

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 10 of this Circular apply throughout this Circular, including these cover pages (unless the context indicates otherwise).

### Action required

- This entire Circular is important and should be read with particular attention to the section entitled "Action required by Shareholders", which commences on page 2.
- If you are in any doubt as to the action you should take arising from this Circular, please consult your Broker, CSDP, banker, attorney, accountant or other professional advisor immediately.
- If you have disposed of all or any of your Shares, please forward this Circular to the purchaser of such Shares or to the Broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.



### BSI Steel Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2001/023164/06)  
JSE code: BSS ISIN: ZAE000125134  
("BSI" or "the Company")

## CIRCULAR TO SHAREHOLDERS

regarding:

- a scheme of arrangement in terms of section 114 of the Companies Act, proposed by the Independent Board between BSI and its Shareholders, in terms of which, if implemented, BSI will re-acquire all of the Scheme Shares for a cash consideration of 50 cents per Share;
- the delisting of the Shares from AltX; and
- amendments to the rules of the SARS to ensure continued retention of the management of BSI following the implementation of the Scheme and Delisting

and incorporating:

- a report prepared by the Independent Expert in terms of sections 114(2) and 114(3) of the Companies Act, together with extracts of section 115 of the Companies Act dealing with the approval requirements for fundamental transactions and section 164 of the Companies Act dealing with Dissenting Shareholders' appraisal rights;
- a notice convening the General Meeting;
- a Form of Proxy (*white*) in respect of the General Meeting (for use by Certificated Shareholders and Own-Name Dematerialised Shareholders); and
- a Form of Election (*blue*) (for use by Certificated Shareholders only who wish to make the Continuation Election and/or who wish to make the Exit Election in respect of some or all of their Shares and those who fall under the Default Position).

Corporate Advisor and  
Designated Advisor

**sasfin** | Capital  
beyond a bank

Legal Advisor

  
**WERKSMANS**  
ATTORNEYS

Reporting Accountant

**Deloitte.**

Independent Expert

**BDO**

Date of issue: 22 December 2017

*This Circular is available in English only. A copy hereof may be obtained during normal business hours from the Company and the Corporate Advisor and Designated Advisor at the addresses set out in the "Corporate Information" section of this Circular from the date of issue of this Circular until the date of the General Meeting. An electronic version of this Circular will also be available on the Company's website [www.bsisteel.com](http://www.bsisteel.com) from Friday, 22 December 2017.*

### FOREIGN SHAREHOLDERS

This Circular has been prepared for the purposes of complying with the Listings Requirements, the Companies Act and the Companies Regulations and is published in terms thereof and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction.

This Circular is not intended to and does not constitute or form part of an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. This Circular does not constitute a prospectus or a prospectus-equivalent document. Shareholders are advised to read this Circular, which contains the full terms and conditions of the Scheme, with care. Any decision to approve the Scheme or other response to the proposals should be made only on the basis of the information in this Circular.

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## CORPORATE INFORMATION

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### **Company Secretary and Registered Office**

Stephen Hackett (BCom)  
BSI Steel Limited  
(Registration number 2001/023164/06)  
46 Eden Park Drive  
Murrayfield Park, Mkondeni  
Pietermaritzburg, 3201  
(PO Box 101096, Scottsville, 3209)

**Date of incorporation:** 28 September 2001

**Place of incorporation:** Republic of South Africa

### **Legal Advisor**

Werksmans Incorporated  
(Registration number 1990/007215/21)  
The Central  
96 Rivonia Road  
Sandton, 2196  
(Private Bag 10015, Sandton, 2146)

### **Independent Expert**

BDO Corporate Finance Proprietary Limited  
(Registration number 1983/002903/07)  
22 Wellington Road  
Parktown, 2193  
(PO Box 1574, Houghton, 2041)

### **Corporate Advisor and Designated Advisor**

Sasfin Capital Proprietary Limited  
(Registration number 1997/013153/07)  
29 Scott Street  
Waverley, 2090  
(PO Box 95104, Grant Park, 2051)

### **Transfer Secretary**

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

### **Reporting Accountant**

Deloitte & Touche  
Registered Auditors  
2 Pencarrow Park  
La Lucia Ridge Office Estate  
Pencarrow Crescent  
La Lucia  
Durban, 4051  
(PO Box 243, Durban, 4000)

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## ACTION REQUIRED BY SHAREHOLDERS

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The definitions and interpretations commencing on page 10 of this Circular shall apply, *mutatis mutandis*, to this section.

Please take careful note of the following provisions regarding the action required by Shareholders:

1. If you are in any doubt as to the action you should take, please consult your CSDP, Broker, legal advisor, accountant, banker or professional advisor immediately.
2. If you have disposed of all your Shares, this Circular, together with the attached Notice, Form of Proxy (*white*) and Form of Election (*blue*), should be forwarded to the purchaser of such Shares or to the Broker, CSDP, banker or other agent through whom, the disposal was effected.
3. This Circular contains information relating to the Transaction. You should carefully read this Circular and decide how you wish to vote on the resolutions set out in the Notice.

#### 4. **GENERAL MEETING**

The General Meeting will be held at the Company's registered office, 46 Eden Park Drive, Murrayfield Park, Mkondeni, Pietermaritzburg, 3201 at 10:00 on Wednesday, 24 January 2018 (or any other adjourned or postponed date and time in accordance with the provisions of section 64(11) of the Companies Act and the MOI, as read with the Listings Requirements), to consider and, if deemed fit, approve, with or without modification, the ordinary and special resolutions set out in the Notice.

#### 5. **VOTING AND ATTENDANCE AT THE GENERAL MEETING**

##### 5.1 **Dematerialised Shareholders without own-name registration**

If you (or the relevant holder of voting rights as contemplated in section 57(1) of the Companies Act) wish to attend the General Meeting, you (or the relevant holder of voting rights) should instruct your CSDP or Broker to issue to you (or the relevant holder of voting rights) the necessary letter of representation to attend the General Meeting in person, in the manner stipulated in the Custody Agreement. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature.

If you (or the relevant holder of voting rights) do not wish to, or are unable to attend the General Meeting, but wish to vote at the General Meeting, you (or the relevant holder of voting rights) should provide the CSDP or Broker with your voting instructions in the manner stipulated in the Custody Agreement. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature. If the CSDP or Broker does not obtain voting instructions, it will be obliged to vote in accordance with the instructions contained in the Custody Agreement.

You must **not** complete the attached Form of Proxy (*white*).

##### 5.2 **Own-Name Dematerialised Shareholders**

Subject to section 57(1) of the Companies Act, you may attend the General Meeting and may vote at the General Meeting.

If you (or the person entitled to do so in terms of section 57(1) of the Companies Act, as the case may be) do not wish to or are unable to attend the General Meeting and wish to be represented thereat, you (or such person) must complete and return the attached Form of Proxy (*white*) in accordance with the instructions therein, to be received by the Transfer Secretary, Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or proxy@computershare.co.za preferably by no later than 10:00 on Monday, 22 January 2018. Forms of Proxy not lodged with the Transfer Secretary by 10:00 on Monday, 22 January 2018, may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.

### 5.3 **Certificated Shareholders**

Subject to sections 56 and 57 of the Companies Act, you may attend the General Meeting and may vote at the General Meeting.

If you (or the relevant holder of voting rights contemplated in section 57(1) of the Companies Act) do not wish to or are unable to attend the General Meeting and wish to be represented thereat, you (or such person) must complete and return the attached Form of Proxy (*white*) in accordance with the instructions therein, to be received by the Transfer Secretary, Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) preferably by no later than 10:00 on Monday, 22 January 2018. Forms of Proxy not lodged with the Transfer Secretary by 10:00 on Monday, 22 January 2018, may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.

### 5.4 **Electronic participation at the General Meeting**

Shareholders or their proxies may participate in the General Meeting by way of a telephone conference call. Shareholders or their proxies who wish to participate in the General Meeting via the teleconference facility will be required to advise the Company thereof by no later than 10:00 on Monday, 22 January 2018 by submitting an email to Stephen.Hackett@bsisteel.com with the relevant contact details including an email address, cellular number and land line, as well as full details of the Shareholder's title to the shares issued by the Company, proof of identity in the form of copies of identity documents and share certificates (in the case of Certificated Shareholders) and written confirmation from the Shareholder's CSDP or Broker confirming the Shareholder's title to the Dematerialised Shares (in the case of Dematerialised Shareholders). Upon receipt of the required information, the Shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the General Meeting.

Shareholders who wish to participate in the General Meeting by way of telephone conference call must note that they will not be able to vote at the General Meeting. Such Shareholders, should they wish to have their vote counted at the General Meeting, must, to the extent applicable: (i) complete the attached Form of Proxy (*white*); or (ii) contact their CSDP or Broker, in both instances, as set out above.

## 6. **ELECTION PROCEDURE FOR SHAREHOLDERS**

**PLEASE TAKE CAREFUL NOTE OF THE DEFAULT POSITION. IN TERMS OF THE SCHEME, IF YOU DO NOT VALIDLY MAKE THE CONTINUATION ELECTION AND/OR THE EXIT ELECTION, YOU WILL THEN BE DEEMED TO HAVE MADE THE EXIT ELECTION IN RESPECT OF ALL OF YOUR SHARES, IN WHICH EVENT THE COMPANY WILL RE-ACQUIRE ALL YOUR SHARES BY WAY OF EXPROPRIATION IF THE SCHEME BECOMES OPERATIVE.**

### 6.1 **Dematerialised Shareholders with or without "own-name" registration**

Your CSDP or Broker should contact you in the manner stipulated in the Custody Agreement, to find out which election you wish to make in terms of the Scheme.

If your CSDP or Broker does not contact you, you are advised to contact your CSDP or Broker and furnish your CSDP or Broker with your election instructions in the manner and by the cut-off time stipulated by your CSDP or Broker in terms of the Custody Agreement. If your CSDP or Broker does not obtain instructions from you, it will be obliged to act in terms of the instructions contained in the Custody Agreement. If your CSDP or Broker has not notified the Transfer Secretary of your election in terms of the Scheme, you will be deemed to have made the Exit Election in respect of all your Shares.

You must **not** complete the attached Form of Election (*blue*).

### 6.2 **Certificated Shareholders**

If you wish to make the Continuation Election and/or the Exit Election you must complete the attached Form of Election (*blue*) in accordance with its instructions and return it together with your relevant Documents of Title to the Transfer Secretary at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61763, Marshalltown, 2107) to be received by no later than 12:00 on

the Scheme Consideration Record Date. If the Transfer Secretary does not receive the completed Form of Election (*blue*) together with the relevant Documents of Title by 12:00 on the Scheme Consideration Record Date, you will be deemed to have made the Exit Election in respect of all your Shares.

If you wish to surrender your Documents of Title in anticipation of the Scheme being implemented:

- (a) you should complete the Form of Election (*blue*) in accordance with its instructions and return it, together with the relevant Documents of Title, to the Transfer Secretary at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61763, Marshalltown, 2107); and
- (b) you will not be able to Dematerialise or deal in your Shares between the date of surrender of your Documents of Title and the Scheme Consideration Payment Date or, if the Scheme is not implemented, the date on which your Documents of Title are returned to you as envisaged in the paragraphs below.

Documents of Title surrendered prior to 12:00 on the Scheme Consideration Record Date, in anticipation of the Scheme being implemented, will be held in trust by the Transfer Secretary, at the risk of the Certificated Shareholder concerned, pending the Scheme being implemented.

Should the Scheme not be implemented, Documents of Title surrendered and held by the Transfer Secretary will be posted, by registered post, at the risk of the Certificated Shareholder concerned, within six Business Days from the later of the date of receipt of the Documents of Title and the date on which it becomes known that the Scheme will not be implemented.

## **7. SETTLEMENT OF THE SCHEME CONSIDERATION IN RESPECT OF SCHEME CONSIDERATION RECIPIENTS**

### **7.1 Dematerialised Shareholders with or without “own-name” registration**

If the Scheme becomes operative, you will have your account held at your CSDP or Broker credited with the Scheme Consideration and debited with the Shares you are transferring to BSI on the Operative Date, or if you are a Dissenting Shareholder who subsequently becomes a Scheme Consideration Recipient as envisaged in paragraph 3.7.2 of this Circular, on the date set out in paragraph 3.7.2 of this Circular.

Dematerialised Shareholders who make the Continuation Election in respect of all or some of their Shares, will receive share certificates in respect of their Shares to be held in the unlisted Company. Such share certificates will be posted to you, by registered post in South Africa, at your own risk, within six Business Days of the Operative Date,

You must not complete the attached Form of Election (*blue*).

### **7.2 Certificated Shareholders**

7.2.1 If the Scheme becomes operative and you have surrendered your Documents of Title to the Transfer Secretary on or before 12:00 on the Scheme Consideration Record Date, you will receive the Scheme Consideration by way of an EFT. The Scheme Consideration will be paid to the bank account nominated by you in the Form of Election (*blue*) on the Operative Date. If Part D on the Form of Election (*blue*) is left blank or partially completed, the Scheme Consideration will be withheld until the correct details are provided by the Certificated Shareholder.

7.2.2 If the Scheme becomes operative and you surrender your Documents of Title and completed Form of Election (*blue*) after 12:00 on the Scheme Consideration Record Date, the Scheme Consideration will be paid to you by way of an EFT within six Business Days of receipt of your Documents of Title and Form of Election (*blue*), provided that should you be a Dissenting Shareholder who subsequently becomes a Scheme Consideration Recipient as envisaged in paragraph 3.7.2 of this Circular, you will still need to submit your Documents of Title, together with a completed Form of Election (*blue*), to the Transfer Secretary and payment of the Scheme Consideration will be paid to you by way of an EFT (if you elect that option in the Form of Election (*blue*)) on the date set out in paragraph 3.7.2 of this Circular. If Part D on the Form of Election (*blue*) is left blank or partially completed, the Scheme Consideration will be withheld until the correct details are provided by the Certificated Shareholder; and

- 7.2.3 Should you fail to submit your Documents of Title and completed Form of Election (*blue*) to the Transfer Secretary or in respect of a Dissenting Shareholder who subsequently becomes a Scheme Consideration Recipient as envisaged in paragraph 3.7.2, the Scheme Consideration payable to such Scheme Consideration Recipient will be held in trust by BSI (or any third party nominated by it for this purpose) for the benefit of the Scheme Consideration Recipient concerned for a maximum period of three years, after which period such funds may be made over to the Guardians fund of the High Court. For the avoidance of doubt, no interest will accrue on any such funds held by BSI.
- 7.2.4 If you wish to surrender your Documents of Title in anticipation of the Scheme becoming operative:
- (a) you should complete the Form of Election (*blue*) in accordance with its instructions and return it, together with your Documents of Title, to the Transfer Secretary at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61763, Marshalltown, 2107); and
  - (b) it should be noted that you will not be able to Dematerialise or deal in your Shares between the date of surrender of your Documents of Title and the Operative Date or, if the Scheme does not become operative, the date on which your Documents of Title are returned to you pursuant to paragraph 7.2.6 below.
- 7.2.5 Documents of Title surrendered prior to 12:00 on the Scheme Consideration Record Date, in anticipation of the Scheme becoming operative, will be held in trust by the Transfer Secretary, at the risk of the Certificated Shareholder concerned, pending the Scheme becoming operative.
- 7.2.6 Should the Scheme not become operative, Documents of Title surrendered and held by the Transfer Secretary will be posted, by registered post in South Africa, at the risk of the Shareholder concerned, within six Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become operative, whichever is the later.

## 8. **APPROVAL REQUIREMENTS FOR FUNDAMENTAL TRANSACTIONS INTERMS OF SECTION 115 OF THE COMPANIES ACT**

The Scheme will, as required by section 48(8)(b) of the Companies Act, be subject to the requirements of section 114 of the Companies Act and section 115 of the Companies Act.

Section 115 of the Companies Act essentially provides that:

- 8.1 Despite the Scheme Resolution required for the approval of the Scheme having been adopted at the General Meeting, BSI may not proceed to implement the Scheme without the approval of the Court if:
- 8.1.1 the Scheme Resolution was opposed by at least 15% of the voting rights that were exercised on such resolution, and within five Business Days after the vote, any person who voted against the Scheme Resolution requires BSI to seek court approval; or
  - 8.1.2 the Court, on application within 10 Business Days after the vote by any person who voted against the Scheme Resolution grants that person leave to apply to a Court for a review of the Scheme.
- 8.2 If the Scheme Resolution approving the Scheme requires approval by a Court as envisaged in paragraph 8.1.1 above, BSI must either:
- 8.2.1 apply to the Court for approval of the Scheme Resolution, and bear the costs of that application in terms of section 115(5)(a) read with section 115(3)(a) of the Companies Act; or
  - 8.2.2 treat the Scheme Resolution as a nullity.
- 8.3 On an application envisaged in paragraph 8.1.2 above, the Court may grant leave to that person to apply to Court for a review of the Scheme only if satisfied that the applicant:
- 8.3.1 is acting in good faith;
  - 8.3.2 appears prepared and able to sustain the proceedings; and
  - 8.3.3 has alleged facts which if proved would support an order in terms of paragraph 8.4 below.

- 8.4 On reviewing the Scheme Resolution that is the subject of an application envisaged in paragraph 8.1.2 above, or after granting leave as envisaged in paragraph 8.3 above, the Court may set aside the Scheme Resolution only if:
- 8.4.1 such resolution is manifestly unfair to any class of holders of BSI's securities; or
- 8.4.2 the vote was materially tainted by any of the following:
- a conflict of interest;
  - inadequate disclosure;
  - failure to comply with the Companies Act, the MOI or any applicable rules of BSI; or
  - a significant and material procedural irregularity.
- 8.5 An extract of section 115 of the Companies Act is set out in Appendix A to the Independent Expert's Report on the Scheme (attached as **Annexure 1** to this Circular).
- 8.6 The above summary of the provisions of section 115 of the Companies Act is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it.

## 9. **DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS IN TERMS OF SECTION 164 OF THE COMPANIES ACT**

Section 115(8) of the Companies Act provides Dissenting Shareholders with appraisal rights under section 164 of the Companies Act. Section 164 of the Companies Act essentially provides that:

- 9.1 Upon receipt of the Notice and at any time before the Scheme Resolution is to be voted on at the General Meeting, a Shareholder may give BSI written notice objecting to the Scheme Resolution.
- 9.2 Within 10 Business Days after BSI has adopted the Scheme Resolution, BSI must send a notice that the Scheme Resolution has been adopted to each Shareholder who gave BSI written notice of objection and has neither withdrawn that notice nor voted in favour of the Scheme Resolution.
- 9.3 A Shareholder may demand in writing within 20 Business Days after receipt of the notice received from BSI referred to in paragraph 9.2 above that BSI pay such Shareholder the fair value of the Shares held by such Shareholder if:
- 9.3.1 such Shareholder sent BSI a notice of objection as envisaged in paragraph 9.1 above;
- 9.3.2 BSI has adopted the Scheme Resolution referred to paragraph 9.2 above; and
- 9.3.3 such Shareholder voted against the Scheme Resolution and has complied with all of the procedural requirements set out in section 164 of the Companies Act.
- 9.4 The demand sent by the Shareholder to BSI as provided in paragraph 9.3 above must set out:
- 9.4.1 the Shareholder's name and address;
- 9.4.2 the number of Shares in respect of which the Shareholder seeks payment; and
- 9.4.3 a demand for payment of the fair value of those Shares. The fair value of the Shares is determined as at the date on which, and the time immediately before BSI adopted the Scheme Resolution which gave rise to the Shareholder's rights under section 164 of the Companies Act.
- 9.5 A Shareholder who has sent a demand to BSI as provided in paragraph 9.3 above has no further rights in respect of those Shares, other than to be paid their fair value unless:
- 9.5.1 the Shareholder withdraws that demand before BSI makes an offer under section 164(11) of the Companies Act or allows an offer by BSI to lapse, as contemplated in section 164(12) (b) of the Companies Act;
- 9.5.2 BSI fails to make an offer in accordance with section 164(11) of the Companies Act and the Shareholder withdraws the demand; and
- 9.5.3 BSI, by way of a subsequent special resolution, revokes the adopted Scheme Resolution that gave rise to the Shareholders' appraisal rights under section 164 of the Companies Act.
- 9.6 If any of the events mentioned in paragraph 9.5 occurs, all of the Shareholder's rights in respect of the Shares are reinstated without interruption.



