



**EVRAZ Highveld Steel and Vanadium Limited  
(in business rescue)**

**Registration number 1960/001900/06**

**("Highveld")**

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**January 2022**

**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 - Business Rescue Practitioner ("BRP")**

As defined in S128(1)(a) of the Companies Act, no. 71 of 2008 as follows:

**"affected person"** in relation to a company, means-

- (i) A shareholder or creditor of the company;
- (ii) Any registered trade union representing the employees of the company; and
- (iii) If any of the employees of the company are not represented by a registered trade union, each of those employees or their respective representatives



Attention: **All Affected Persons of EVRAZ Highveld Steel and Vanadium Limited (in business rescue) ("highveld")**

**RE: REPORT ON THE PROGRESS OF THE BUSINESS RESCUE PROCEEDINGS OF EVRAZ**

**Introduction**

1. In terms of section 132(3) of the Companies Act 71 of 2008 ("Act"), if a company's business rescue proceedings have not ended within three (3) months after the start of those proceedings, or such longer time as the Court, on application by the practitioner, may allow, the practitioner must –
  - 1.1. prepare a report on the progress of the business rescue proceedings, and update it at the end of each subsequent month until the end of those proceedings; and
  - 1.2. deliver the report and each update in the prescribed manner to each affected person, and to the:
    - 1.2.1. Court, if the proceedings have been the subject of a court order; or
    - 1.2.2. Commission ("**CIPC**"), in any other case.
2. Therefore, as required, this **Update Report** is being delivered by the business rescue practitioner ("**BRP**") in terms of section 132(3) of the Act.
3. Reference is made in this Update Report to the adopted business rescue plan ("**Plan**"). Any capitalised terms not defined herein shall have the meaning ascribed to same in the Plan. It is therefore important that this Update Report be read in conjunction with the Plan and the previous update reports.



### **Business Rescue Proceedings**

4. The business rescue practitioner hereby announces that at the end of every quarter commencing end Q1- 31 March 2022, a dividend will be paid to concurrent creditors. The quantum of the dividend to be paid will be communicated a week before the end of every quarter. The monthly payments presently being paid to former employees will continue until such time that the business rescue generated sufficient funds to settle the balance due to former employees. There has been a significant reduction in the debt owed to retrenched employees as well as post commencement creditors. The company has paid 3 dividends to concurrent creditors over the past 18 months. See the in 7.5 schedule below indicating the balances due to creditors as at January 2022.
5. The Covid -19 pandemic impacted the closing of sale transactions with delays experienced in fulfilling conditions precedent. The most significant of these were obtaining permits to operate strategic assets. Notwithstanding, the close out of the Structural mill transaction is imminent.
6. Total payments made to creditors, amount to R615 million and the BR process now focuses on:
  - 6.1 collection of the purchase price payments from Purchasers of strategic assets, as well as the Titanium and Vanadium bearing resources;
  - 6.2 preparing and managing creditor dividend payments; and
  - 6.3 reporting on dividend payment projections.

### **Update on the sale of Strategic Assets**

7. The main focus of the Business Rescue is the collection of the proceeds from the sale of the strategic assets and executing on the agreements concluded.

#### **7.1. Iron Plants, Steel Plant and Plate Mill**

Highveld entered into definitive agreements with an entity for the purchase of the Iron Plants, Steel Plant and Plate Mill. There are certain conditions precedent that must be fulfilled for the sale transaction to close, following which the purchase price will be payable over a period of 5 years. The purchaser has been making a retention fee payment of R1 million per month and will continue to do so until such time as the conditions precedent have been fulfilled. The



purchaser is at present securing funding for these assets. Investor's confidence has proven to be constraint in these challenging times to secure funding for Steelmaking assets.

The restart of these assets are expected to commence after 24 months from the close of the transaction. Significant capital will have to be invested by the purchasers of these assets to ensure that the plant is compliant with stringent environmental legislation. The environmental requirements for the operation of some of these assets have become increasingly rigorous and may require reauthorisation prior to start-up. Based on discussions with the Purchaser, the recruitment of employees to operate these assets will occur at a later stage when the operator has secured funding, refurbished the assets and has secured all the operational licencing for the Iron and Steelmaking Assets.

#### **7.2. Structural Mill**

The last two conditions precedent relating to environmental matters are still being attended, with the transaction in all likelihood to close at the end of the first quarter of 2022.

