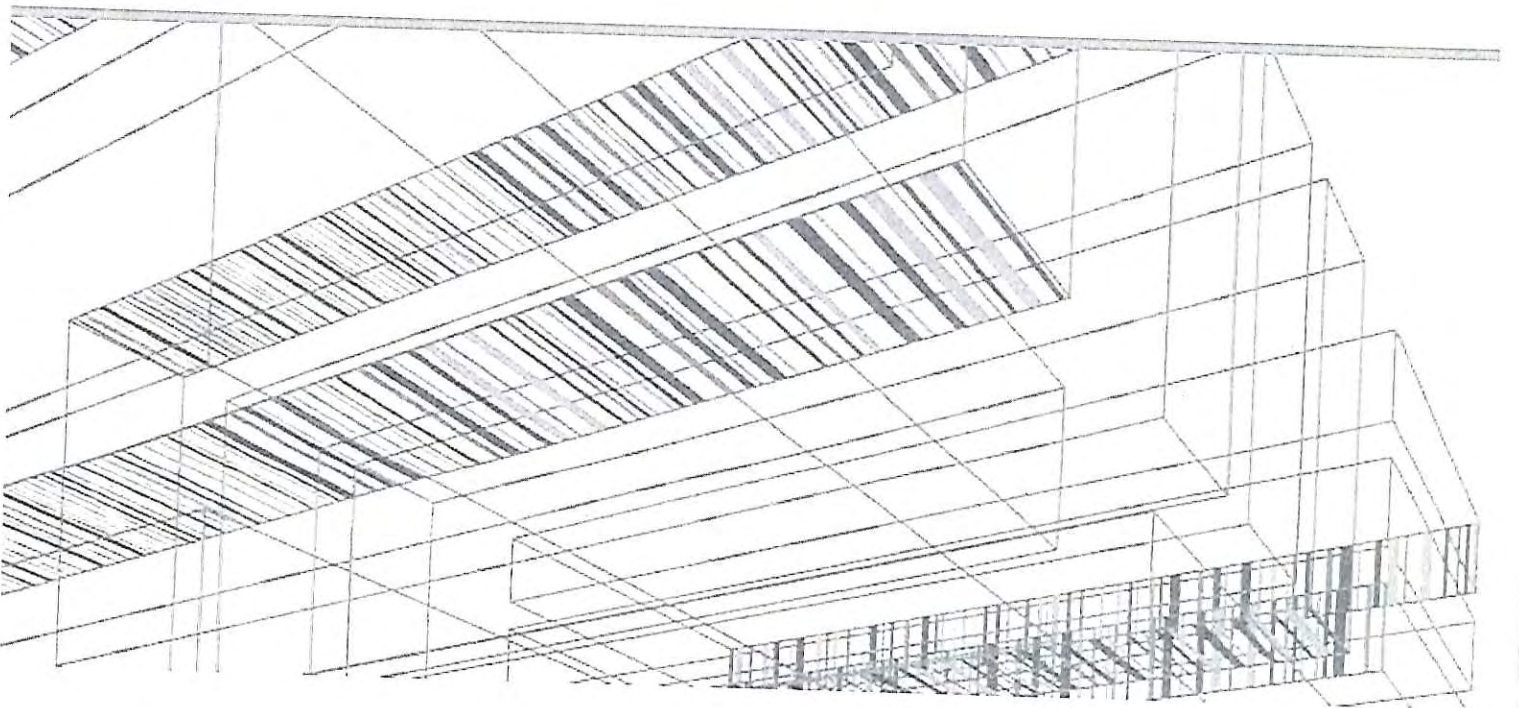
- Asset wind down schedule highlights



Cash generated from Services & Other Wind Down



END



"MSII"

142

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**CERTIFICATE OF INDEBTEDNESS IN TERMS OF CLAUSE 16.4 OF THE LOAN
AGREEMENT (REVOLVING CREDIT FACILITY) DATED 8 JUNE 2015**

I, the undersigned

MARCUS SENYATSI

in my capacity as Manager: Legal Services & International Finance Department
of

INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED ("IDC")
A corporation established under Section 2 of the Industrial Development Corporation Act 1940
(Act No. 22 of 1940)

hereby certify that :

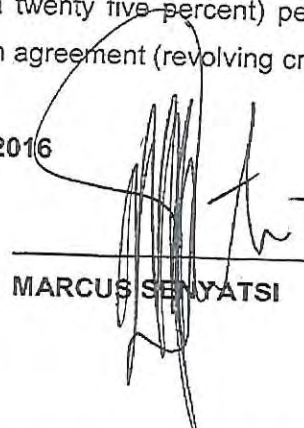
EVRAZ HIGHVELD STEEL AND VANADIUM LIMITED
Registration Number: 1960/001900/06

1. was on 9 February 2016 indebted to **IDC** in the amount of R153 527 110.31 (one hundred and fifty three million five hundred and twenty seven thousand one hundred and ten rand and thirty one cents), in terms of the loan agreement (revolving credit facility) dated 8 June 2015.

Capital	R153 527 110.31
Interest until 9 February 2016	R <u>NIL</u>
Total	<u>R153 527 110.31</u>

2. Furthermore, interest is payable on the amount of R153 527 110.31 (one hundred and fifty three million five hundred and twenty seven thousand one hundred and ten rand and thirty one cents) calculated from 10 February 2016 until date of payment, both dates inclusive, at the rate of 17.25% (seventeen comma twenty five percent) per annum in terms of clauses 1.12, 1, 17, 13.1 and 13. of the loan agreement (revolving credit facility).

SIGNED AT SANDTON ON 10 MARCH 2016


MARCUS SENYATSI

Industrial Development Corporation of South Africa Limited Reg.No. 1940/014201/06

Directors: B A Mabuza (Chairman), M G Qhena (Chief Executive Officer), G S Gouws (Alternate) (Chief Financial Officer), P Mthethwa, L I Bethlehem, N P Mnxasana, B Dames, N D B Orleyn, R M Godsell, B Molefe, Dr S Mkgwentshu-Rensburg, Z Vavi, N E Zalk

Group Corporate Secretary: P Makwane