- 9.7 Shareholders that are in doubt as to what action to take must consult their legal or professional advisor in this regard.
- 9.8 Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to the following:
  - 9.8.1 having considered the terms and conditions of the Scheme, the Independent Expert has concluded that the Scheme is fair and reasonable to Shareholders. Shareholders are referred to **Annexure 1** of this Circular, which sets out the full text of the Independent Expert's Report on the Scheme; and
  - 9.8.2 the Court is empowered to grant a costs order in favour of, or against, a Dissenting Shareholder, as may be applicable.
- 9.9 An extract of section 164 of the Companies Act is set out in Appendix A to the Independent Expert's Report on the Scheme (attached as Appendix A to **Annexure 1** to this Circular).
- 9.10 The above summary of the provisions of section 164 of the Companies Act is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it.
- 9.11 For the purpose of section 164 of the Companies Act, any notice or written demand to be sent by a Shareholder to BSI should be sent by registered post for the attention of Stephen Hackett at the address set out in the "Corporate Information" section of this Circular.

## 10. TRP APPROVALS

Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of affected transactions when it approves such transactions.

## 11. VALIDITY OF FORM OF ELECTION (*BLUE*)

In respect of Certificated Shareholders, BSI reserves the right, in its sole and absolute discretion, to:

- 11.1 treat as invalid a Form of Election (*blue*) not accompanied by valid Documents of Title;
- 11.2 treat as invalid a Form of Election (*blue*) which has not been fully completed or which has been incorrectly completed; and/or
- 11.3 require proof of the authority of the person signing the Form of Election (*blue*) where such proof has not yet been lodged with, or recorded by, the Transfer Secretary.

## 12. LOST OR DESTROYED DOCUMENTS OF TITLE IN RESPECT OF CERTIFICATED SHAREHOLDERS

- 12.1 If Documents of Title have been lost or destroyed, Certificated Shareholders should nevertheless return the Form of Election (*blue*) duly signed and completed. The Transfer Secretary shall issue a suitable indemnity form to such Certificated Shareholder, such indemnity form to be in a form and substance acceptable to the Company (in their sole and absolute discretion) and the Company and the Transfer Secretary must be satisfied that the Documents of Title have been lost or destroyed.
- 12.2 Only upon receipt of such indemnity form duly completed and signed by such Certificated Shareholder to be received by 12:00 on the Scheme Consideration Record Date, will the Company consider the action taken by such Certificated Shareholder in terms of the Scheme.

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## IMPORTANT DATES AND TIMES

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The definitions and interpretations commencing on page 10 of this Circular apply to this section.

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**2017/2018**

Record date to determine which Shareholders are entitled to receive the Circular	Friday, 15 December
Circular posted to Shareholders and details regarding the General Meeting published on SENS on	Friday, 22 December
Last day to trade Shares in order to be recorded in the Register to attend, participate and vote at the General Meeting (see note 5 below)	Tuesday, 16 January
Record date for Shareholders to be recorded in the Register in order to be eligible to attend, participate and vote at the General Meeting	Friday, 19 January
Shareholders or their proxies who wish to participate in the General Meeting via the teleconference facility will be required to advise the Company thereof by no later than 10:00 on	Monday, 22 January
Last day and time to lodge Forms of Proxy ( <i>white</i> ) with the Transfer Secretary by 10:00 on (see note 2 below)	Monday, 22 January,
Last date and time for Shareholders to give notice to BSI objecting to the Scheme Resolution in terms of section 164 of the Companies Act by 10:00 on	Wednesday, 24 January
General Meeting to be held at 10:00 on	Wednesday, 24 January
Results of General Meeting published on SENS on or about	Wednesday, 24 January
Scheme opens for elections to be submitted in anticipation of the Scheme becoming operative	Friday, 26 January
Last day for Shareholders who voted against the Scheme to require BSI to seek Court approval for the Scheme in terms of section 115(3) (a) of the Companies Act if the Scheme is approved by Shareholders at the General Meeting but the Scheme Resolution was opposed by at least 15% of the voting rights that were exercised on the Scheme Resolution at the General Meeting (where applicable)	Wednesday, 31 January
Last date for Shareholders who voted against the Scheme to be granted leave by a Court to apply for a review of the Scheme in terms of section 115(3)(b) of the Companies Act if the Scheme is approved by Shareholders at the General Meeting (where applicable)	Wednesday, 7 February
Last date for BSI to give notice of adoption of the Scheme approving the Scheme in terms of section 164(4) of the Companies Act to Dissenting Shareholders in accordance with section 164 of the Companies Act on	Wednesday, 7 February
Expected finalisation announcement with regard to the Scheme published on SENS (assuming no Shareholder exercises their right in terms of section 115(3)(a) or section 115(3)(b) of the Companies Act) on or about	Tuesday, 13 February
Last day to trade in Shares in order to participate in the Scheme	Tuesday, 20 February
Expected suspension of listing of Shares at the commencement of trade on the exchange operated by the JSE on	Wednesday, 21 February

Scheme Consideration Record Date, being a date by which a Shareholder must be recorded as such in the Register in order for Shareholders to make the Continuation Election and/or the Exit Election in respect of some or all of their Shares and date on which Forms of Election ( <i>blue</i> ) must be received by 12:00 on	Friday, 23 February
Expected Operative Date	Monday, 26 February
Scheme Consideration Payment Date, being the expected date for the settling of the Scheme Consideration on or about	Monday, 26 February
Date for the termination of listing of the Shares in terms of the Scheme at commencement of trade on the JSE	Tuesday, 27 February

**Notes:**

1. The above dates and times may be amended by BSI (subject to the approval of the JSE and/or the TRP, if required). The dates have been determined based on certain assumptions regarding the date by which certain Shareholder and regulatory approvals will be obtained and that no Court approval or review of the Scheme Resolution will be required. Any change in the dates and times will be published on SENS.
2. A Form of Proxy (*white*) not lodged with the Transfer Secretary may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.
3. If the General Meeting is adjourned or postponed, a Form of Proxy (*white*) submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
4. If the General Meeting is adjourned or postponed then Forms of Proxy (*white*) that have not yet been submitted should be lodged with the Transfer Secretary by no later than 48 hours before the adjourned or postponed General Meeting but may nonetheless be handed to the chairman of the adjourned or postponed General Meeting before the proxy exercises the voting rights of the Shareholder at the adjourned or postponed General Meeting.
5. Shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, Shareholders who acquire Shares after close of trade on Tuesday, 16 January 2018, will not be eligible to attend, participate and vote at the General Meeting.
6. All dates and times quoted in this document are South African dates and times.
7. For purposes of being eligible to attend, participate and vote at the General Meeting, no Dematerialisation or rematerialisation of Shares may take place between Wednesday, 17 January 2018 and Friday, 19 January 2018, both days inclusive.
8. If the Scheme Resolution is approved by an insufficient number of Shareholders at the General Meeting so that a Shareholder may require BSI to obtain court approval regarding the Scheme Resolution as contemplated in section 115(3)(a) of the Companies Act, and if a Shareholder in fact delivers such a request, the dates and times set out above will need to be amended. Shareholders will be notified separately of the applicable dates and times under this process.
9. If any Shareholder who votes against the Scheme Resolution exercises its rights in terms of section 115(3)(b) of the Companies Act and applies to Court for a review of the Scheme, the dates and times set out above will need to be amended. Shareholders will be notified separately of the applicable dates and times under this process.
10. For the purpose of being eligible to participate in the Scheme, no Dematerialisation or rematerialisation of Shares may take place from Wednesday, 21 February 2018.
11. The date of payment of the Scheme Consideration is expected to be Monday, 26 February 2018 in respect of Dematerialised Shareholders and in accordance with paragraph 3.5.4.3 of this Circular in respect of Certificated Shareholders.

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular, the annexures hereto, the Notice, Form of Proxy (*white*) and Form of Election (*blue*), unless the context otherwise indicates, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column hereunder have the meaning stated opposite them in the second column, as follows:

<b>"AltX"</b>	the Alternative Exchange operated by JSE Limited;
<b>"Associate(s)"</b>	bears the meaning assigned to this term in the Listings Requirements;
<b>"Authorised Dealer"</b>	an authorised dealer of the South African Reserve Bank, established in terms of section 9 of the Currency and Banking Act, 31 of 1920 and currently governed by the South African Reserve Bank Act, 90 of 1989, designated as such in the Exchange Control Regulations;
<b>"Basfour"</b>	collectively Basfour 2052, Basfour 3014 and Basfour 3001;
<b>"Basfour 2052"</b>	Basfour 2052 CC (Registration number 2008/132103/23), a close corporation incorporated in the accordance with the laws of South Africa;
<b>"Basfour 3014"</b>	Basfour 3014 CC (Registration number 2008/132118/23), a close corporation incorporated in the accordance with the laws of South Africa;
<b>"Basfour 3001"</b>	Basfour 3001 CC (Registration number 2008/132223/23), a close corporation incorporated in the accordance with the laws of South Africa;
<b>"Battershill Investments"</b>	Battershill Investments Proprietary Limited (Registration number 2014/089203/07), a private company incorporated in the accordance with the laws of South Africa;
<b>"Board" or "Directors"</b>	the board of directors of BSI whose names are set out on page 16 of this Circular;
<b>"Broker"</b>	any person registered as a broking member (equities) in terms of the rules of the JSE in accordance with the provisions of the Financial Markets Act;
<b>"BSI" or "the Company"</b>	BSI Steel Limited (Registration number 2001/023164/06), a public company incorporated in the accordance with the laws of South Africa, the Shares of which are listed on AltX;
<b>"Business Day"</b>	any day other than a Saturday, Sunday or a public holiday in South Africa;
<b>"Cautionary Announcement"</b>	the first announcement published on SENS on 14 August 2017 in terms of which Shareholders were advised of BSI's intention to delist its Shares from AltX;
<b>"Certificated Shareholders"</b>	Shareholders who hold Certificated Shares;
<b>"Certificated Shares"</b>	Shares that have not been Dematerialised, the title to which is evidenced by a Document of Title, which have not been surrendered for Dematerialisation in terms of the requirements of Strate;
<b>"Circular"</b>	this bound document dated Friday, 22 December 2017, including the annexures hereto, the Notice, the Form of Proxy ( <i>white</i> ) and the Form of Election ( <i>blue</i> );
<b>"Common Monetary Area"</b>	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
<b>"Companies Act"</b>	the Companies Act, 71 of 2008, as amended;

<b>“Companies Regulations”</b>	the Companies Regulations 2011, published in terms of section 223, and Item 14 of Schedule 5, of the Companies Act under GN R351 in GG 34239 of 26 April 2011, which include the Takeover Regulations;
<b>“Conditions”</b>	the conditions to the Transaction which remain unfulfilled as at the Last Practicable Date, set out in paragraph 3.3 of this Circular;
<b>“Continuation Election”</b>	the option in terms of which a Scheme Participant may elect to retain some or all of his Shares post the Delisting, which Shares, in respect of which the Continuation Election is elected, will consequently not be re-acquired by the Company in terms of the Scheme;
<b>“Controlling Shareholder”</b>	bears the meaning assigned to this term in the Listings Requirements;
<b>“Corporate Advisor and Designated Advisor” or “Sasfin Capital”</b>	Sasfin Capital Proprietary Limited (Registration number 1997/013153/07), a private company incorporated in accordance with the laws of South Africa;
<b>“Court”</b>	any South African high court with competent jurisdiction to approve the implementation of the Scheme Resolution pursuant to section 115 of the Companies Act and/or to determine the fair value of Shares and make an order pursuant to section 164(14) of the Companies Act;
<b>“CSDP”</b>	a Central Securities Depository Participant, being a participant as defined in section 1 of the Financial Markets Act;
<b>“Custody Agreement”</b>	the custody mandate agreement between a Dematerialised Shareholder and a CSDP or Broker, governing their relationship in respect of Dematerialised Shares held by a Dematerialised Shareholder on the Company’s uncertificated securities register and administered by a CSDP or Broker on behalf of that Dematerialised Shareholder;
<b>“the Default Position”</b>	the automatic default position in the event that a Scheme Participant does not validly make the Continuation Election and/or the Exit Election, being that he is deemed to have made the Exit Election in respect of all of his Shares, and consequently all his Shares will be re-acquired by the Company, by way of expropriation as contemplated by section 114(1)(c) of the Companies Act;
<b>“Delisting”</b>	the termination of the listing of the Shares on AltX;
<b>“Dematerialised” or “Dematerialisation”</b>	the process whereby paper Documents of Title are replaced by electronic records of ownership in respect of Shares or securities with a CSDP or Broker, as contemplated in section 49(5) of the Companies Act and under the Strate system;
<b>“Dematerialised Shareholder”</b>	Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	Shares which have been Dematerialised or which were issued in Dematerialised form, and which are held on a sub-register of Shareholders administered by a CSDP;
<b>“Dissenting Shareholders”</b>	Shareholders who validly exercise their appraisal rights in terms of section 164 of the Companies Act in respect of their respective shareholdings in BSI in accordance with the provisions of section 164 of the Companies Act in terms of which they demand that BSI pay them the fair value of the Shares held by them;
<b>“Documents of Title”</b>	valid share certificates, certified transfer deeds, balance receipts or any other proof of ownership of Shares, reasonably acceptable to the Company in respect of the Scheme Shares;
<b>“EFT”</b>	electronic funds transfer;
<b>“EPS”</b>	earnings per Share;

<b>“Exchange Control Regulations”</b>	the Exchange Control Regulations, promulgated in terms of section 9 of the Currency and Exchanges Act, 9 of 1933, as amended;
<b>“Exit Election”</b>	the option in terms of which a Scheme Participant may validly elect to dispose of some or all of their Shares in the Company, which Shares in respect of which the Exit Election was elected will be re-acquired by the Company as contemplated by section 114(1)(e) of the Companies Act;
<b>“Financial Effects”</b>	the <i>pro forma</i> financial effects of the Transaction, details of which are set out in paragraph 8 and <b>Annexure 3</b> of this Circular;
<b>“Financial Markets Act”</b>	the Financial Markets Act, 19 of 2012, as amended;
<b>“Form of Election”</b>	for purposes of accepting the Scheme, the form of election, surrender and transfer ( <i>blue</i> ) attached to and forming part of this Circular for use only by Scheme Participants holding Certificated Shares;
<b>“Foreign Shareholder”</b>	a Shareholder who is a non-resident of South Africa as contemplated in the Exchange Control Regulations;
<b>“Form of Proxy”</b>	for purposes of the General Meeting, the form of proxy ( <i>white</i> ) attached to and forming part of this Circular, for use only by Certificated Shareholders and Own-Name Dematerialised Shareholders;
<b>“General Meeting”</b>	the general meeting of Shareholders to be held at 10:00 on Wednesday, 24 January 2018 (or any other adjourned or postponed date and time in accordance with the provisions of section 64(11) of the Companies Act and the Company’s MOI, as read with the Listings Requirements), to be convened in connection with the Transaction for the purpose of considering and if deemed fit, approving, with or without modification, the resolutions contained in the Notice;
<b>“Group”</b>	BSI, its Subsidiaries from time to time and any entity in which BSI and/or its Subsidiaries holds at least 20% of a direct or indirect equity interest and/or voting rights in such entity from time to time;
<b>“HEPS”</b>	headline earnings per Share;
<b>“IFRS”</b>	International Financial Reporting Standards formulated by the International Accounting Standards Board from time to time;
<b>“Independent Board”</b>	those directors of BSI who are independent non-executive directors, appointed in terms of the Takeover Regulations as the independent board of BSI, being NG Payne, RG Lewis and NM Anderson;
<b>“Independent Expert” or “BDO”</b>	the independent expert appointed to provide the appropriate independent advice to the Independent Board in terms of section 114(3) of the Companies Act and Regulation 90 of the Takeover Regulations, being BDO Corporate Finance Proprietary Limited (Registration number 1983/002903/07), a private company incorporated in accordance with the laws of South Africa;
<b>“Independent Expert’s Report on the Scheme”</b>	the Independent Expert’s fair and reasonable opinion as regards the Scheme in terms of section 114(3) of the Companies Act (read with Regulation 90 of the Takeover Regulations) which is set out in <b>Annexure 1</b> to this Circular;
<b>“Interim Results”</b>	the reviewed consolidated financial results for the six-month period ended 30 September 2017, published on SENS on 14 December 2017;
<b>“Irrevocable Parties”</b>	Shareholder(s) which have provided irrevocable undertakings to vote in favour of the Transaction and/or have provided an irrevocable undertaking to follow the Continuation Election, as referred to in paragraph 12 of this Circular;
<b>“Irrevocable Shares”</b>	556 444 525 Shares, being the number of Shares which are subject to the Irrevocable Undertakings and in respect of which Continuation Elections will be made;