#### **7.3. Sale of Resources - Titanium Rich Resource**

A bidding process was initiated for the remaining 31 million tonnes of Elkem Resource. The qualifying bidders are currently in a due diligence process, following which binding offers will be submitted for review by the BRP.

#### **7.4. Sale of other strategic assets and resources**

The sale of other strategic assets and resources previously reported on are proceeding and the agreements are being executed on.



**Creditors' Claims update - as at 31 January 2022**

**Business rescue - Claims from Creditors**

<b>Post-Commencement Claims</b>	<b>Rm</b>	<b>Commencement date</b>	<b>Paid to Date</b>	<b>Balance</b>
Employees		329	283	46
PCF Provider *		236	236	-
Post commencement Creditors		41	16	25
<b>Total</b>		<b>606</b>	<b>535</b>	<b>71</b>

<b>Pre-Commencement Claims</b>	<b>Rm</b>	<b># of Claims</b>	<b>Value of Claims</b>	<b>Accepted Claim Value</b>
Claims Accepted		528	2 589	1 795
<b>Total</b>		<b>528</b>	<b>2 589</b>	<b>1 795</b>

**Pre-Commencement Claims**

<b>Dividend 1 and 2 Paid</b>	<b>60</b>
<b>Dividend 3 paid</b>	<b>20</b>
<b>Total Paid to All Creditors Rm</b>	<b>615</b>

\* Inclusive of R86m interest paid to the IDC

8. Update on Dividend Prospects

To date the BR made three dividend payments to concurrent creditors. The first dividend of R40m was approved in August 2020 and the second dividend of R20m was approved in January 2021. A third dividend of R20m was paid at the end of September 2021.

The total estimated dividend to be paid to creditors is currently 61 cents in the rand, if all payments are made in full in terms of the agreements concluded. See Annexure 1 for the payments in terms of the contracts.

9. As indicated in Annexure 1, a further 10 cents may increase the potential dividend to 71 cents if certain conditions are met in the sale agreement with ArcelorMittal and a further R150 million becomes payable in terms thereof.



10. Conclusion

The business rescue continues in accordance with Proposal 3, i.e. the wind-down of EVRAZ Highveld Steel and Vanadium Limited (“Highveld”), as contemplated in the Plan.

The BR continues to focus on the collection of payments for assets sold and the distribution of dividends to creditors.



**MATUSON**  
ASSOCIATES

**ANNEXURE 1**

**Business rescue Dividend pay-out projection**  
**Updated Projections January 2022**  
**Outstanding Proceeds from Strategic assets**

Asset Class	Total	Year						
	Rm	2022	2023	2024	2025	2026	2027	2028
Strategic Assets	466.9	204.5	75.4	93.2	68.4	13.5	12.0	-
Resources	601.9	47.3	53.6	14.4	53.6	127.8	167.0	138.2
Recoveries	42.1	42.1	-	-	-	-	-	-
Cost of Administration and Environmental	(25.20)	(3.60)	(3.60)	(3.60)	(3.60)	(3.60)	(3.60)	(3.60)
<b>Available for Distribution (All Creditors)</b>	<b>1 085.7</b>	<b>290.3</b>	<b>125.4</b>	<b>104.0</b>	<b>118.4</b>	<b>137.7</b>	<b>175.4</b>	<b>134.6</b>
<b>Available for Distribution (Concurrent Creditors)</b>	<b>1 014.6</b>	<b>219.2</b>	<b>125.4</b>	<b>104.0</b>	<b>118.4</b>	<b>137.7</b>	<b>175.4</b>	<b>134.6</b>

**BR payments**

Post-Commencement Claims

Rm	2022	2023	2024	2025	2026	2027	2028
(71)	(71)	-	-	-	-	-	-

**Distributable dividend**

**1 015**

**Pre-Commencement Claims**

**1 795**

**Dividend (in cents)**

**56**

**12**

**7**

**6**

**7**

**8**

**10**

**7**

**Dividend 1 - 3 (Already paid)**

**4.45**

**Projected Dividend (in cents)**

**61**

**Upside distribution**

**Rm**

Amsa second R150m on HSM

150

Mapochs Mine Recovery

36

**Available for distribution (Rm)**

186

**Dividend upside potential (in cents)**

10

**Total potential dividend (in cents)**

71

**Note - Dividend projection is based on the payment terms concluded in the agreements**



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ASSOCIATES