



MATUSON
ASSOCIATES

Evraz Highveld Steel and Vanadium Limited

GENERAL MEETING OF AFFECTED PERSONS

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Private & Confidential

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Index

1 Overview	4
2 Strategic Assets	7
3 Creditors	10
4 In Summary	14

Overview

Business Rescue

UPDATE ON BUSINESS RESCUE

Since the commencement of business rescue in April 2015, the following steps were taken:

- Successfully decommissioned the entire steelmaking and vanadium operations in a controlled environment to preserve assets.
- Reconfigured the site to function as an Industrial Business Park, accommodating **56 tenants**, employing **1511 employees** and conducting business with approximately **300 suppliers** since its re-launch.
- Ring fenced the strategic assets, which can be operated or sold as free-standing operational units.
- Structural mill was restarted through a Contract Manufacturing Agreement with ArcelorMittal, to toll manufacture steel sections and rail products.
- Number of additional income generating opportunities identified and executed allowing the business rescue team to pay creditors in terms of the payment waterfall.

Strategic Assets

Update on Strategic Assets

Structural Mill - Update on AMSA Transaction

- Commercial Terms
 - Payment of **R150m** on the effective date and the Second payment of **R150m** conditional on:
 - Concluding a commercial arrangement for the long-term supply of sizable mainline rail volumes, and
 - Funding for this payment secured, with a long stop date of 31 December 2023.
 - Sale of Business Agreement (SBA) for the mill
 - 13 of the CP's have been complied with, only 2 of the CP's to be finalised.
- The Toll Agreement has been extended to the earliest of the effective date or 18 months from 1 July 2020.

Iron Plant 1

- An offer for the sale of part of the Plant under final consideration. For the purposes of the dividend projection, a scrap value of R53m has been included.

Strategic Assets - continued

Iron Plant 2

- MOU has been concluded at a value of R150m.

Plate Mill & Steel Plant

- An offer for the sale of the Plate Mill and Steel Plant under final consideration. For the purposes of the dividend projection, a value of R110m has been included.

Titanium and Vanadium Resources

- 39m tonnes of the 61m available resource have been sold.
- The remaining 22m tonnes are under option.
- Various sale contracts have been concluded and it is assumed that R405m will be realised.

Creditors

Payment Waterfall

As per section 135 of the Companies Act and paragraph 28 of the approved Business Rescue Plan, creditors are to be paid in the following order of priority:

- Business Rescue costs, including but not limited to:
 - Legal costs, the costs of the Advisors and other costs associated with the business rescue and other professional fees;
 - Holding costs; and
 - Post-commencement creditors.
- Employees.
- Secured PCF Creditors.
- Unsecured PCF Creditors.
- Concurrent Creditors.

Claims

Post-Commencement Claims	Rm	Amount owing	Paid to Date	Balance
Employees		329	248	81
PCF Provider		236	236	-
Post commencement Creditors		41	16	25
Total		606	500	106

Pre-Commencement Claims	Rm	Number of Claims	Value of Claims	Accepted Claim Value
Claims Accepted		528	1 558	1 469
Claims Rejected		170	1 031	-
Total		698	2 589	1 469

Concurrent Creditor Dividend Projection

Proceeds from sale of assets

Asset	Rm	2021	2022	2023	2024	2025	2026	2027
Iron Plant 1	53.0	26.5	26.5	0.0	0.0	0.0	0.0	0.0
Iron Plant 2	150.0	0.0	0.0	25.0	30.0	30.0	30.0	35.0
Plate Mill & Steel Plant	110.0	36.7	36.7	36.6	0.0	0.0	0.0	0.0
Structural Mill	150.0	150.0	0.0	0.0	0.0	0.0	0.0	0.0
Resource Dumps	405.0	82.5	62.5	140.0	120.0	0.0	0.0	0.0
Industrial Park	63.5	6.0	6.0	6.0	9.0	10.0	13.5	13.0
Debtors Book	14.0	7.0	7.0	0.0	0.0	0.0	0.0	0.0
Mapochs	35.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0
Cost of Administration and Environmental	-25.2	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6
Available for Distribution (All Creditors)	955.3	305.1	170.1	204.0	155.4	36.4	39.9	44.4
Available for Distribution (Concurrent Creditors)	849.3	199.1	170.1	204.0	155.4	36.4	39.9	44.4

BR payments

	Rm	2021	2022	2023	2024	2025	2026	2027
Post-Commencement Claims (To be paid in full)	-106.0							

Distributable dividend

Distributable dividend	849.3							
Pre-Commencement Claims	1 469.0							
Dividend (in cents)	58	14	12	14	11	2	2	3

Distributable dividend- upside potential

	Rm
AMSA second R150m on HSM	150
Iron Plant 1	97
Mapochs	36
Available for distribution	283
Dividend upside potential (in cents)	19

Total potential dividend (in cents) 77

Disclaimer

The projected dividend is subject to purchasers meeting their contractual obligations

In summary

In Summary

- ❑ All assets have been sold or will be scrapped in absence of / collapse of a sale.
- ❑ Cost of BR will reduce going forward as a result of the Highveld Industrial Park having been sold to a management led consortium.
- ❑ Preferential creditors will be paid in full and a projected dividend of 58 cents to concurrent creditors will be paid. A further potential upside dividend of another 19 cents projected, thus a total potential dividend of 77 cents to concurrent creditors.
- ❑ IDC post commencement funding debt settled, an amount of R236m, inclusive of R86m interest was paid.
- ❑ Significant reduction in retrenched employee debt and payments commenced on PCS creditors. To date employee debt of R248m was paid.
- ❑ BR to focus on collection of payments for assets and distribution to creditors.

Conclusion

- Wind-down is proceeding according to plan.
- BR related documentation available on the Highveld website (www.evrazhighveld.co.za).