<b>“Irrevocable Undertakings”</b>	the undertakings entered into between BSI and the Irrevocable Parties in terms of which the Irrevocable Parties have undertaken in respect of the Irrevocable Shares, to make Continuation Elections and/or to vote in favour of the Resolutions pertaining to the Transaction at the General Meeting;
<b>“JSE” or “the Exchange”</b>	JSE Limited (Registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa, or the securities exchange, licensed as an exchange under the Financial Markets Act;
<b>“Last Practicable Date”</b>	Thursday, 14 December 2017, being the last practicable date prior to the finalisation of this Circular;
<b>“Legal Advisor to BSI” or “Werksmans”</b>	Werksmans Incorporated (Registration number 1990/007215/21), a personal liability company incorporated in accordance with the laws of South Africa;
<b>“Listings Requirements”</b>	the JSE Limited Listings Requirements, as amended from time to time;
<b>“MOI”</b>	the Company’s memorandum of incorporation;
<b>“NAVPS”</b>	net asset value per Share;
<b>“NTAVPS”</b>	the net tangible asset value per Share;
<b>“Notice”</b>	the notice of General Meeting attached hereto and forming part of this Circular;
<b>“Operative Date”</b>	the date on which the Scheme becomes operative, being the first Business Day immediately following the Scheme Consideration Record Date, which operative date is expected to be Monday, 26 February 2018;
<b>“Own-Name Dematerialised Shareholders”</b>	Dematerialised Shareholders who have instructed their CSDP to hold their Shares in their respective own-names on the respective CSDP’s Sub-Registers;
<b>“Rand” or “R”</b>	South African Rand, the official currency of South Africa;
<b>“Register”</b>	the securities register of the Company (including the relevant Sub-Registers and the register of disclosures of the Company);
<b>“Related Party”</b>	bears the meaning assigned to this term in the Listings Requirements;
<b>“Reporting Accountant”</b>	Deloitte & Touche, Registered Auditors;
<b>“Reporting Accountant’s Assurance Report on the Financial Effects”</b>	the assurance report provided by the independent Reporting Accountant regarding the Financial Effects, as set out in <b>Annexure 2</b> to this Circular;
<b>“Resolutions”</b>	the ordinary and special resolutions to be approved by the requisite majority of Shareholders at the General Meeting as set out in the Notice, which resolutions will, <i>inter alia</i> , authorise and approve the Scheme and the Delisting;
<b>“SAICA Guide”</b>	the Guide on <i>Pro Forma</i> Financial Information issued by the South African Institute of Chartered Accountants;
<b>“SAR”</b>	a conditional right to receive Shares in terms of the SARS to the value of the difference between the exercise price and the grant price;
<b>“SARS”</b>	The BSI Steel Limited Share Appreciation Right Scheme;
<b>“Scheme”</b>	a scheme of arrangement in terms of section 114 of the Companies Act, proposed by the Independent Board between BSI and its Shareholders, in terms of which BSI will re-acquire all of the Scheme Shares for a cash consideration of 50 cents per Share;
<b>“Scheme Announcement”</b>	the announcement published on Wednesday, 29 November 2017, setting out the terms of the Scheme;
<b>“Scheme Consideration”</b>	the consideration payable by the Company to Scheme Consideration Recipients, being 50 cents per Scheme Share;

<b>“Scheme Consideration Payment Date”</b>	the date of payment of the Scheme Consideration, which is expected to be Monday, 26 February 2018;
<b>“Scheme Consideration Recipients”</b>	collectively, those Shareholders who have validly made the Exit Election in respect of some or all of their Shares and those Shareholders who fall under the Default Position;
<b>“Scheme Consideration Record Date”</b>	the latest time and date for Shareholders: <ul style="list-style-type: none"> <li>• to be registered as such in the register, in order to make the Continuation Election and/or the Exit Election in respect of some or all of their Shares; and</li> <li>• to submit their Forms of Election (<i>blue</i>) by 12:00, which date is expected to be Friday, 23 February 2018;</li> </ul>
<b>“Scheme Members”</b>	Shareholders who are entitled to attend and vote at the General Meeting, being those Shareholders who are registered as such in the register on the Scheme Voting Record Date;
<b>“Scheme Participants”</b>	all Shareholders who are registered as such in the register on the Scheme Consideration Record Date, including Dissenting Shareholders who are subsequently deemed to be Scheme Participants in the event that any of the circumstances contemplated in sections 164(9)(a) and (b) of the Companies Act occur, but excluding Dissenting Shareholders who have not, whether voluntarily or pursuant to a final order of the High Court, withdrawn their demand made in terms of sections 164(5) to 164(8) of the Companies Act, or allowed any offers made to them in terms of section 164(11) of the Companies Act to lapse;
<b>“Scheme Resolution”</b>	the special resolution to be proposed at the General Meeting in accordance with section 115(2) of the Companies Act for the approval of the Scheme and the implementation thereof, as required by section 48(8)(b) of the Companies Act, at the General Meeting in terms of section 115(2) of the Companies Act, the full terms of which are set out in the Notice;
<b>“Scheme Shares”</b>	those Shares to be re-acquired by BSI in terms of the Scheme, being those Shares held by the Scheme Consideration Recipients on the Scheme Consideration Record Date, excluding any Shares in respect of which the Continuation Election is made;
<b>“Scheme Voting Record Date”</b>	the date on, and time which, a Shareholder must be recorded in the Register in order to be eligible to vote at the General Meeting, which is expected to be Friday, 19 January 2018;
<b>“SENS”</b>	the Stock Exchange News Service operated by the JSE;
<b>“Shareholders”</b>	registered holders of Shares recorded in the Register at the relevant time/s;
<b>“Shares”</b>	ordinary shares with a par value of 0.001 cent each in the issued share capital of BSI of which there were 719 854 996 (including treasury shares) in issue at the Last Practicable Date;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Strate”</b>	Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated in accordance with the laws of South Africa which is a registered central securities depository in terms of the Financial Markets Act and which manages the electronic clearing and settlement for transactions that take place on the JSE and off-market trades;
<b>“Sub-Register”</b>	in respect of each Dematerialised Shareholder, a sub-register maintained by a CSDP and forming part of the Register;
<b>“Subsidiary”</b>	a subsidiary as defined in the Companies Act;



<b>“Takeover Regulations”</b>	the regulations published in terms of section 120 of the Companies Act and set out in Chapter 6 of the Companies Regulations;
<b>“Transaction”</b>	collectively the Scheme and the Delisting;
<b>“Transfer Secretary” or “Computershare”</b>	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa;
<b>“TRP”</b>	the Takeover Regulation Panel, established in terms of section 196 of the Companies Act;
<b>“VWAP”</b>	the volume weighted average price of a Share on the Exchange;
<b>“2016 Year-End Results”</b>	the audited condensed consolidated financial results for the year-ended 31 March 2016 published on SENS on Thursday, 23 June 2016 as set out in <b>Annexure 7</b> to this Circular; and
<b>“2017 Year-End Results”</b>	the reviewed condensed consolidated financial results for the year-ended 31 March 2017 published on SENS on Friday, 14 July 2017 as set out in <b>Annexure 6</b> to this Circular.



## BSI Steel Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2001/023164/06)  
JSE code: BSS ISIN: ZAE000125134  
("BSI" or "the Company")

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### Directors

#### Executive

WL Battershill (*Executive Chairman and Chief Executive Officer*)

E Vermaak (*Chief Financial Officer*)

KL Paxton (*Executive*)

#### Independent Non-executive

RG Lewis

NG Payne (*Lead independent non-executive director*)

BM Khoza

NM Anderson\* (*Alternate to BM Khoza*)

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## CIRCULAR TO SHAREHOLDERS

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### 1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

BSI announced its intention to delist its Shares from Alt<sup>x</sup> on Monday, 14 August 2017. The Board subsequently resolved that the Independent Board will propose a scheme of arrangement between BSI and its Shareholders in terms of which BSI will re-acquire the Scheme Shares and implement the Delisting.

Consequently, subject to the Scheme being approved and becoming unconditional, Shareholders who wish to retain some or all of their Shares or who wish to dispose of some or all of their Shares to BSI, shall be required to make such election in the manner set out in paragraph 6 of the "Action Required By Shareholders" section of this Circular, failing which, or in the event of an invalid election, the Scheme Shares will be re-acquired by way of expropriation in terms of the Scheme. The Scheme Shares so re-acquired by BSI pursuant to the Scheme will have the same status as Shares that have been authorised but not issued.

The purpose of this Circular is to provide Shareholders with information relating to, *inter alia*, the Transaction, as set out in the notice of General Meeting at which Shareholders will be entitled to vote on the Resolutions.

### 2. RATIONALE FOR THE SCHEME AND DELISTING

#### 2.1 The Scheme

The purpose of the Scheme is to allow Shareholders that cannot or do not wish to hold some or all of their Shares in BSI following the implementation of the Delisting to dispose of such Shares, and to allow Shareholders that wish to hold some or all of their Shares in BSI following the implementation of the Delisting to do so.

#### 2.2 The Delisting

The Board has considered, *inter alia*, the following factors in assessing the viability of a continued listing of the Shares on Alt<sup>x</sup>:

- the size of the remaining businesses held by BSI, relative to the continued costs of remaining listed on Alt<sup>x</sup>;

- the absence of liquidity in the BSI share;
- the Company not expecting to raise equity capital in the near future; and
- the necessity of the listing to support the growth aspirations of the Group.

Having considered the above factors and other relevant factors, the Board has resolved to propose and implement the Scheme and the Delisting.

### 3. TERMS OF THE SCHEME

#### 3.1 Authority to implement the Scheme and the Delisting

At the General Meeting, the following inter-conditional resolutions regarding approvals required to implement the Scheme and the Delisting will be proposed to Shareholders:

- a special resolution in terms of section 48(8)(a) of the Companies Act to the extent that any Shareholders who follow the Exit Election are directors or prescribed officers of BSI or to the extent that any Shareholders which accept the Exit Election are related to a director or prescribed officer of BSI;
- the approval of the Scheme as required by section 48(8)(b) of the Companies Act, by way of a special resolution of Shareholders in terms of section 115(2) of the Companies Act; and
- an ordinary resolution in terms of paragraph 1.14(a) of the Listings Requirements to authorise the Delisting.

#### 3.2 Scheme Consideration

In terms of the Scheme, BSI will re-acquire the Scheme Shares at a price of 50 cents per Scheme Share, to be settled in cash.

The Scheme Consideration represents a 67% premium to R0.30 being BSI's 30-day VWAP on Alt<sup>x</sup> up and including Friday, 11 August 2017, being the last trading date immediately prior to the announcement published on SENS on Monday, 14 August 2017 wherein Shareholders were informed of the Board's intention to effect the Delisting.

#### 3.3 Conditions to the Scheme

The Scheme is subject to the fulfilment or waiver (in whole or in part where capable of waiver) by BSI, in its sole discretion, of the following conditions:

- 3.3.1 a general meeting being held to approve all requisite resolutions in respect of the Transaction, including but not limited to:
- such resolutions as are contemplated in the Listings Requirements and the MOI;
  - a special resolution in terms of section 48(8)(a) of the Companies Act, to the extent that any Shareholders who participate in the Scheme and follow the Exit Election are directors or prescribed officers of BSI or to the extent that any Shareholders who participate in the Scheme and follow the Exit Election are related to a director or prescribed officer of BSI; and
  - the Scheme Resolution;
- 3.3.2 to the extent required under section 115(3)(a) of the Companies Act, approval of the implementation of the Scheme Resolution by a Court is obtained and, if applicable, BSI not having treated the Scheme Resolution as a nullity, as contemplated in section 115(5) of the Companies Act;
- 3.3.3 Shareholders holding more than 5% of all Shares in issue do not (i) give notice objecting to the Scheme; (ii) vote against the Scheme Resolutions; and (iii) exercise their appraisal rights in terms of section 164 of the Companies Act by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act within 10 business days immediately following the date on which the general meeting to approve the Scheme Resolutions is convened;
- 3.3.4 if the Scheme Resolution has been passed at the General Meeting by the requisite majority of Shareholders entitled to vote on the Scheme and any person who voted against the Scheme Resolution applies to court within 10 Business Days after the vote for a review of the Scheme in accordance with the requirements of section 115(3)(b) of the Companies

Act, (i) no leave is granted by the Court to such person to apply to Court for a review of the Scheme in accordance with the requirements of section 115(6) of the Companies Act or (ii) if leave is granted by the Court to apply to Court for a review of the Scheme in accordance with the requirements of section 115(6) of the Companies Act, the Court has not set aside the Scheme Resolution in terms of section 115(7) of the Companies Act;

- 3.3.5 all Irrevocable Parties making the Continuation Election in accordance with their Irrevocable Undertakings and in terms of the Scheme; and
- 3.3.6 the receipt of unconditional approvals, consents or waivers from all applicable regulatory authorities as may be required in order to implement the Scheme and the Delisting (including the compliance certificate to be issued by the Takeover Panel for purposes of giving effect to the Scheme and Competition Commission approval) or, to the extent that any such approvals, consents or waivers are subject to conditions, such conditions being accepted by BSI.

#### 3.4 The Scheme

- 3.4.1 In terms of the Scheme, BSI will re-acquire the Scheme Shares from the Scheme Consideration Recipients for the Scheme Consideration.
- 3.4.2 If the Scheme becomes operative:
  - (a) the Scheme Consideration Recipients shall dispose of their Scheme Shares, free of encumbrances, to BSI on the Operative Date in exchange for the Scheme Consideration and BSI shall re-acquire all the Scheme Shares as of the Operative Date;
  - (b) the disposal and transfer by each Scheme Consideration Recipient of their Scheme Shares to BSI and the re-acquisition of those Scheme Shares by BSI, pursuant to the provisions of the Scheme, shall be effected on the Operative Date;
  - (c) each Scheme Consideration Recipient shall be deemed to have transferred to BSI, on the Operative Date, all their Scheme Shares, without any further act or instrument being required; and
  - (d) Scheme Consideration Recipients shall be entitled to receive the Scheme Consideration, subject to the remaining provisions of this paragraph 3.4.
- 3.4.3 In terms of the Scheme, each Scheme Consideration Recipient irrevocably and *in rem suam* authorises each and every officer/director of the Transfer Secretary and/or BSI, as its agent, with full power of substitution, to cause the Scheme Shares disposed of by the Scheme Consideration Recipient in terms of the Scheme to be transferred to BSI on the Operative Date, and to do all such things and take all such steps (including the signing of any transfer form) as may be necessary or expedient in order to effect the transfer.
- 3.4.4 The Scheme Consideration shall be paid in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which BSI may otherwise be, or claim to be, entitled against any Scheme Consideration Recipient, unless otherwise agreed to between BSI and the Scheme Consideration Recipient.
- 3.4.5 The rights of the Scheme Consideration Recipients to receive the Scheme Consideration will be rights enforceable by Scheme Consideration Recipients against BSI only.
- 3.4.6 The effect of the Scheme, *inter alia*, will be that BSI will, with effect from the Operative Date, re-acquire all the Scheme Shares which shall then have the same status as shares that have been authorised but not issued pursuant to the re-acquisition in terms of the Scheme. None of the Scheme Shares will be transferred to any other person.
- 3.4.7 BSI and the Independent Board undertakes that, upon the Scheme becoming operative, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all documents necessary to give effect to the Scheme.

**PLEASE TAKE CAREFUL NOTE OF THE DEFAULT POSITION. IN TERMS OF THE SCHEME, IF YOU DO NOT VALIDLY MAKE THE CONTINUATION ELECTION AND/OR THE EXIT ELECTION IN RESPECT OF YOUR SHARES, YOU WILL BE DEEMED TO HAVE MADE THE EXIT ELECTION IN RESPECT OF ALL OF YOUR SHARES AND THE COMPANY WILL RE-ACQUIRE ALL YOUR SHARES BY WAY OF EXPROPRIATION IF THE SCHEME BECOMES OPERATIVE.**

### 3.5 Settlement of the Scheme Consideration

- 3.5.1 Subject to paragraphs 3.5.2 and 3.5.4 below, if the Scheme becomes operative, Scheme Consideration Recipients will be entitled to receive the Scheme Consideration.
- 3.5.2 Settlement of the Scheme Consideration is subject to the Exchange Control Regulations, salient provisions of which are set out in **Annexure 4** to this Circular.
- 3.5.3 BSI will administer and effect payments of the Scheme Consideration to Scheme Consideration Recipients.
- 3.5.4 If the Scheme becomes operative:
- 3.5.4.1 Dematerialised Shareholders who become Scheme Consideration Recipients will have their account at their CSDP or Broker credited with the Scheme Consideration and debited with the Scheme Shares on the Operative Date, or in the case of Dissenting Shareholders who subsequently become Scheme Consideration Recipients as envisaged in paragraph 3.7.2, on the date contemplated in paragraph 3.7.2;
- 3.5.4.2 Dematerialised Shareholders who make the Continuation Election in respect of all or some of their Shares, will receive share certificates in respect of their Shares to be held in the unlisted Company. Such share certificates will be posted to you, by registered post in South Africa, at your own risk, within six Business Days of the Operative Date; and
- 3.5.4.3 Certificated Shareholders who become Scheme Consideration Recipients:
- (a) who have submitted their Documents of Title and completed Form of Election (*blue*) to the Transfer Secretary on or before 12:00 on the Scheme Consideration Record Date, will receive the Scheme Consideration by way of an EFT. The Scheme Consideration will be paid to the bank account nominated by the Certificated Shareholder in the Form of Election (*blue*) on the Operative Date. If Part D on the Form of Election (*blue*) is left blank or partially completed, the Scheme Consideration will be withheld until the correct details are provided by the Certificated Shareholder; or
- (b) who submit their Documents of Title and completed Form of Election (*blue*) after 12:00 on the Scheme Consideration Record Date, will have the Scheme Consideration paid to them by way of an EFT within six Business Days of the Transfer Secretary receiving their Documents of Title and completed Form of Election (*blue*), unless such Scheme Consideration Recipients were Dissenting Shareholders who have subsequently become Scheme Consideration Recipients as envisaged in paragraph 3.7.2, in which case such Scheme Consideration Recipients will still need to submit their Documents of Title, together with completed Forms of Election (*blue*) to the Transfer Secretary and payment of the Scheme Consideration will only be paid to them by way of an EFT on the date set out in paragraph 3.7.2. If Part D on the Form of Election (*blue*) is left blank or partially completed, the Scheme Consideration will be withheld until the correct details are provided by the Certificated Shareholder; or
- (c) who fail to submit their Documents of Title and completed Form of Election (*blue*) to the Transfer Secretary or in respect of a Dissenting Shareholder who subsequently becomes a Scheme Consideration Recipient as envisaged in paragraph 3.7.2, the Scheme Consideration payable to such Scheme Consideration Recipient will be held in trust by BSI (or any third party nominated by it for this purpose) for the benefit of the Scheme Consideration

Recipients concerned, for a maximum period of three years, after which period such funds may be made over to the Guardians fund of the High Court. For the avoidance of doubt, no interest will accrue on any such funds held by BSI.

### 3.6 Effects of the Scheme

- 3.6.1 If all the Conditions are fulfilled or waived, as the case may be, and the Scheme becomes operative:
- 3.6.1.1 Scheme Consideration Recipients shall, with effect from the Operative Date, dispose of their Scheme Shares to BSI, and BSI shall re-acquire all of the Scheme Shares in exchange for payment of the Scheme Consideration;
  - 3.6.1.2 Scheme Consideration Recipients shall be deemed to have irrevocably authorised and instructed BSI to cause the Scheme Shares to be transferred to BSI on or at any time after the Operative Date and to take all such steps and sign all such documents as may be necessary to procure such transfer; and
  - 3.6.1.3 Scheme Consideration Recipients shall be deemed to have appointed BSI as agent to procure that the Scheme Consideration is paid to the Scheme Consideration Recipients in accordance with the provisions of the Scheme.
- 3.6.2 The effect of the Scheme will be that BSI will, with effect from the Operative Date, re-acquire all the Scheme Shares, which Shares shall have the same status as shares that have been authorised but not issued.

### 3.7 Dissenting Shareholders

In terms of section 164(2)(b) of the Companies Act, all Shareholders are entitled to the appraisal rights provided for in section 164 of the Companies Act.

A copy of section 164 of the Companies Act (which sets out the appraisal rights) is included as **Appendix A to Annexure 1** to this Circular.

Any Dissenting Shareholder that, pursuant to the exercise of its appraisal rights, has accepted an appraisal rights offer and/or transferred Shares to BSI pursuant to section 164(13) or section 164(15)(c)(v) of the Companies Act shall not participate in the Scheme.

Any Dissenting Shareholder that withdraws its demand made in terms of sections 164(5) to 164(8) of the Companies Act, either voluntarily or pursuant to a final order of Court, or allows an offer by the Company in terms of section 164(11) of the Companies Act to lapse without exercising its rights in terms of section 164(14) of the Companies Act shall, if that Dissenting Shareholder withdrew its demand or allowed an offer to lapse:

- 3.7.1 on or prior to the Scheme Consideration Record Date:
- (a) be a Scheme Participant and be subject to the provisions of the Scheme; and
  - (b) be entitled to make the Continuation Election and/or the Exit Election in the prescribed manner, in respect of all or some of its Shares; or
- 3.7.2 after the Scheme Consideration Record Date, be deemed to have been a Scheme Consideration Recipient as at the Operative Date of the Scheme in respect of which the Default Position is applicable, provided that settlement of the Scheme Consideration and transfer of that Dissenting Shareholder's Shares to BSI shall take place on the later of: (i) the Operative Date; (ii) the date which is six Business Days after that Dissenting Shareholder so withdrew its demand or allowed the Company's offer to lapse, as the case may be, and (iii) if that Dissenting Shareholder is a Certificated Shareholder, the date which is six Business Days after that Dissenting Shareholder shall have submitted its Documents of Title and completed Form of Election (*blue*) to the Transfer Secretary.

For the sake of clarity, except where expressly provided otherwise, all provisions applicable to other Scheme Participants shall apply equally to any Dissenting Shareholder who becomes a Scheme Participant as a result of his rights to Shares being reinstated in terms of section 164(10) of the Companies Act, or pursuant to a final order of Court.

### 3.8 Appointment of Independent Expert

The Independent Board has appointed the Independent Expert to provide a fair and reasonable opinion regarding the Scheme. The Independent Expert's Report on the Scheme is set out in **Annexure 1** to this Circular.

### 3.9 Agreements regarding the Scheme

Save for the Irrevocable Undertakings, as set out in paragraph 12 of this Circular, and which are available for inspection as envisaged in paragraph 19 of this Circular, no agreements are in place between BSI or any person acting in concert with BSI and (i) the Directors (as at the Last Practicable Date or any persons who were Directors in the preceding 12 months) and/or (ii) Shareholders (as at Last Practicable Date or persons who were Shareholders in the last preceding 12 months) with regard to the Scheme. It being recorded that there are no parties acting in concert with BSI.

## 4. INFORMATION ON BSI

### 4.1 Major Shareholders

At the Last Practicable Date insofar as is known to BSI, the following Shareholders (other than Directors and their Associates whose shareholdings are set out in paragraph 5.2 of this Circular), were, directly or indirectly, beneficially interested in 5% or more of the Shares:

Shareholder	Before the Scheme			After the Scheme		
	Number of Shares	Percentage holding % <sup>1</sup>	Scenario 1		Scenario 2	
			Number of Shares	Percentage holding % <sup>2</sup>	Number of Shares	Percentage holding % <sup>3</sup>
Basfour	95 156 595	13.22	95 156 595	15.82	95 156 595	14.40
Jamand Trust	77 319 349	10.74	77 319 349	12.86	77 319 349	11.70
<b>Total</b>	<b>172 475 944</b>	<b>23.96</b>	<b>172 475 944</b>	<b>28.68</b>	<b>172 475 944</b>	<b>26.10</b>

#### Notes:

1. Based on 719 854 996 Shares in issue (including treasury shares) as at the Last Practicable Date.
2. Based on the assumption that no Continuation Elections besides those relating to the Irrevocable Shares (and excluding treasury shares) are received and 118 427 080 Shares are re-acquired and cancelled, rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 601 427 916 Shares (including treasury shares) will remain in issue after the Transaction.
3. Based on the assumption that the Continuation Election is made in respect of 50% of the Shares besides those relating to the Irrevocable Shares (and excluding treasury shares), and 59 213 540 Shares are re-acquired and shall have the same status as shares that have been authorised but not issued. On this basis, 660 641 456 Shares (including treasury shares) will remain in issue after the Transaction.

### 4.2 Prospects of BSI in the unlisted environment

Shareholders have the option of retaining their Shares in BSI as an unlisted entity following the Delisting by electing the Continuation Election. The nature of BSI's business will not change significantly pursuant to the Delisting and the executive Board will be considered in the light of the governance requirements for an unlisted but public interest company in accordance with the Companies Act requirements following the Delisting.

The unlisted environment may not meet certain Shareholders' investment objectives and these Shareholders are given the opportunity to dispose of their Shares in BSI prior to the Delisting in terms of the Scheme.

As noted in the Interim Results, the Company has continued with a cost reduction programme to meet ongoing difficult market conditions. One of the key components of this restructure includes the probable closure of the Pietermaritzburg distribution facility. The Company is confident that the reduced cost base will give BSI the best possible platform to deal with these difficult conditions. Steel consumption is driven largely by manufacturing, construction and mining. Any meaningful uptick in the industry can only be driven by improved business confidence and resultant investment in these sectors.

#### 4.3 Share capital of BSI

The authorised and issued ordinary share capital of BSI before and after the Scheme is set out below:

<b>Share capital – before the Scheme</b>	<b>R'000</b>
<b>Ordinary Share Capital</b>	
<i>Authorised</i>	
10 000 000 000 ordinary shares of 0.001 cent each	100
<i>Issued ordinary share capital and share premium</i>	
719 854 996 <sup>1</sup> (including treasury shares) ordinary shares of 0.001 cent each	124 301
<b>Share capital – after the Scheme Scenario 1</b>	
<b>R'000</b>	
<b>Ordinary Share Capital</b>	
<i>Authorised</i>	
10 000 000 000 ordinary shares of 0.001 cent each	100
<i>Issued ordinary share capital and share premium</i>	
601 427 916 <sup>2</sup> (including treasury shares) ordinary shares of 0.001 cent each	65 087
<b>Share capital – after the Scheme Scenario 2</b>	
<b>R'000</b>	
<b>Ordinary Share Capital</b>	
<i>Authorised</i>	
10 000 000 000 ordinary shares of 0.001 cent each	100
<i>Issued ordinary share capital and share premium</i>	
660 641 456 <sup>3</sup> (including treasury shares) ordinary shares of 0.001 cent each	94 694

**Notes:**

1. A total of 44 983 391 Shares were held in treasury as at the Last Practicable Date.
2. Based on the assumption that no Continuation Elections besides those relating to the Irrevocable Shares (and excluding treasury shares) are received and 118 427 080 Shares are re-acquired and cancelled, rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 601 427 916 Shares (including treasury shares) will remain in issue after the Transaction.
3. Based on the assumption that the Continuation Election is made in respect of 50% of the Shares besides those relating to the Irrevocable Shares (and excluding treasury shares), and 59 213 540 Shares are re-acquired and shall have the same status as shares that have been authorised but not issued. On this basis, 660 641 456 Shares (including treasury shares) will remain in issue after the Transaction.

#### 4.4 Material changes

The Board reports that, since the published Interim Results, there have been no material changes in the financial or trading position of the Group.

#### 4.5 Financial results

An extract of the Interim Results, 2017 Year-End Results and 2016 Year-End Results is set out in **Annexures 5, 6 and 7** of this Circular respectively.



## 5. INFORMATION ON DIRECTORS

### 5.1 Details and experience of directors and directors' remuneration

Biographical details of the Directors and the total aggregate remuneration and benefits paid to the Directors for the year-ended 31 March 2017 are set out in the BSI 2017 Integrated Report, which can be found on the Company's website [www.bsisteel.com](http://www.bsisteel.com).

There will be no variation in the remuneration receivable by any of the Directors as a consequence of the Scheme.

### 5.2 Directors' interest in Shares

As at the Last Practicable Date, the direct and indirect interests of the Directors (including any Associates of the Directors and any director of the Board who resigned during the 18 months preceding the Last Practicable Date) in the share capital of the Company are reflected below:

<b>Before the Scheme</b>					
<b>Name</b>	<b>Direct</b>	<b>Associates</b>	<b>Total Shares</b>	<b>Percentage holding<sup>1</sup> %</b>	
WL Battershill	307 130	325 850 390	326 157 520	45.31	
NM Anderson	86 000	–	86 000	0.01	
RG Lewis	270 975	–	270 975	0.04	
BM Khoza	–	11 500	11 500	–	
NG Payne	20 000 000	–	20 000 000	2.78	
C Parry <sup>4</sup>	–	15 000 000	15 000 000	2.08	
<b>Total</b>	<b>20 664 105</b>	<b>340 861 890</b>	<b>361 525 995</b>	<b>50.22</b>	
<b>After the Scheme</b>					
	<b>Direct</b>	<b>Associates</b>	<b>Total Shares</b>	<b>Scenario 1 Percentage holding %<sup>2</sup></b>	<b>Scenario 2 Percentage holding %<sup>3</sup></b>
WL Battershill	307 130	325 189 711	325 496 841	54.12	49.27
NM Anderson	–	–	–	–	–
RG Lewis	–	–	–	–	–
BM Khoza	–	–	–	–	–
NG Payne	20 000 000	–	20 000 000	3.33	3.03
C Parry <sup>4</sup>	–	–	–	–	–
<b>Total</b>	<b>20 307 130</b>	<b>325 189 711</b>	<b>345 496 841</b>	<b>57.45</b>	<b>52.30</b>

#### Notes:

1. Based on 719 854 996 Shares in issue (including treasury shares) as at the Last Practicable Date.
2. Based on the assumption that no Continuation Elections, besides those relating to the Irrevocable Shares (and excluding treasury shares), are received and 118 427 080 Shares are re-acquired and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 601 427 916 Shares will remain in issue after the Transaction.
3. Based on the assumption that the Continuation Election is made in respect of 50% of the Shares besides those relating to the Irrevocable Shares (and excluding treasury shares), and 59 213 540 Shares are re-acquired and shall have the same status as shares that have been authorised but not issued. On this basis, 660 641 456 Shares will remain in issue after the Transaction.
4. C Parry resigned with effect from 20 October 2017.
5. There have been no dealings in Shares by any of the parties disclosed above for the period commencing six months prior to the Scheme Announcement and ending on the Last Practicable Date.

### 5.3 Directors' interest in the SARS

At the Last Practicable Date, the Directors' (which includes any Director who has resigned during the last 18 months prior to the Last Practicable Date, if any) outstanding SAR in terms of the SARS were as follows:

<b>Director</b>	<b>Options outstanding</b>	<b>Grant price (cents)</b>
C Parry	8 000 000	40
K Paxton	3 500 000	40
E Vermaak	350 000	40
<b>Total</b>	<b>11 850 000</b>	<b>–</b>

**Note:**

1. The options were issued in terms of the SARS on 26 June 2016 and may, provided that certain conditions applicable to the SARS are met, vest on 30 June 2018.

### 5.4 Service contracts

The service contracts in place with the Company's executive directors contain terms and conditions that are usual for contracts of this nature. No service contracts were entered into, or amended in the six months preceding the Last Practicable Date.

### 5.5 Directors' interest in transactions

Save for the information disclosed in this Circular, none of the Directors, including those who resigned in the 18 months preceding the Last Practicable Date, have any material beneficial, direct or indirect interest in any transactions that were effected by BSI during the current or immediately preceding financial year; or during an earlier financial year and remain in any respect outstanding or unperformed.

## 6. AMENDMENTS TO THE SARS

In terms of the SARS rules, the grant price (and exercise price) of a SAR is determined based on BSI's 30-day VWAP immediately preceding the grant date (or the exercise date, as the case may be). Subject to Shareholders approving the Delisting and the Scheme becoming unconditional, the Company will no longer be listed on the JSE and consequently the SARS rules will require amendment to record a new grant price (and exercise price) mechanism together with any necessary consequential changes relating to the SARS operating in an unlisted environment.

The SARS rules, along with a version highlighting the proposed amendments to the rules have been incorporated by reference as set out in paragraph 20 of this Circular and are available for inspection in terms of paragraph 19 of this Circular.

In terms of the Listings Requirements, the amendments to the SARS require the approval of more than 75% of the voting rights exercised on an ordinary resolution. The amendments will only become effective if the Scheme is declared unconditional and, as a consequence, BSI is delisted.

Those BSI executives, who have an interest in SARS, will not vote their respective Shares on the resolution relating to the amendments to the rules of the SARS.

## 7. SOLVENCY AND LIQUIDITY

In proposing the Scheme, the Directors have taken cognisance of their duties and responsibilities in terms of section 46 of the Companies Act read with section 4 of the Companies Act pertaining to the solvency and liquidity of BSI. In this regard, the Directors reasonably confirm that, following the solvency and liquidity tests on BSI, the Company will satisfy the solvency and liquidity test immediately after payment of the Scheme Consideration.

## 8. FINANCIAL EFFECTS

The tables below set out the Financial Effects of the Transaction based on both the 2017 Year-End Results in compliance with Regulation 106(7)(c)(ii) of the Companies Regulations and paragraph 8.25(a) of the Listings Requirements, and the Interim Results in compliance with paragraph 8.25(b) of the Listings Requirements. The Financial Effects have been prepared for illustrative purposes only, in order to provide information about how the Transaction might have affected Shareholders had the Transaction been implemented on the dates indicated in the notes below.

Due to their nature, the Financial Effects may not fairly present the financial position, changes in equity, results of operations or cash flows of BSI after the Transaction. The preparation of the Financial Effects is the responsibility of the Directors.

The Financial Effects have been prepared in accordance with the Listings Requirements and the SAICA Guide. The accounting policies used in compiling the Financial Effects comply with IFRS and are consistent with those applied in compiling the 2017 Year-End Results.

### ***Financial Effects based on the 2017 Year-End Results in compliance with Regulation 106(7)(c)(ii) of the Companies Regulations and in compliance with paragraph 8.25(a) of the Listings Requirements***

	<b>Before the Transaction</b>	<b>After the Transaction Scenario 1</b>	<b>Percentage change %</b>	<b>After the Transaction Scenario 2</b>	<b>Percentage change %</b>
EPS (cents)	8.08	8.22	1.73	7.98	(1.24)
HEPS (cents)	1.42	0.20	(85.92)	0.70	(50.70)
NAVPS (cents)	102.7	113.4	10.42	107.3	4.48
NTAVPS (cents)	100.8	111.0	10.12	105.2	4.37
Total weighted average number of Shares in issue (excluding treasury shares)	695 653 071	577 225 991	(17.02)	636 439 531	(8.51)
Total number of Shares in issue (excluding treasury shares)	681 494 657	563 067 577	(17.38)	622 281 117	(8.69)

#### **Notes:**

1. Based on the 2017 Year-End Results.
2. Prepared on the assumption that Transaction took place on 1 April 2016 for purposes of the *pro forma* consolidated statement of comprehensive income and on 31 March 2017 for purposes of the *pro forma* consolidated statement of financial position.
3. The detailed Financial Effects and the notes thereto are set out in **Annexure 3** to this Circular.
4. The Reporting Account's Assurance Report on the Financial Effects is set out in **Annexure 2** to this Circular.

**Financial Effects based on the Interim Results in compliance with paragraph 8.25(b) of the Listings Requirements**

	<b>Before the Transaction</b>	<b>After the Transaction Scenario 1</b>	<b>Percentage change %</b>	<b>After the Transaction Scenario 2</b>	<b>Percentage change %</b>
EPS (cents)	1.4	0.7	(50.00)	0.9	(35.71)
HEPS (cents)	1.6	0.9	(43.75)	1.1	(31.25)
NAVPS (cents)	106.1	117.7	10.93	111.2	4.81
NTAVPS (cents)	104.5	115.7	10.72	109.4	4.69
Total weighted average number of Shares in issue (excluding treasury shares)	676 361 626	557 934 546	(17.51)	617 148 086	(8.75)
Total number of Shares in issue (excluding treasury shares)	674 871 605	556 444 525	(17.55)	615 658 065	(8.77)

**Notes:**

1. Based on the Interim Results.
2. Prepared on the assumption that Transaction took place on 1 April 2017 for purposes of the *pro forma* consolidated statement of comprehensive income and on 30 September 2017 for purposes of the *pro forma* consolidated statement of financial position.
3. The detailed Financial Effects and the notes thereto are set out in **Annexure 3** to this Circular.
4. The Reporting Account's Assurance Report on the Financial Effects is set out in **Annexure 2** to this Circular.

**9. LITIGATION STATEMENT**

The Board is not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened that may have or may have had in the 12 months preceding the Last Practicable Date a material effect on the Group's financial position.

**10. TAX IMPLICATIONS FOR SCHEME PARTICIPANTS**

The tax position in terms of current South African tax laws is set out below. Notwithstanding this paragraph 10 or anything else contained in this Circular, the tax implications of the Scheme on Scheme Participants will depend on the individual circumstances of each Scheme Participant. Accordingly, Shareholders are advised to obtain independent tax advice in relation to the tax implications of the Scheme if they are in any doubt whatsoever about their tax position.

**Position of South African tax resident Scheme Participants**

The Scheme Consideration of 50 cents per Share to be paid in cash for each Share re-acquired, will comprise entirely of contributed tax capital ("**CTC**"). The Scheme Consideration will therefore constitute "proceeds" for capital gains tax purposes. To the extent that the Scheme Consideration exceeds the "base cost" of the Shares, such difference will constitute a capital gain, which capital gain will be taxable at the applicable effective capital gains tax rate in the hands of the Scheme Participants.

**Position of non-South African tax resident Scheme Participants**

The Scheme Consideration will not have any tax consequences in South Africa for non-South African tax resident Scheme Participants.

**Securities Transfer Tax**

The securities transfer tax payable in respect of the transfer of the Shares that are re-acquired by BSI in terms of the Scheme shall be borne and paid by either:

- where the repurchase is effected by a "participant" (as such term is defined in terms of section 1 of the Securities Transfer Tax Act, 25 of 2007), the "participant"; or
- where the transfer is not effected by a "participant", BSI.

The aforementioned summary of the tax implications does not constitute legal or tax advice and is based on promulgated tax law and practice and, as indicated, includes the draft Taxation Laws Amendment Bill 2017 published on 19 July 2017. Where Scheme Participants are in doubt regarding the tax implications of the Scheme, it is recommended that, prior to taking any action to participate in the Scheme, Scheme Participants seek appropriate tax advice.

#### 11. FUNDING OF THE SCHEME CONSIDERATION

Should all Shareholders (excluding the Irrevocable Parties and treasury shares), follow the Exit Election, or are subject to the Default Position, the maximum Scheme Consideration that will be required is R59 213 540. The funds to settle the Scheme Consideration are in place and will be settled from a facility currently in place with Nedbank Limited.

#### 12. IRREVOCABLE UNDERTAKINGS

##### Irrevocable undertakings with regard to voting at the General Meeting

Details of the Irrevocable Undertakings in terms of which the Irrevocable Parties have undertaken to vote in favour of the Resolutions, which irrevocable undertakings are available for inspection as envisaged in paragraph 19 of this Circular, are set out below.

Irrevocable Party	Number of Shares subject to the Irrevocable Undertakings	Percentage holding % <sup>1</sup>
Basfour	95 156 595	27.24
Jamand Trust	77 319 349	22.13
Vunani Capital Proprietary Limited	20 150 000	5.77
NG Payne	20 000 000	5.72
Paul Arnott Family Trust	19 561 640	5.60
Craig Parry Family Trust	15 000 000	4.29
WA and AJ Payne	10 400 000	2.98
GDG MacKenzie	7 921 740	2.27
<b>Total</b>	<b>265 509 324</b>	<b>76.00</b>

##### Notes:

1. Based on 349 374 764 Shares in issue which excludes 44 983 391 treasury shares and Battershill Investments and WL Battershill's Shares (325 496 841 Shares held as a controlling Shareholder) as at the Last Practicable Date.
2. Save for Jamand Trust, there have been no dealings in Shares by any of the parties disclosed above for the period commencing six months prior to the Scheme Announcement and ending on the Last Practicable Date. Jamand Trust sold 12 000 shares on 29 May 2017 for a consideration of 40 cents per Share.

## Irrevocable undertakings with regard to following the Continuation Election

The following Irrevocable Parties have provided irrevocable undertakings to follow the Continuation Election, which irrevocable undertakings are available for inspection as envisaged in paragraph 19 of this Circular, are set out below:

<b>Irrevocable Party</b>	<b>Number of Shares subject to the Irrevocable Undertakings</b>	<b>Percentage holding %<sup>1</sup></b>
Battershill Investments and WL Battershill	325 496 841	45.22
Basfour	95 156 595	13.22
Jamand Trust	77 319 349	10.74
Vunani Capital Proprietary Limited	20 150 000	2.80
NG Payne	20 000 000	2.78
WA and AJ Payne	10 400 000	1.44
GDG MacKenzie	7 921 740	1.10
<b>Total</b>	<b>556 444 525</b>	<b>77.30</b>

### Notes:

1. Based on 719 854 996 Shares in issue as at the Last Practicable Date.
2. Save for Jamand Trust, there have been no dealings in Shares by any of the parties disclosed above for the period commencing six months prior to the Scheme Announcement and ending on the Last Practicable Date. Jamand Trust sold 12 000 shares on 29 May 2017 for a consideration of 40 cents per Share.

## 13. OPINIONS AND RECOMMENDATIONS

### 13.1 Independent Board's opinion

The Independent Board has been tasked to consider whether the terms and conditions of the Scheme (including the Scheme Consideration) are fair and/or reasonable to Shareholders. In discharging its obligations, the Independent Board undertook an independent assessment of the terms and conditions of the Scheme and engaged the Independent Expert to provide the Independent Expert's Report on the Scheme.

The opinion expressed in the Independent Expert's Report on the Scheme is that the Scheme Consideration is fair and reasonable. The Independent Expert's Report on the Scheme is attached as **Annexure 1** to this Circular and such report had not been withdrawn prior to the Last Practicable Date.

The Independent Board, taking into account the fair and reasonable opinion of the Independent Expert, has considered the terms and conditions of the Scheme (including the Scheme Consideration) and is of the opinion that the terms and conditions thereof (including the Scheme Consideration) are fair and reasonable to Shareholders. In particular, the Independent Board has considered the fair value ranges determined by the Independent Expert and has placed reliance on the valuation by the Independent Expert.

Shareholders are also referred to the below extract from the Chairman's Report set out in the BSI Integrated Annual Report 2017 regarding the Tower Trade Group ("TTG").

"I gave a comprehensive overview of the TTG situation last year, which you are encouraged to read in context with the following update.

Two BSI directors, William Battershill and Nigel Payne have been appointed as non-executive directors on the TTG board, with Mr Battershill as chairman. Whilst we do not control TTG, this has given us greater insights into its business and the ability to contribute to its strategy and key decisions. TTG has stabilised but, notwithstanding a promising start, it did not meet its 2017 budget.

We are in the process of a major restructure, aimed at significantly reducing operational costs. One of the biggest burdens TTG carries is interest on various loans, including the loan from BSI Africa. Part of the restructuring may include, *inter alia*, a reduction or deferral of interest, and/ or a partial loan capitalisation.

There has been significant focus on the revamped TTG business model targeting larger clients and robust joint venture partnerships, with a significantly lower risk profile. We have some exciting prospects, which, if secured, will significantly improve the profitability of TTG and will in due course enable the full repayment of the BSI Africa loan exposure. Failure to secure this upside will result in TTG being marginally profitable and perhaps only showing incremental growth. These possible outcomes have been modelled in various valuations of TTG, but are subject to judgement as to the probability of achieving each outcome. Whilst every effort is being made in this regard, we are currently not able to determine the probability of success nor the likely timing thereof, nor were we able to provide our external auditors with appropriate auditable evidence.

We understand that the auditor's requirements differ from our board's assessment of the risks and probabilities of success. We thus refer shareholders to the report of the BSI Audit Committee and to the qualified external audit report. Never the less, TTG paid BSI \$1.8 million as a consequence of a lower than expected recovery from Lloyds insurance, being proceeds from the claim related to the delinquent debtor in the USA, see Chairman's report from last year. This has been apportioned to settle interest due until December 2017. No capital repayments have been received to date.

The TTG Board has been working hard to introduce a new equity partner to reduce debt and repay BSI a significant portion of the outstanding loan. This process is frustrated by TTG's poor performance, but this is offset somewhat by the excellent operating platform TTG have in place. Such Intellectual Property is of interest to a number of players and we believe there is underlying value in the business."

As noted in the Interim Results, Tower Trade Group has been restructured to reduce costs to meet tough business conditions in the UK and Europe. Performance for the H1 has been below expectations, however, the cost savings of the restructure will only be apparent in the H2. The business has developed some good products and has an excellent in-house software program to support trading transactions.

Further to the uncertainties surrounding TTG and the recoverability of the loan to TTG, as noted in the 2017 Integrated Report and Interim Results, the audit opinion regarding the results for the year-ended 31 March and the review opinion regarding the results for the six months ended 30 September 2017 were qualified.

Save for the uncertainties surrounding TTG and the recoverability of the loan to TTG which was R201.9 million as at 30 September 2017, the Independent Board is not aware of any factors that are difficult to quantify or are unquantifiable as envisaged in Regulation 110(6) of the Takeover Regulations.

Accordingly, after taking into account the status of TTG and the opinion expressed in the Independent Expert's Report, the Independent Board recommends that Shareholders vote in favour of the resolutions relating to the Scheme at the General Meeting.

### 13.2 **Board's opinion**

The Board, has considered the terms and conditions of the Scheme and the Independent Expert's Report on the Scheme set out in **Annexure 1** to this Circular, confirms that the Scheme Consideration is fair insofar as the Shareholders (excluding any Related Parties) are concerned and that the Board has been so advised by the Independent Expert, and recommends that Shareholders vote in favour of the resolutions relating to the Scheme at the General Meeting.

Those Directors and their Associates who hold Shares, where permitted to vote, intend to vote in favour of all the resolutions to be proposed at the General Meeting.

In terms of Regulation 106(7)(a) of the Takeover Regulations, the Board confirms that no offer has been received by the Company in the six months preceding the Last Practicable Date.

## 14. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Independent Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this Circular and certify that, to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law.

The Directors, whose names are stated on page 16 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and certify that, to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

#### 15. **CONSENTS**

Each of Sasfin Capital, Deloitte & Touche, BDO, Werksmans and the Transfer Secretary, have consented in writing to act in the capacities stated and the inclusion of their names, and, where applicable, their reports in the form and context in which they appear in this Circular, and have not withdrawn their consents prior to the Last Practicable Date.

#### 16. **DELISTING**

Subject to the Scheme becoming unconditional and being implemented, the Delisting of Shares from Alt<sup>x</sup> will take place from the commencement of trading on the Business Day following the Operative Date.

#### 17. **EXPENSES**

It is estimated that the total expenses relating to the Scheme will amount to approximately R2.234 million (costs are exclusive of VAT) and includes the following:

<b>Description</b>	<b>Estimated amount R'000</b>
Corporate Advisor and Designated Advisor – Sasfin Capital	1 000
Independent Expert – BDO	250
Reporting Accountant – Deloitte & Touche	100
Legal Advisor – Werksmans	310
TRP	92
JSE document fees	29
Printing and postage	150
Securities Transfer Tax (assuming 118 577 080 shares are re-acquired)	148
Competition Commission filing fee	150
Exchange control approval	5
<b>Total</b>	<b>2 234</b>

#### 18. **NOTICE OF GENERAL MEETING**

The General Meeting will be held at the Company's registered office, 46 Eden Park Drive, Murray Park, Mkondeni, Pietermaritzburg, 3201 at 10:00 on Wednesday, 24 January 2018 (or any other adjourned or postponed date and time in accordance with the provisions of section 64 of the Companies Act and the MOI, as read with the Listings Requirements) to consider and, if deemed fit, approve, with or without modification, the resolutions required to implement the Scheme.

The Notice convening the General Meeting and a Form of Proxy (*white*) for use by Certificated Shareholders and Own-Name Dematerialised Shareholders who are unable to attend the General Meeting, are attached to and form part of this Circular.



## 19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, are available for inspection at the registered office of the Company and that of the Corporate Advisor and Designated Advisor from the date of issue of this Circular, up to and including Wednesday, 24 January 2017:

- the Irrevocable Undertakings as referred to in paragraph 12 of this Circular;
- the signed report of the Independent Expert set out in **Annexure 1** to this Circular;
- the signed Reporting Accountant's Assurance Report on the Financial Effects set out in **Annexure 2** to this Circular;
- the letter issued by the TRP approving this Circular in terms of Regulation 117 of the Takeover Regulations;
- a signed copy of this Circular;
- the Company's, and the Company's major Subsidiaries' memoranda of incorporation;
- BSI's annual financial statements for the years ended 31 March 2017; 2016 and 2015;
- the Interim Results;
- the 2017 Year-End Results;
- the 2016 Year-End Results;
- the SARS rules; and
- the proposed amendments to the SARS rules.

## 20. DOCUMENTS INCORPORATED BY REFERENCE

The following reports and documents:

- the SARS rules; and
- the proposed amendments to the SARS rules

have been incorporated by reference as contemplated in paragraph 11.61 of the Listings Requirements and can be accessed on the Company's website using the following link: <https://www.bsisteel.com>.

The reports can also be inspected as envisaged in paragraph 19 above.

This Circular was signed at Pietermaritzburg on behalf of all the Directors in terms of resolutions passed by the Board.

### **William Battershill**

*Executive Chairman and Chief Executive Officer*

Pietermaritzburg  
14 December 2017

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## INDEPENDENT EXPERT'S REPORT ON THE SCHEME

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"The Board and the Independent Board  
BSI Steel Limited  
46 Eden Park Drive  
Mkondeni  
Pietermaritzburg  
3201

14 December 2017

Dear Sirs/Madam

### **REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO BSI STEEL LIMITED ("BSI") REGARDING THE PROPOSED SCHEME OF ARRANGEMENT TO BE PROPOSED BY THE INDEPENDENT BOARD BETWEEN BSI AND ITS SHAREHOLDERS IN TERMS OF WHICH BSI MAY RE-ACQUIRE SHARES FROM ITS SHAREHOLDERS AND THE PROPOSED DELISTING OF THE COMPANY**

#### **INTRODUCTION**

In terms of the firm intention announcement published by BSI Steel Limited ("**BSI**" or the "**Company**") on the Stock Exchange News Service ("**SENS**") of the exchange operated by the JSE Limited ("**JSE**") on Wednesday, 29 November 2017, holders of ordinary par value shares of 0.001 cents in the issued share capital of BSI ("**Shares**"), ("**Shareholders**") were advised of the firm intention by the Company to make an offer to acquire all or a portion of the Shares excluding Shares held by the Company for a cash consideration of R0.50 per Share ("**Scheme Shares**"), ("**Scheme Consideration**"), (the "**Scheme**").

The Scheme will be implemented by way of a scheme of arrangement in terms of section 114(1)(e) read together with section 115 of the Companies Act, 71 of 2008, as amended ("**Companies Act**"). The board of directors of BSI ("**Board**" or "**BSI Directors**") resolved that the Scheme be proposed by the independent board of BSI directors ("**Independent Board**") between BSI and its Shareholders ("**Scheme Participants**").

The listing of the Shares on the alternative exchange of the securities exchange operated by the JSE will be terminated pursuant to the Scheme becoming operative under paragraphs 1.13 to 1.15 of the JSE Limited Listings Requirements ("**Listings Requirements**") ("**Delisting**").

In terms of the Scheme, Shareholders will have the option to:

- elect to retain all or some of their Shares post Delisting ("**Continuation Election**"), which retained Shares will consequently not be acquired by BSI, and the Shares held by that Shareholder other than the retained shares (if any) shall be acquired by BSI pursuant to the Scheme for the Scheme Consideration; or
- validly elect to dispose of some or all of their Shares, which Shares being disposed of will be acquired by BSI for the Scheme Consideration ("**Exit Election**"), and which other Shares held by that Shareholder (if any) shall not be acquired by BSI pursuant to the Scheme.

The automatic default position will occur in respect of a Shareholder where that Shareholder has failed to validly make either the Continuation Election or the Exit Election in respect of all or some of the Shares held by it, and in this instance, such Shareholder will be deemed to have made the Exit Election in respect of all their Shares, and all of their Shares will, therefore, be acquired by BSI by way of expropriation ("**Default Position**") as contemplated in section 114(1)(c) of the Companies Act.

The Scheme and Delisting are collectively referred to as the "**Transaction**".

As at the date of this Independent Expert Report (as defined below), the authorised and issued share capital of the Company comprises the following:

- authorised ordinary par value share capital comprising 10 000 000 000 Shares of 0.001 cent each; and
- issued ordinary par value share capital comprising 674 871 605 Shares of 0.001 cent each (excluding treasury shares).

Treasury shares comprise 44 983 391 Shares held by Newcolab Proprietary Limited, a wholly-owned subsidiary of BSI.

The Transaction will directly or indirectly affect all Shareholders. More information on the material effects that the Transaction may have on the rights and interests of Shareholders is detailed in paragraph 3.6 of the circular to Shareholders dated on or about Friday, 22 December 2017 ("**Circular**"), which will include a copy of this Independent Expert Report.

Full details of the Transaction are set out in the Circular.

As at the last practicable date prior to the finalisation of the Circular, being Thursday, 14 December 2017 (the "**Last Practicable Date**"), BSI Directors (including any associates of the Directors and any director of the Board who resigned in the 18 months preceding the Last Practicable Date) held the following direct and indirect beneficial interests in Shares:

	Number of BSI Shares			Percentage shareholding <sup>1</sup>
	Direct beneficial interest	Indirect beneficial interest	Total	
<b>Non-executive</b>				
RG Lewis	270 975	–	270 975	0.04
BM Khoza	–	11 500	11 500	–
NG Payne	20 000 000	–	20 000 000	2.78
NM Anderson	86 000	–	86 000	0.01
<b>Executive</b>				
WL Battershill	307 130	325 850 390	326 157 520	45.31
C Parry	–	15 000 000	15 000 000	2.08
<b>Total</b>	<b>20 664 105</b>	<b>340 861 890</b>	<b>361 525 995</b>	<b>50.22</b>

<sup>1</sup> Percentage shareholding is calculated as a percentage of the total issued share capital of BSI, as at the Last Practicable Date.

Copies of sections 115 and 164 of the Companies Act are included as **Appendix A** to this report.

#### **FAIR AND REASONABLE OPINION REQUIRED IN TERMS OF THE COMPANIES ACT**

The Transaction is an affected transaction as defined in section 117(1)(c) of the Companies Act. In terms of section 114(2) of the Companies Act, as read with Regulations 90 and 110 of the Companies Regulations, 2011 ("**Companies Regulations**"), the Independent Board is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and Regulations 90 of the Companies Regulations (the "**Fair and Reasonable Opinion**").

BDO Corporate Finance Proprietary Limited ("**BDO Corporate Finance**") has been appointed as the independent expert by the Independent Board to assess the Scheme and the Scheme Consideration as required in terms of section 114 of the Companies Act and Regulations 90 of the Companies Regulations. The Fair and Reasonable Opinion set out herein is provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the Scheme and the Scheme Consideration for the benefit of Shareholders.

#### **FAIRNESS OPINION REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS**

In terms of paragraph 1.14(d) of the Listings Requirements, the Board is required to obtain a fairness opinion from an independent professional expert confirming whether the Scheme is fair insofar as Shareholders are concerned (the "**Fairness Opinion**") and to advise Shareholders accordingly.

BDO Corporate Finance has been appointed as the independent professional expert by the Board to provide the Fairness Opinion in respect of the Scheme.

The Fair and Reasonable Opinion and the Fairness Opinion are together referred to as the "**Independent Expert Report**".

#### **RESPONSIBILITY**

Compliance with the Listings Requirements, is the responsibility of the Board. Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Board and Independent Board on whether the terms and conditions of the Scheme and the Scheme Consideration are fair and reasonable to Shareholders.

## **DEFINITION OF THE TERMS “FAIR” AND “REASONABLE” APPLICABLE IN THE CONTEXT OF THE TRANSACTION**

The “fairness” of a transaction is primarily based on quantitative issues. A transaction will generally be considered to be fair to a company’s shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

An offer may be considered to be fair to shareholders if the offer consideration is equal to or greater than the fair value of an offer share, or unfair if the offer consideration is less than the fair value of an offer share. Furthermore, in terms of Regulation 110(8) of the Companies Regulations, an offer with a consideration per offeree regulated company security within the fair-value range is generally considered to be fair.

The assessment of reasonableness of the Scheme is generally based on qualitative considerations surrounding the transaction. Hence, even though the consideration to be paid in respect of an offer may be lower than the market value, the offer may be considered reasonable after considering other significant qualitative factors. The offer may be said to be reasonable if the offer consideration is greater than the trading price of an offer share as at the time of announcement of the offer consideration, or at some other more appropriate identifiable time.

## **DETAILS AND SOURCES OF INFORMATION**

In arriving at our opinion we have relied upon the following principal sources of information:

- the terms and conditions of the Transaction, as set out in the Circular;
- the Integrated Audited Annual Reports of BSI for the years ended 31 March 2016 and 2017;
- the unaudited management accounts of BSI, on a consolidated basis, for the year-to-date period ended 31 October 2017;
- historical and forecast financial information provided by BSI management, on a consolidated basis, for the years ending 31 March 2015 to 2022;
- discussions with BSI Directors, advisors and management regarding the rationale for the Transaction;
- discussions with BSI Directors, advisors and management regarding the historical and forecast financial information of the Company;
- discussions with BSI Directors, advisors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- publicly available information relating to the steel industry in general; and
- publicly available information relating to BSI that we deemed to be relevant, including Company announcements and media articles.

The information above was secured from:

- BSI Directors and management of BSI and their advisors; and
- third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing BSI.

## **PROCEDURES**

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the Transaction:

- reviewed the terms and conditions of the Transaction;
- reviewed the audited and unaudited financial information related to BSI, as detailed above;
- reviewed and obtained an understanding from management as to the forecast information of BSI for the financial years ending 31 March 2018 to 2022 prepared by management of BSI. Considered the forecast cash flows and the basis of the assumptions therein including the prospects of the business of BSI. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and assessed the achievability thereof by considering historical information as well as macro-economic and industry-specific data;
- compiled forecast cash flows for BSI by using the forecast financial information as detailed above. Applied BDO Corporate Finance’s assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow (“**DCF**”) valuation of BSI;

- compiled a capitalisation of maintainable earnings valuation of BSI by using adjusted historical and forecast financial information and applied BDO Corporate Finance’s calculated earnings multiples based on market comparables to earnings before interest, taxation, depreciation and amortisation (“**EBITDA**”);
- performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the steel industry generally;
- held discussions with BSI Directors and management regarding the past and current business operations, regulatory requirements, financial condition and future prospects of the Company and such other matters as we have deemed relevant to our inquiry;
- held discussions with BSI Directors and management regarding the rationale for the Transaction and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- assessed the long-term potential of BSI;
- performed a sensitivity analysis on key assumptions included in the valuation;
- evaluated the relative risks associated with BSI and the steel industry;
- reviewed certain publicly available information relating to BSI and the steel industry that we deemed to be relevant, including Company announcements and media articles, including available analyst coverage; and
- where relevant, representations made by management and/or BSI Directors were corroborated by source documents or independent analytical procedures performed by us, to examine and understand the industry in which BSI operates, and to analyse external factors that could influence the business of BSI.

## **OTHER CONSIDERATIONS**

In arriving at our opinion, we have considered, in addition to the procedures referred to above, other key quantitative and qualitative factors, which are set out below:

- the rationale for the Transaction as set out in the Circular;
- the tradability of the Shares; and
- the Scheme Consideration with specific reference to the *pro forma* financial effects, as referred to in **Annexure 3** of the Circular.

## **ASSUMPTIONS**

We arrived at our opinion based on the following assumptions:

- that all agreements that have been entered into in terms of the Transaction will be legally enforceable as against the relevant parties thereto;
- that the Transaction will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisors of BSI; and
- that reliance can be placed on the financial information of BSI.

## **APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- placing reliance on audit reports in the financial statements of BSI;
- conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- determining the extent to which representations from management were confirmed by documentary and audited financial evidence as well as our understanding of BSI and the economic environment in which the Company operates.

## **LIMITING CONDITIONS**

This Independent Expert Report is provided in connection with and for the purposes of the Transaction. This Independent Expert Report does not purport to cater for each individual BSI Shareholder's perspective, but rather that of the general body of Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual Shareholders' decisions regarding the Transaction may be influenced by such Shareholders' particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of BSI relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of BSI will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of BSI and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

## **INDEPENDENCE, COMPETENCE AND FEES**

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the Scheme Shares or the Transaction, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulations 90(6)(i) and 90(3)(a) of the Companies Regulations, that we are independent in relation to the Transaction and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion and meet the criteria set out in section 114(2)(a) of the Companies Act.

We confirm that neither we, nor any person related to us (as contemplated in the Listings Requirements), have any relationship with BSI or with any party involved in the Delisting as contemplated in paragraph 5.12 of schedule 5 of the Listings Requirements and have not had such relationship within the immediately preceding two years.

Furthermore, we confirm that our professional fees of R250 000 (excluding VAT) are not contingent upon the success of the Transaction. Our fees are payable in cash and not payable in shares.

## **VALUATION APPROACH**

We have performed a valuation of BSI by applying the DCF methodology as the primary valuation methodology and the capitalisation of maintainable earnings methodology as a secondary methodology to support the results of the DCF valuation.

This valuation has been prepared on the basis of "Market Value". The generally accepted definition of "Market Value" is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.

The valuations were performed taking cognisance of risk and other market and industry factors affecting BSI. Additionally, sensitivity analyses were performed considering key value drivers.

Key internal value drivers to the DCF valuation included revenue growth, gross profit margins, EBITDA margins, the discount rate (represented by the weighted average cost of capital ("**WACC**")), working capital and capital

expenditure requirements. Sales value and volume growth are the main driver of expected revenues to be derived over the forecast period.

External value drivers, including; key macro-economic parameters such as, GDP growth, interest rates, exchange rates, headline inflation rates, commodity prevailing and forecast prices and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of BSI.

Our valuation results are also sensitive to sustainable gross profit margins, working capital balance movements and WACC applied in the DCF valuation.

## **VALUATION RESULTS**

In undertaking the valuation exercise above, we determined a valuation range of R0.50 to R0.59 per Scheme Share, with a most likely value, which approximates the mid-point of the valuation range, of R0.54 per Scheme Share. The core number for purposes of expressing our opinion, is considered to be at the lower value in the valuation range being R0.50 per Scheme Share. The Scheme Consideration is considered to be fair as it falls within the valuation range.

The valuation ranges above are provided solely in respect of this Independent Expert Report and should not be used for any other purposes.

## **THE SCHEME CONSIDERATION COMPARED TO THE TRADING PRICE**

The Scheme Consideration represents a premium of 66.7% and 68.2% to the volume weighted average price (“**VWAP**”) of the Shares on the JSE for the 30 days up to the last trading date immediately prior to the cautionary announcement and the announcement released on 14 August 2017 (“**Cautionary Announcement**”) and 29 November 2017 (“**Transaction Announcement**”), respectively.

## **KEY QUALITATIVE CONSIDERATIONS**

In arriving at our opinion, we have also considered the following key qualitative considerations in evaluating the reasonableness of the Transaction:

- the rationale for the Transaction as set out in the Circular;
- the fair value of the Scheme Consideration being at a premium to the 30-day VWAP of the Shares up to the last trading date immediately prior to the Cautionary Announcement and Transaction Announcement; and
- the limited tradability of Shares.

## **OPINION**

The Scheme Consideration represents a premium of 66.7% and 68.2% to the 30-day VWAP per Share on the JSE up to the last trading date immediately prior to the Cautionary Announcement and the Transaction Announcement, respectively, and within the suggested range calculated from our valuation. The rationale for the Transaction is set out in paragraph 2 of the Circular. We are not aware of any material adverse effects of the Transaction.

BDO Corporate Finance has considered the proposed terms and conditions of the Scheme, based upon and subject to the conditions set out herein, BDO Corporate Finance is of the opinion that the terms and conditions of the Scheme and the Scheme Consideration, in respect of the Scheme, are fair and reasonable.

For purposes of paragraph 1.14(d) of the Listings Requirements, BDO Corporate Finance confirms that it is of the opinion that the Scheme is fair insofar as the Shareholders are concerned.

Our opinion is necessarily based upon the information available to us up to 14 December 2017, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions to the Transaction, including any material regulatory and other approvals and consents required in connection with the Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this Independent Expert Report, which we are under no obligation to update, revise or re-affirm.

**CONSENT**

We hereby consent to the inclusion of this Independent Expert Report, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the Transaction, in the form and context in which they appear.

Yours faithfully

**N Lazanakis***Director***BDO Corporate Finance Proprietary Limited**

22 Wellington Road

Parktown

2193"



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**SECTION 115 AND SECTION 164 OF THE COMPANIES ACT**

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**“115: Required approval for transactions contemplated in Part A**

1. Despite section 65, and any provision of a company’s Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
  - (a) the disposal, amalgamation or merger, or scheme of arrangement:
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
    - (i) dispose of all or the greater part of its assets or undertaking;
    - (ii) amalgamate or merge with another company; or
    - (iii) implement a scheme of arrangement,the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of 25 section 119(6).
2. A proposed transaction contemplated in subsection (1) must be approved:
  - (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company’s Memorandum of Incorporation, as contemplated in section 64(2); and
  - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company’s holding company, if any, if:
    - (i) the holding company is a company or an external company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
  - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
3. Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
  - (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
  - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

4. For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
  - (a) required to be present or actually present, in determining whether the applicable quorum requirements are satisfied; or
  - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- 4A. In subsection (4), “act in concert” has the meaning set out in section 117(1)(b).
5. If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
  - (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
  - (b) treat the resolution as a nullity.
6. On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
  - (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
7. On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
  - (a) the resolution is manifestly unfair to any class of holders of the company’s securities; or
  - (a) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
8. The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
  - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that special resolution.
9. If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
  - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.”

#### **“164: Dissenting shareholders’ appraisal rights**

1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
2. If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
  - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in sections 112, 113, or 114,that notice must include a statement informing shareholders of their rights under this section.
3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
4. Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
  - (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
5. A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
  - (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company’s Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
6. The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders’ rights under this section.
7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
  - (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
  - (a) the shareholder’s name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.

9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
  - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b); the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (b) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
10. If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
11. Within five business days after the later of:
  - (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
12. Every offer made under subsection (11):
  - (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
13. If a shareholder accepts an offer made under subsection (12):
  - (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
  - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
  - (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
15. On an application to the court under subsection (14):
  - (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court:
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

- (iii) in its discretion may:
  - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
  - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
- (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
- (v) must make an order requiring:
  - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
  - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

15A. At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:

- (a) that shareholder must comply with the requirements of subsection 13(a); and
- (b) the company must comply with the requirements of subsection 13(b).

16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

17. If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:

- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
- (b) the court may make an order that:
  - (i) is just and equitable, having regard to the financial circumstances of the company; and
  - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

18. If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

19. For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:

- (a) the provisions of that section; or
- (b) the application by the company of the solvency and liquidity test set out in section 4.

20. Except to the extent:

- (a) expressly provided in this section; or
- (b) that the Panel rules otherwise in a particular case,

a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

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## REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE FINANCIAL EFFECTS

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"The Directors  
BSI Steel Limited  
Murrayfield Park  
Mkondeni  
Pietermaritzburg  
3201

**Dear Sir(s)/Madam**

### **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR FOR BSI STEEL LIMITED**

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of BSI Steel Limited and its subsidiaries ("**the group**") by the directors. The *pro forma* financial information, as set out in paragraph 8 and **Annexure 3** of the circular ("**the circular**"), to be dated on or about 22 December 2017, consists of *Pro forma* Consolidated statements of comprehensive income, *Pro forma* Consolidated statements of Financial Position and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("**JSE**") Listings Requirements and Regulation 106(7)(c)(ii) of the Companies Regulations, 2011 ("**the Companies Regulations**").

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in Paragraph 1 of the circular, on the group's financial position as at 31 March 2017 and 30 September 2017, and the group's financial performance for the period then ended, as if the corporate action or event had taken place at 1 April 2016 and 1 April 2017 respectively, being the commencement date of the financial period for the purposes of the consolidated statement of comprehensive income as at 31 March 2017 and 30 September 2017, being the last day of the financial period for the purposes of the consolidated statement of financial position. As part of this process, information about the group's financial position and financial performance has been extracted by the directors from the group's audited financial statements for the year-ended 31 March 2017, on which an auditors' report was issued on 14 September 2017 and contained a modified opinion; and the group's reviewed consolidated financial statements for the period ended 30 September 2017, on which a modified conclusion was issued on 14 December 2017.

#### **Directors' responsibility for the *pro forma* financial information**

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and the Companies Regulations and described in Paragraph 8 and **Annexure 3** of the circular.

#### **Quality control**

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Independence and other ethical requirements**

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), which is consistent with Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

#### **Reporting accountant's responsibility**

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements and the Companies Regulations based on our procedures performed. We conducted our engagement in

accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* which is applicable to engagements of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements and the Companies Regulations.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2017 and 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and the Companies Regulations and described in Paragraph 8 and **Annexure 3** of the circular.

## **Deloitte & Touche**

*Registered Auditor*

*Per:* **Camilla Howard-Browne**

*Partner*

14 December 2017

2 Pencarrow Park  
La Lucia Ridge Office Estate  
Pencarrow Crescent  
La Lucia  
Durban  
4051"

## PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION

The definitions and interpretations commencing on page 10 of this Circular apply to this Annexure.

The *pro forma* consolidated statements of comprehensive income and statements of financial position, before and after the Transaction, are the responsibility of the Directors and have been prepared for illustrative purposes only and, because of its nature, may not fairly present BSI's financial position, changes in equity, results of operations or cash flows.

The Reporting Accountant's Assurance Report on the Financial Effects is set out in **Annexure 2** to this Circular.

The Financial Effects have been compiled in accordance with the SAICA Guide and using accounting policies that comply with IFRS and that are consistent with those applied in the 2017 Year-End Results. The Financial Effects have been given no greater prominence than unadjusted financial figures, and are presented in a manner consistent with both the format and accounting policies adopted in the historical financial information. Adjustments have been quantified on the same basis as would normally be calculated in preparing financial statements.

The *pro forma* consolidated statements of comprehensive income and statements of financial position, after the Transaction, are set out below and have been prepared to illustrate the effect of the Transaction. The tables below sets out the Financial Effects of the Transaction based on the 2017 Year-End Results in compliance with Regulation 106(7)(c)(ii) of the Companies Regulations, and paragraph 8.25(a) of the Listings Requirements, and the Interim Results in compliance with paragraph 8.25(b) of the Listings Requirements.

**Financial Effects based on the 2017 Year-End Results in compliance with Regulation 106(7)(c)(ii) of the Companies Regulations and paragraph 8.25(a) of the Listings Requirements.**

### PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Before the Transaction <sup>(1)</sup>	The Transaction Scenario 1	After the Transaction Scenario 1 <sup>(2c)</sup>	The Transaction Scenario 2	After the Transaction Scenario 2 <sup>(2d)</sup>
<b>Revenue</b>	2 376 821		2 376 821		2 376 821
Cost of sales	2 105 449		2 105 449		2 105 449
<b>Gross profit</b>	<b>271 372</b>		<b>271 372</b>		<b>271 372</b>
Other operating income	5 347		5 347		5 347
<b>Total income</b>	<b>276 719</b>		<b>276 719</b>		<b>276 719</b>
Investment income	24 314		24 314		24 314
Finance costs	33 849	6 526 <sup>(2a)</sup>	40 375	3 263 <sup>(2a)</sup>	37 112
<b>Net interest income</b>	<b>(9 535)</b>	<b>(6 526)</b>	<b>(16 061)</b>	<b>(3 263)</b>	<b>(12 798)</b>
<b>Operating costs</b>					
Staff costs	127 105		127 105		127 105
Other operating expenses	92 524	2 234 <sup>(2b)</sup>	94 758	2 160 <sup>(2b)</sup>	94 684
Goodwill, equipment and intangible impairments	15 963		15 963		15 963
Impairment of iron ore	13 083		13 083		13 083
<b>Profit from operations</b>	<b>18 509</b>	<b>(8 760)</b>	<b>9 749</b>	<b>(5 423)</b>	<b>13 086</b>
Income tax expense	2 223		2 223		2 223
<b>Profit from continuing operations</b>	<b>16 286</b>	<b>(8 760)</b>	<b>7 526</b>	<b>(5 423)</b>	<b>10 863</b>
Discontinued operations	39 926		39 926		39 926
<b>Profit for the year</b>	<b>56 212</b>	<b>(8 760)</b>	<b>47 452</b>	<b>(5 423)</b>	<b>50 789</b>
<b>Earnings attributable to ordinary shareholders</b>	<b>56 212</b>	<b>(8 760)</b>	<b>47 452</b>	<b>(5 423)</b>	<b>50 789</b>



	Before the Transaction <sup>(1)</sup>	The Transaction Scenario 1	After the Transaction Scenario 1 <sup>(2c)</sup>	The Transaction Scenario 2	After the Transaction Scenario 2 <sup>(2d)</sup>
<b>Earnings per share (cents)</b>	<b>8.08</b>		<b>8.22</b>		<b>7.98</b>
<b>Headline earnings per share (cents)</b>	<b>1.42</b>		<b>0.20</b>		<b>0.70</b>
<b>Total weighted average number of Shares in issue (excluding treasury shares)</b>	<b>695 653 071</b>		<b>577 225 991</b>		<b>636 439 531</b>
<b>Reconciliation of earnings to headline earnings</b>					
Earnings attributable to ordinary shareholders	56 212		47 452		50 789
<i>Adjusted for:</i>					
Loss on disposal of property, land and equipment	(2)		(2)		(2)
Impairment of intangible and financial assets	6 480		6 480		6 480
Impairment of plant and machinery	3 767		3 767		3 767
Impairment of goodwill	5 716		5 716		5 716
Tax impact of the above adjustments	(4 469)		(4 469)		(4 469)
Profit on sale of subsidiaries	(10 127)		(10 127)		(10 127)
Realisation of foreign currency translation reserve	(47 681)		(47 681)		(47 681)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>9 896</b>		<b>1 136</b>		<b>4 473</b>

**Notes:**

1. The "Before the Transaction" column has been extracted without adjustment from the 2017 Year-End Results. The Financial Effects illustrate the effect of the Transaction on BSI's EPS and HEPS as if the Transaction had become effective on 1 April 2016 for purposes of the statements of comprehensive income.
2. The "After the Transaction Scenario 1 and 2" calculations take into account the following adjustments and assumptions:
  - (a) the interest payable on borrowings incurred in order to fund the Transaction, at an interest rate of prime;
  - (b) the estimated transaction costs to execute the Transaction being R2.234 million and R2.160 million before tax in respect of Scenario 1 and Scenario 2 respectively;
  - (c) based on the assumption that no Continuation Elections besides those relating to the Irrevocable Shares (and excluding treasury shares) are received and 118 427 080 Shares are re-acquired and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 16.45% of the Shares in the issued share capital of BSI will be re-acquired by BSI;
  - (d) based on the assumption that the Continuation Election is made in respect of 50% of the Shares besides those relating to the Irrevocable Shares (and excluding treasury shares) and 59 213 540 Shares are re-acquired and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 8.23% of the Shares in the issued share capital of BSI will be re-acquired by BSI; and
  - (e) the transaction costs adjustment referred to in note (2b) is not expected to have a continuing effect on BSI i.e. is "once-off" in nature and the interest payable on borrowings in note (2a) is expected to continue.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Before the Transaction <sup>(1)</sup> R'000	The Transaction Scenario 1 <sup>(2)</sup> R'000	After the Transaction Scenario 1 <sup>(2b)</sup> R'000	The Transaction Scenario 2 <sup>(2)</sup> R'000	After the Transaction Scenario 2 <sup>(2c)</sup> R'000
<b>ASSETS</b>					
Property, plant and equipment	299 547		299 547		299 547
Goodwill	8 990		8 990		8 990
Intangible assets	4 095		4 095		4 095
Investments in joint ventures	11 912		11 912		11 912
Loans to group companies	195 257		195 257		195 257
Deferred tax	16 164		16 164		16 164
Inventories	333 659		333 659		333 659
Loans to group companies	24 368		24 368		24 368
Trade and other receivables	520 106		520 106		520 106
Other financial assets	9 000		9 000		9 000
Current tax receivables	10 077		10 077		10 077
Cash and cash equivalents	31 072	(2 234) <sup>(2d)</sup>	28 838	(2 160) <sup>(2d)</sup>	28 912
Non-current assets held for sale	29 195		29 195		29 195
<b>Total assets</b>	<b>1 493 442</b>	<b>(2 234)</b>	<b>1 491 208</b>	<b>(2 160)</b>	<b>1 491 282</b>
<b>LIABILITIES</b>					
Other financial liabilities	44 490	59 214 <sup>(2a)</sup> & <sub>(2b)</sub>	103 704	29 607 <sup>(2a)</sup> & <sub>(2c)</sub>	74 097
Other long term liabilities	155 612		155 612		155 612
Bank overdraft	228 214		228 214		228 214
Liabilities of disposal groups	3 912		3 912		3 912
<b>Total funding</b>	<b>432 228</b>	<b>59 214</b>	<b>491 442</b>	<b>29 607</b>	<b>461 835</b>
Deferred tax	21 081		21 081		21 081
Trade and other payables	339 932		339 932		339 932
Current tax payable	469		469		469
<b>Total liabilities</b>	<b>361 482</b>		<b>361 482</b>		<b>361 482</b>
<b>EQUITY</b>					
Share capital and share premium	102 560	(59 214) <sup>(2b)</sup>	43 346	(29 607) <sup>(2c)</sup>	72 953
Reserves	597 315	(2 234) <sup>(2d)</sup>	595 081	(2 160) <sup>(2d)</sup>	597 155
Non-controlling interest	(143)		(143)		(143)
<b>Total equity</b>	<b>699 732</b>	<b>(61 448)</b>	<b>638 284</b>	<b>(31 767)</b>	<b>667 965</b>
<b>Total equity and liabilities</b>	<b>1 493 442</b>	<b>(2 234)</b>	<b>1 491 208</b>	<b>(2 160)</b>	<b>1 491 282</b>
<b>NAVPS (cents)</b>	<b>102.7</b>		<b>113.4</b>		<b>107.3</b>
<b>NTAVPS (cents)</b>	<b>100.8</b>		<b>111.0</b>		<b>105.2</b>
<b>Total number of Shares in issue (excluding treasury shares)</b>	<b>681 494 657</b>		<b>563 067 577</b>		<b>622 281 117</b>

**Notes:**

- The "Before the Transaction" column has been extracted without adjustment from the 2017 Year-End Results. The Financial Effects illustrate the effect of the Transaction on BSI's NAVPS and NTAVPS as if the Transaction had become effective as at 31 March 2017 for purposes of the statement of financial position.
- The "After the Transaction Scenario 1 and 2" calculations take into account the following adjustments and assumptions:
  - To take into account the debt raised to re-acquire the Scheme Shares.
  - Based on the assumption that no Continuation Elections, besides those relating to the Irrevocable Shares (and excluding treasury shares), are received and 118 427 080 Shares are re-acquired at 50 cents per share and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 16.45% of the Shares in the issued share capital of BSI will be re-acquired by BSI and R59.214 million paid to Shareholders.
  - Based on the assumption that the Continuation Election is made in respect of 50% of the Shares besides those relating to the Irrevocable Shares (and excluding treasury shares) and 59 213 540 Shares are re-acquired at 50 cents per share and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 8.23% of the Shares in the issued share capital of BSI will be re-acquired by BSI and R29.607 million paid to Shareholders.
  - After taking into account the estimated transaction costs to execute the Transaction as referred to in note 2b) to the *pro forma* consolidated statement of comprehensive income above.
  - There are no other subsequent events that require adjustments to the *pro forma* financial information.

**Financial Effects based on the Interim Results in compliance with paragraph 8.25(b) of the Listings Requirements**

**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Before the Transaction <sup>(1)</sup> R'000	The Transaction Scenario 1 <sup>(2)</sup> R'000	After the Transaction Scenario 1 R'000 <sup>(2c)</sup>	The Transaction Scenario 2 <sup>(2)</sup> R'000	After the Transaction Scenario 2 R'000 <sup>(2d)</sup>
Revenue	1 433 615		1 433 615		1 433 615
Cost of sales	1 321 656		1 321 656		1 321 656
<b>Gross profit</b>	<b>111 959</b>		<b>111 959</b>		<b>111 959</b>
Other operating income	1 746		1 746		1 746
<b>Total income</b>	<b>113 705</b>		<b>113 705</b>		<b>113 705</b>
Investment income	9 990		9 990		9 990
Finance costs	14 957	3 152 <sup>(2a)</sup>	18 109	1 576 <sup>(2a)</sup>	16 533
<b>Net interest income</b>	<b>(4 967)</b>	<b>3 152</b>	<b>(8 119)</b>	<b>1 576</b>	<b>(6 543)</b>
<b>Operating costs</b>					
Staff costs	45 923		45 923		45 923
Other operating expenses	50 553	2 234 <sup>(2b)</sup>	52 787	2 160 <sup>(2b)</sup>	52 713
Goodwill, equipment and intangible impairments	1 550		1 550		1 550
Impairment of iron ore	–		–		–
<b>Profit from operations</b>	<b>10 712</b>	<b>(5 386)</b>	<b>5 326</b>	<b>(3 736)</b>	<b>6 976</b>
Income tax expense	275		275		275
<b>Profit from continuing operations</b>	<b>10 987</b>	<b>(5 386)</b>	<b>5 601</b>	<b>(3 736)</b>	<b>7 251</b>
Discontinued operations	(1 085)		(1 085)		(1 085)
<b>Profit for the year</b>	<b>9 902</b>	<b>(5 386)</b>	<b>4 516</b>	<b>(3 736)</b>	<b>6 166</b>
<b>Earnings attributable to ordinary shareholders</b>	<b>9 508</b>	<b>(5 386)</b>	<b>4 122</b>	<b>(3 736)</b>	<b>5 772</b>
<b>Earnings attributable to non-controlling shareholders</b>	<b>394</b>		<b>394</b>		<b>394</b>
<b>Earnings per share (cents)</b>					
<b>Headline earnings per share (cents)</b>	<b>1.4</b>		<b>0.7</b>		<b>0.9</b>
	<b>1.6</b>		<b>0.9</b>		<b>1.1</b>
<b>Total weighted average number of Shares in issue (excluding treasury shares)</b>	<b>676 361 626</b>		<b>557 934 546</b>		<b>617 148 086</b>
<b>Reconciliation of earnings to headline earnings</b>					
Earnings attributable to ordinary shareholders	9 508		4 122		5 772
<i>Adjusted for:</i>					
Loss on disposal of property, land and equipment	(9)		(9)		(9)
Impairment of plant and machinery	1 550		1 550		1 550
Tax impact of adjustments	(431)		(431)		(431)
<b>Headline earning attributable to ordinary shareholders</b>	<b>10 618</b>		<b>5 232</b>		<b>6 882</b>

**Notes:**

- The "Before the Transaction" column has been extracted without adjustment from the Interim Results. The Financial Effects illustrate the effect of the Transaction on BSI's EPS and HEPS as if the Transaction had become effective on 1 April 2017 for purposes of the statements of comprehensive income.
- The "After the Transaction Scenario 1 and 2" calculations take into account the following adjustments and assumptions:
  - the interest payable on borrowings incurred in order to fund the Transaction, at an interest rate of prime;

- (b) the estimated transaction costs to execute the Transaction being R2.234 million and R2.160 million before tax in respect of Scenario 1 and Scenario 2 respectively;
- (c) based on the assumption that no Continuation Elections besides those relating to the Irrevocable Shares (and excluding treasury shares) are received and 118 427 080 Shares are re-acquired and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 16.45% of the Shares in the issued share capital of BSI will be re-acquired by BSI;
- (d) based on the assumption that the Continuation Election is made in respect of 50% of the Shares besides those relating to the Irrevocable Shares (and excluding treasury shares) and 59 213 540 Shares are re-acquired and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 8.23% of the Shares in the issued share capital of BSI will be re-acquired by BSI; and
- (e) the transaction costs adjustment referred to in note (2b) is not expected to have a continuing effect on BSI i.e. is "once-off" in nature and the interest payable on borrowings in note (2a) is expected to continue.

## PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Before the Transaction <sup>(1)</sup> R'000	The Transaction Scenario 1 <sup>(2)</sup> R'000	After the Transaction Scenario 1 <sup>(2b)</sup> R'000	The Transaction Scenario 2 <sup>(2)</sup> R'000	After the Transaction Scenario 2 <sup>(2c)</sup> R'000
<b>ASSETS</b>					
Property, plant and equipment	262 100		262 100		262 100
Goodwill	8 990		8 990		8 990
Intangible assets	2 074		2 074		2 074
Investments in joint ventures	11 909		11 909		11 909
Loans to group companies	201 942		201 942		201 942
Deferred tax	16 786		16 786		16 786
Inventories	278 565		278 565		278 565
Loans to group companies	141		141		141
Trade and other receivables	600 309		600 309		600 309
Other financial assets	9 627		9 627		9 627
Current tax receivables	11 792		11 792		11 792
Cash and cash equivalents	19 216	(2 234) <sup>(2d)</sup>	16 982	(2 160) <sup>(2d)</sup>	17 056
Non-current assets held for sale	52 686		52 686		52 686
<b>Total assets</b>	<b>1 476 137</b>	<b>(2 234)</b>	<b>1 473 903</b>	<b>(2 160)</b>	<b>1 473 977</b>
<b>LIABILITIES</b>					
Other financial liabilities	27 766	59 214 <sup>(2a) &amp; (2b)</sup>	86 980	29 607 <sup>(2a) &amp; (2c)</sup>	57 373
Other long-term liabilities	149 413		149 413		149 413
Bank overdraft	222 411		222 411		222 411
Liabilities of disposal groups	7 195		7 195		7 195
<b>Total funding</b>	<b>406 785</b>	<b>59 214</b>	<b>465 999</b>	<b>29 607</b>	<b>436 392</b>
Deferred tax	19 152		19 152		19 152
Trade and other payables	330 520		330 520		330 520
Current tax payable	3 368		3 368		3 368
<b>Total liabilities</b>	<b>353 040</b>		<b>353 040</b>		<b>353 040</b>
<b>EQUITY</b>					
Share capital and share premium	99 788	(59 214) <sup>(2b)</sup>	40 574	(29 607) <sup>(2c)</sup>	70 181
Reserves	616 273	(2 234) <sup>(2d)</sup>	614 039	(2 160) <sup>(2d)</sup>	614 113
Non-controlling interest	251		251		251
<b>Total equity</b>	<b>716 312</b>	<b>(61 448)</b>	<b>654 864</b>	<b>(31 767)</b>	<b>684 545</b>
<b>Total equity and liabilities</b>	<b>1 476 137</b>	<b>(2 234)</b>	<b>1 473 903</b>	<b>(2 160)</b>	<b>1 473 977</b>
<b>NAVPS (cents)</b>	<b>106.1</b>		<b>117.7</b>		<b>111.2</b>
<b>NTAVPS (cents)</b>	<b>104.5</b>		<b>115.7</b>		<b>109.4</b>
<b>Total number of Shares in issue (excluding treasury shares)</b>	<b>674 871 605</b>		<b>556 444 525</b>		<b>615 658 065</b>

**Notes:**

1. The "Before the Transaction" column has been extracted without adjustment from the Interim Results. The Financial Effects illustrate the effect of the Transaction on BSI's NAVPS and NTAVPS as if the Transaction had become effective as at 30 September 2017 for purposes of the statement of financial position.
2. The "After the Transaction Scenario 1 and 2" calculations take into account the following adjustments and assumptions:
  - (a) to take into account the debt raised to re-acquire the Scheme Shares;
  - (b) based on the assumption that no Continuation Elections are received besides those relating to the Irrevocable Shares (and excluding treasury shares) and 118 427 080 Shares are re-acquired at 50 cents per share and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 16.45% of the Shares in the issued share capital of BSI will be re-acquired by BSI and R59.214 million paid to Shareholders;
  - (c) based on the assumption that the Continuation Election is made in respect of 50% of the Shares besides those relating to the Irrevocable Shares (and excluding treasury shares) and 59 213 540 Shares are re-acquired at 50 cents per share and cancelled rendering such Shares as having the same status as Shares that have been authorised but not issued. On this basis, 8.23% of the Shares in the issued share capital of BSI will be re-acquired by BSI and R29.607 million paid to Shareholders;
  - (d) after taking into account the estimated transaction costs to execute the Transaction as referred to in note (2b) to the *pro forma* consolidated statement of comprehensive income above;
  - (e) there are no other subsequent events that require adjustments to the *pro forma* financial information.

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## EXCHANGE CONTROL REGULATIONS

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*The definitions and interpretations commencing on page 10 of this Circular apply to this Annexure.*

### 1. FOREIGN SHAREHOLDERS

The Scheme may be affected by the laws of the relevant jurisdiction of a Foreign Shareholder. A Foreign Shareholder should acquaint itself about and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect it. It is the responsibility of each Foreign Shareholder to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction.

The Scheme is governed by the laws of South Africa and is subject to any applicable laws and regulations, including the Exchange Control Regulations.

Any Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

### 2. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which apply to Shareholders. Shareholders who have any queries regarding the Exchange Control Regulations should contact their own professional advisors without delay.

#### 2.1 Residents of the Common Monetary Area

In the case of:

Certificated Shareholders whose registered addresses in the register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Scheme Consideration will be transferred to such Shareholder by EFT; and

Dematerialised Shareholders whose registered addresses in the register are within the Common Monetary Area and whose accounts with their CSDP or Broker have not been restrictively designated in terms of the Exchange Control Regulations, the Scheme Consideration will be credited directly to the accounts nominated for the relevant Shareholder by their duly appointed CSDP or Broker in terms of the provisions of the custody agreement with their CSDP or Broker.

#### 2.2 Emigrants from the Common Monetary Area

In the case of the Scheme Participants being emigrants from the Common Monetary Area and whose Shares form part of their blocked assets, the Scheme Consideration will:

2.2.1 in the case where the Scheme Participants are Certificated Shareholders whose Documents of Title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the Authorised Dealer in foreign exchange controlling the Scheme Participant's blocked assets in terms of the Exchange Control Regulations. In this instance, the details of the Authorised Dealer concerned should be provided to BSI; or

2.2.2 in the case of the Scheme Participants being Dematerialised Shareholders, whose registered addresses in the Register are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, be paid to their Broker or CSDP, which shall arrange for same to be credited directly to the emigrant's capital account of the Scheme Participant concerned with their Authorised Dealer in foreign exchange.

### 2.3 **All other non-residents of the Common Monetary Area**

The Scheme Consideration due to a Certificated Shareholder who is a non-resident of South Africa and who has never resided in the Common Monetary Area, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited with the authorised dealer in foreign exchange in South Africa nominated by such Shareholder. It will be incumbent on the Shareholder concerned to instruct the nominated authorised dealer as to the disposal of the amounts concerned, against delivery of the relevant Documents of Title. The Form of Election (*blue*) attached to this Circular makes provision for this nomination required. If the information regarding the authorised dealer is not given, the Scheme Consideration will be held in trust by BSI for the Shareholders concerned pending receipt of the necessary information or instruction.

In the case of the Scheme Participants being Dematerialised Shareholders, the Scheme Consideration will be fully paid up and delivered to their duly appointed Broker or CSDP and credited to such Scheme Participant's in terms of the provisions of the Custody Agreement with their Broker or CSDP.

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**INTERIM RESULTS**


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The Interim Results as published on SENS on 14 December 2017, are set out below. The Interim Results are also available for inspection as contemplated in paragraph 19 of this Circular and available on the Company's website at the following link: <https://www.bsisteel.com>.

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**BSI Steel Limited**

(Incorporated in the Republic of South Africa)  
 (Registration number 2001/023164/06)  
 JSE code: BSS ISIN: ZAE000125134  
 (“BSI” or “the Company” or “the Group”)

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**Salient features**

- Decrease in NPAT of 66%
  - HEPS 1.6 cents per share
  - NTAV 105 cents per share
- 

**CONSOLIDATED CONDENSED FINANCIAL RESULTS**
**FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2017**
**Consolidated condensed statement of profit and loss**

	<b>Reviewed Six months ended 30 September 2017 R'000</b>	<b>Unaudited Six months ended 30 September 2016 R'000</b>	<b>Audited 12 months ended 31 March 2017 R'000</b>
Revenue	1 433 615	1 248 044	2 376 821
Gross profit	111 959	168 890	271 372
Other costs	(87 323)	(100 817)	(212 802)
Earnings before interest, taxation, depreciation and amortisation (“EBITDA”)	24 636	68 073	58 570
Depreciation and Amortisation	(8 966)	(11 380)	(17 443)
Profit before interest and taxation	15 670	56 693	41 129
Profit/(Loss) on disposal of assets	9	(106)	(2)
Interest received	9 990	5 991	14 187
Interest paid	(14 957)	(16 841)	(33 849)
Impairment of iron ore	–	–	(13 083)
Profit on disposal of subsidiaries	–	–	10 127
Profit before taxation	10 712	45 737	18 509
Taxation	275	(8 674)	(2 223)



	<b>Reviewed Six months ended 30 September 2017 R'000</b>	<b>Unaudited Six months ended 30 September 2016 R'000</b>	<b>Audited 12 months ended 31 March 2017 R'000</b>
Profit for the period from continuing operations	10 987	37 063	16 286
(Loss)/Profit from discontinued operations(*)	(1 085)	(8 123)	39 926
Profit for the period	9 902	28 940	56 212
Profit attributable to ordinary shareholders	9 508	28 940	56 212
Earnings attributable to non-controlling Shareholders	394	–	–
Earnings per share (cents) – continued operations	1.6	5.3	2.4
Earnings per share (cents) – discontinued operations	(0.2)	(1.1)	5.7
Total earnings per share (cents)	1.4	4.2	8.1
Reconciliation of headline earnings:			
Earnings attributable to ordinary shareholders	9 508	28 940	56 212
(Profit)/Loss on disposal of property, plant and equipment	(9)	33	(2)
Impairment of intangible and financial assets	–	–	6 480
Impairment of plant and machinery	1 550	–	3 767
Impairment of goodwill	–	–	5 716
Tax impact of adjustments	(431)	(9)	(4 469)
Profit on sales of subsidiaries	–	–	(10 127)
Realisation of foreign currency translation reserve on discontinued operations	–	–	(47 681)
Headline earnings attributable to ordinary shareholders(basic and diluted)	10 618	28 964	9 896
Weighted average shares in issue on which earnings are based ('000)	676 362	696 871	695 653
Headline earnings per share (cents) (basic and diluted)	1.6	4.2	1.4

(\*) This represents the result of the discontinuation of the Ghanaian operation during the 2014 year as well as the sale of the DRC operation in 2017.

#### **Consolidated condensed statement of other comprehensive income**

	<b>Reviewed 30 September 2017 R'000</b>	<b>Unaudited 30 September 2016 R'000</b>	<b>Audited 31 March 2017 R'000</b>
Profit for the period	9 902	28 940	56 212
<b>Other comprehensive income</b>			
Foreign currency translation reserve	1 040	(23 079)	(83 506)
Cash flow hedge	834	(3 205)	5 200
<b>Total comprehensive income/(loss)</b>	<b>11 776</b>	<b>2 656</b>	<b>(22 094)</b>

## Consolidated condensed statement of financial position

	Reviewed 30 September 2017 R'000	Unaudited 30 September 2016 R'000	Audited 31 March 2017 R'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	262 100	321 352	299 547
Goodwill	8 990	14 706	8 990
Intangible assets	2 074	7 050	4 095
Investments in joint ventures	11 909	12 362	11 912
Loans to group companies	201 942	223 932	195 257
Deferred taxation	16 786	16 077	16 164
	<b>503 801</b>	<b>595 479</b>	<b>535 965</b>
<b>Current assets</b>			
Inventories	278 565	438 056	333 659
Trade and other receivables	600 309	542 026	520 106
Current tax receivable	11 792	8 726	10 077
Other financial assets	9 627	4 250	9 000
Loans to group companies	141	163	24 368
Cash and cash equivalents	19 216	32 804	31 072
	<b>919 650</b>	<b>1 026 025</b>	<b>928 282</b>
Non-current assets held for sale	52 686	28 698	29 195
<b>Total assets</b>	<b>1 476 137</b>	<b>1 650 202</b>	<b>1 493 442</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Total shareholders' equity	716 061	733 021	699 875
Non-controlling interest	251	(143)	(143)
	<b>716 312</b>	<b>732 878</b>	<b>699 732</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other financial liabilities	6 306	32 336	19 120
Deferred taxation	19 152	20 090	21 081
Other liabilities	149 413	119 207	155 612
	<b>174 871</b>	<b>171 633</b>	<b>195 813</b>
<b>Current liabilities</b>			
Trade and other payables	330 520	454 200	339 932
Current tax payable	3 368	2 426	469
Other financial liabilities	21 460	38 211	25 370
Bank overdraft	222 411	245 895	228 214
	<b>577 759</b>	<b>740 732</b>	<b>593 985</b>
Liabilities of disposal group	7 195	4 959	3 912
<b>Total liabilities</b>	<b>759 825</b>	<b>917 324</b>	<b>793 710</b>
<b>Total equity and liabilities</b>	<b>1 476 137</b>	<b>1 650 202</b>	<b>1 493 442</b>
Number of shares in issue ('000)	674 872	696 871	681 495
Net asset value per share (cents)	106.1	105.2	102.7
Net tangible asset value per share (cents)	104.5	102.1	100.8

**Consolidated condensed statement of changes in equity**

	<b>Reviewed 30 September 2017 R'000</b>	<b>Unaudited 30 September 2016 R'000</b>	<b>Audited 31 March 2017 R'000</b>
<b>Equity holders' interest</b>			
Balance at beginning of period	699 875	743 062	743 062
Profit for the period	9 508	28 940	56 212
Foreign currency translation reserve	1 040	(23 079)	(83 506)
Cash flow hedge	834	(3 205)	5 200
Share-based payment provision	7 576	1 309	(1 079)
Dividends paid	–	(14 006)	(14 006)
Purchase of treasury shares	(2 772)	–	(6 008)
<b>Balance at end of period</b>	<b>716 061</b>	<b>733 021</b>	<b>699 875</b>
<b>Non-controlling interest</b>			
Balance at beginning of period	(143)	(143)	(143)
Profit for the period	394	–	–
<b>Balance at end of period</b>	<b>251</b>	<b>(143)</b>	<b>(143)</b>
<b>Total equity</b>	<b>716 312</b>	<b>732 878</b>	<b>699 732</b>

**Consolidated condensed statement of cash flows**

	<b>Reviewed 30 September 2017 R'000</b>	<b>Unaudited 30 September 2016 R'000</b>	<b>Audited 31 March 2017 R'000</b>
Cash flow from operations	(5 347)	(63 203)	(24 900)
Cash flows from trade and other receivables	(79 638)	(13 408)	16 689
Cash flows from trade and other payables	(9 412)	25 733	(83 469)
Cash flows from inventories	55 094	(60 058)	13 380
Other cash flows from operations	34 665	11 377	60 960
Interest and taxation	(6 056)	(26 847)	(32 460)
Investing activity cash flows	21 826	7 306	(33 378)
Financing activity cash flows	(22 412)	5 935	24 795
<b>Total cash movement for the period</b>	<b>(5 933)</b>	<b>(49 962)</b>	<b>(33 483)</b>
Cash at beginning of period	(197 142)	(161 371)	(161 371)
Effect of exchange rate movement on cash balances	(120)	(1 758)	(2 288)
<b>Total cash at end of period</b>	<b>(203 195)</b>	<b>(213 091)</b>	<b>(197 142)</b>

## Consolidated condensed segment report

	Reviewed 30 September 2017 R'000	Unaudited 30 September 2016 R'000	Audited 31 March 2017 R'000
<b>Net revenue</b>			
SA Trading	791 372	808 344	1 573 065
Exporting	411 769	472 350	626 490
Other	230 474	35 677	177 266
	<b>1 433 615</b>	<b>1 316 371</b>	<b>2 376 821</b>
<b>Profit before interest and taxation</b>			
SA Trading	5 694	38 018	33 134
Exporting	11 763	13 634	4 553
Other	(1 778)	1 019	(9 643)
	<b>15 679</b>	<b>52 671</b>	<b>28 044</b>
<b>Assets</b>			
SA Trading	408 619	491 858	398 810
Exporting	544 363	707 816	609 732
Other	529 669	467 501	491 434
Eliminations	(6 514)	(16 973)	(6 534)
	<b>1 476 137</b>	<b>1 650 202</b>	<b>1 493 442</b>

## OVERVIEW

The interim financial results are presented for the six months ended 30 September 2017.

The Group operates in the steel and associated industries with strategically located operations in South Africa, Mauritius, and Zambia. BSI markets through two distinct channels, being Bulk Sales and Exporting.

The six months under review reflects the Group's strategy of focusing on generating a reasonable return on capital employed.

## FINANCIAL RESULTS

The pressure on gross margins continued since year-end and saw a slight improvement in September, reflective of a very flat South African economy. Low margin business by Isilo Steel exerted further pressure on the Group's gross margin, seeing it drop from 14% in the comparative period to 8%. Overall revenue increased by 14% despite Qinisa Steel Solutions no longer forming part of the Group results, also as a result of Isilo Steel revenue added thereto.

The marked decrease in operating costs are mostly due to our continuous drive to lower costs in line with the market, along with the effect of excluding the Qinisa Steel Solutions operation. The substantial decrease in operating costs allowed for a respectable return within very tough market conditions.

Included in operating costs is a share-based payment provision to the value of R8.7 million as a result of the Isilo Steel transaction referred to below.

The substantial drop in interest paid is a direct result of a vast improvement in working capital, more specifically inventory levels dropping by 36%.

The loss of R1.1 million from discontinued operations relates to trade receivables in Ghana provided for in full, thereby clearing the operation's balance sheet.

Comparative period profit and loss figures were restated in line with IFRS 5 as the shareholding in the Democratic Republic of the Congo operations was disposed of during March.

Isilo Steel introduced external shareholders in June, being the reason for the R394 000 in non-controlling interest in profits for the period. Notwithstanding the fact that the majority of the shares and the majority of the board director positions are held outside of the Group, the business is being consolidated in line with IFRS. This is in light of the significant sureties put forward by BSI Steel in order to allow for credit limits to be

extended by vendors in the absence of sufficient trade history. The value of the sureties are very substantial compared to the Group's statement of financial position. The situation will be reassessed as the business matures in future years as the reliance on the sureties are expected to decline.

The non-current assets held for sale represent both the fixed properties held in Richards Bay and Pietermaritzburg. The Richards Bay property is actively being marketed at the moment whilst the Pietermaritzburg property was sold during November.

Tower Trade Group has been restructured to reduce costs to meet tough business conditions in the UK and Europe. Performance for the H1 has been below expectations, however, the cost savings of the restructure will only be apparent in the H2. The business has developed some good products and has an excellent in-house software program to support trading transactions.

## **PROSPECTS**

The company has continued with a cost reduction programme to meet ongoing difficult market conditions. One of the key components of this restructure includes the probable closure of the Pietermaritzburg distribution facility. We are confident the reduced cost base will give BSI the best possible platform to deal with these difficult conditions.

Steel consumption is driven largely by manufacturing, construction and mining. Any meaningful uptick in the industry can only be driven by improved business confidence and resultant investment in these sectors.

## **DELISTING**

Shareholders were advised on 29 November 2017 that the board will propose a scheme of arrangement ("Scheme"), which is subject to certain conditions, between BSI and its shareholders in terms of which, if implemented, BSI will re-acquire some of its ordinary shares for a cash consideration of 50 cents per share. Upon the Scheme becoming unconditional and being implemented, BSI will apply to the JSE to terminate the listing of BSI's share on the Alternative Exchange. A circular regarding the Scheme will be made available to shareholders in due course.

## **DIVIDEND DECLARATION**

The policy of the company is to seek to pay dividends once a year based on year-end results.

## **SUBSEQUENT EVENTS**

No material change has taken place in the affairs of the group between the end of the financial period and the date of this report.

## **DIRECTORATE**

Mr C Parry resigned as Chief Executive Officer on 20 October 2017 and Mr WL Battershill stepped into the role of Chief Executive Officer whilst remaining on as Chairperson.

## **STATEMENT ON GOING CONCERN**

The financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

## **BASIS OF PREPARATION**

The results have been prepared in accordance with and containing the information required by IAS 34 Interim Financial Reporting, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The results are in accordance with the Group's accounting policies set out in the Integrated Annual Report for the year-ended 31 March 2017, which comply with International Financial Reporting Standards, the Companies Act, 71 of 2008 of South Africa as amended and the JSE Limited Listings Requirements. The basis of preparation is consistent with that of the prior period.

## **QUALIFIED REVIEW OPINION**

These condensed consolidated financial statements for the period ended 30 September 2017 have been reviewed by Deloitte & Touche, who have expressed a modified review conclusion. An extract from the "Basis for Qualified Opinion" section of the review opinion is set out below.

"The group's condensed statement of financial position reflects a loan receivable of R201.9 million from an associate company, Tower Trade Group, for the period ended 30 September 2017. We were unable to obtain sufficient and appropriate evidence regarding the recoverability of this loan receivable as at 30 September 2017, because we were unable to independently corroborate the assumptions and estimates used by management in their recoverability assessment of this loan receivable. Consequently, we were unable to determine whether any impairment to this amount was necessary."

A copy of the auditor's ISRE 2410 review report is available for inspection at the company's registered.

The reviewed condensed consolidated financial statements were authorised for issue by the directors on 13 December 2017 for publication on 14 December 2017. The condensed consolidated financial statements for the six-month period ended 30 September 2017 have been prepared by the Financial Manager, Mr JB McGrath.

Any reference to the future financial performance of the Group has not been reviewed or reported on by the Group's auditors.

By order of the Board

14 December 2017

**WL Battershill**  
*CEO*

**E Vermaak**  
*CFO*

## **CORPORATE INFORMATION**

**Chairman:** WL Battershill

**Non-executive directors:** BM Khoza (Alternate – NM Anderson), NG Payne, RG Lewis

**Executive directors:** K Paxton, E Vermaak

**Registered address:** 46 Eden Park Drive, Murrayfield Park, Mkondeni, Pietermaritzburg, 3201

**Postal address:** PO Box 101096, Scottsville, 3209

**Company secretary:** SJ Hackett

**Telephone:** (033) 846 2208

**Facsimile:** (033) 846 2233

**Transfer secretaries:** Computershare Investor Services(Pty) Limited

**Designated adviser:** Sasfin Capital (a member of the Sasfin group)"

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## 2017 YEAR-END RESULTS

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The 2017 Year-End Results as published on SENS on 14 July 2017, are set out below. The 2017 Year-end Results as well as BSI's annual financial statements for the year-ended 31 March 2017 and 31 March 2016 are also available for inspection as contemplated in paragraph 19 of this Circular and available on the Company's website at the following link: <https://www.bsisteel.com>.

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### **BSI Steel Limited**

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

JSE code: BSS ISIN: ZAE000125134

("BSI" or "the Company")

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#### **Salient features**

- Revenue down 6%
- HEPS decreased 73.6% to 1.4 cents
- EPS increased 72.3% to 8.1 cents
- NAV per share down to 102.7 cents
- R16 million profit after tax from continued operations

**REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017**
**Condensed consolidated statement of profit and loss**

	<b>Reviewed year ended 31 March 2017 R'000</b>	<b>Audited year ended 31 March 2016 R'000 Restated</b>
Revenue	2 376 821	2 528 687
Gross profit	271 372	302 285
Other costs	(212 802)	(189 677)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	58 570	112 608
Depreciation and amortisation	(17 443)	(22 885)
Operating profit	41 127	89 723
Income from equity accounted investments	–	(36)
Interest received	24 314	35 797
Interest paid	(33 849)	(51 476)
Impairment of iron ore (*)	(13 083)	(39 952)
Profit before taxation	18 509	34 056
Taxation	(2 223)	(19 301)
Profit for the year from continuing operations	16 286	14 755
Profit from discontinued operations(**)	39 926	18 530
Profit for the year	56 212	33 285
Profit attributable to ordinary shareholders	56 212	33 285
Basic and diluted earnings per share (cents) – continued operations	2.4	2.1
Basic and diluted earnings per share (cents) – discontinued operations	5.7	2.6
Total basic and diluted earnings per Share	8.1	4.7
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	56 212	33 285
Loss on disposal of property, plant and equipment	(2)	1 428
Impairment of intangible and financial assets	6 480	–
Impairment of plant and machinery	3 767	–
Impairment of goodwill	5 716	–
Tax impact on adjustments	(4 469)	(400)
Profit on sale of subsidiaries	(10 127)	–
Realisation of foreign currency translation reserve on discontinued operations	(47 681)	2 781
Headline earnings attributable to ordinary shareholders (basic and diluted)	9 896	37 094
Weighted average shares in issue on which earnings are based ('000)	695 653	700 336
Headline earnings per share (cents) (basic and diluted)	1.4	5.3

(\*) This represents the final impairment loss provided for on the iron ore held by Sentinel Bridge.

(\*\*) This represents the result of the discontinuation of The Democratic Republic of Congo operations (2016: Mozambique operation) during the year and includes R47.7 million gain (2016: R2.8 million loss) related to the realisation of the foreign currency translation reserve.



**Condensed consolidated statement of comprehensive income**

	<b>Reviewed 31 March 2017 R'000</b>	<b>Audited 31 March 2016 R'000</b>
Profit for the year	56 212	33 285
Other comprehensive income – items that may not be reclassified to profit or loss		
Foreign currency translation reserve	(83 506)	72 254
Cash flow hedge	5 200	(12 342)
Total comprehensive income	(22 094)	93 197
Attributable to ordinary shareholders	(22 094)	93 197

## Condensed consolidated statement of financial position

	Reviewed 31 March 2017 R'000	Audited 31 March 2016 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	299 547	331 644
Goodwill	8 990	14 706
Intangible assets	4 095	10 452
Investment in joint ventures	11 912	13 165
Loans to group companies	195 257	182 165
Other financial assets	–	5 795
Deferred taxation	16 164	17 172
	<b>535 965</b>	<b>575 099</b>
<b>Current assets</b>		
Inventories	333 659	377 998
Loans to group companies	24 368	14 290
Other financial assets	9 000	827
Trade and other receivables	520 106	528 618
Current tax receivable	10 077	6 658
Cash and cash equivalents	31 072	53 131
	<b>928 282</b>	<b>981 522</b>
Non-current assets held for sale	29 195	28 698
<b>Total assets</b>	<b>1 493 442</b>	<b>1 585 319</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Total shareholders' equity	699 875	743 062
Non-controlling interest	(143)	(143)
	<b>699 732</b>	<b>742 919</b>
<b>Non-current liabilities</b>		
Other financial liabilities	19 120	38 630
Deferred taxation	21 081	21 641
Other liabilities	155 612	85 821
	<b>195 813</b>	<b>146 092</b>
<b>Current liabilities</b>		
Trade and other payables	339 932	428 467
Current tax payable	469	3 472
Other financial liabilities	25 370	43 967
Bank overdraft	228 214	214 502
	<b>593 985</b>	<b>690 408</b>
Liabilities of disposal group	3 912	5 900
<b>Total liabilities</b>	<b>793 710</b>	<b>842 400</b>
<b>Total equity and liabilities</b>	<b>1 493 442</b>	<b>1 585 319</b>
Capital commitments	–	13 786
Number of shares in issue (000)	681 495	696 871
Net asset value per share (cents)	102.7	106.6
Net tangible asset value per share (cents)	100.8	103.0

**Condensed consolidated statement of changes in equity**

	<b>Reviewed 31 March 2017 R'000</b>	<b>Audited 31 March 2016 R'000</b>
Balance at beginning of year	743 062	665 549
Share-based payment	(1 079)	418
Dividends paid	(14 006)	(14 090)
Purchase of treasury shares	(6 008)	(2 012)
Total comprehensive income	(22 094)	93 197
Profit for the year	56 212	33 285
Foreign currency translation reserve	(83 506)	72 254
Cash flow hedge	5 200	(12 342)
Attributable to ordinary shareholders at end of year	699 875	743 062
Attributable to non-controlling interest	(143)	(143)
<b>Total equity</b>	<b>699 732</b>	<b>742 919</b>

**Condensed consolidated statement of cash flows**

	<b>Reviewed 31 March 2017 R'000</b>	<b>Audited 31 March 2016 R'000</b>
Operating activity cash flows	(24 900)	252 456
Cash flows from operations	7 560	304 842
Interest and taxation	(32 460)	(52 386)
Investing activity cash flows	(33 378)	(65 180)
Financing activity cash flows	24 795	(23 242)
Total cash movement for the year	(33 483)	164 034
Cash at beginning of year	(161 371)	(329 724)
Effect of exchange rate movement on cash balances	(2 288)	4 319
<b>Total cash at end of year</b>	<b>(197 142)</b>	<b>(161 371)</b>

## Condensed consolidated segment report

	<b>Reviewed 31 March 2017 R'000</b>	<b>Audited 31 March 2016 R'000</b>
<b>Net revenue</b>		
SA Trading	1 573 065	1 608 050
Exporting	626 490	881 054
Other	177 266	39 583
	<b>2 376 821</b>	<b>2 528 687</b>
<b>Operating profit</b>		
SA Trading	33 841	46 549
Exporting	9 856	(457)
Other	1 790	26 528
	<b>45 487</b>	<b>72 620</b>
<b>Net interest</b>		
SA Trading	(27 062)	(23 253)
Exporting	6 487	13 462
Other	11 040	(5 888)
	<b>(9 535)</b>	<b>(15 679)</b>
<b>Depreciation and amortisation</b>		
SA Trading	(707)	(2 439)
Exporting	(5 303)	(7 425)
Other	(11 433)	(13 021)
	<b>(17 443)</b>	<b>(22 885)</b>
<b>Taxation</b>		
SA Trading	(4 163)	(1 690)
Exporting	(1 341)	(10 543)
Other	3 281	(7 068)
	<b>(2 223)</b>	<b>(19 301)</b>
<b>Total assets</b>		
SA Trading	398 810	425 411
Exporting	609 732	662 843
Other	491 434	518 308
Eliminations	(6 534)	(21 243)
	<b>1 493 442</b>	<b>1 585 319</b>

## OVERVIEW

The directors of BSI present the financial results for the year-ended 31 March 2017 ("the 2017 year").

The group operates in the steel and associated industries with strategically located operations in South Africa, Mauritius and Zambia. BSI markets through two distinct channels, being SA Trading and Exports; these divisions are supported by a steel distribution and processing centre in Gauteng.

It has been a challenging year; we experienced many unforeseen events. The decision was taken to close the roofing and tubing processing lines. Certain roofing lines remain specifically to compliment the product mix for the Namibian market.

Markets have changed substantially and we do believe that BSI has been ahead of the curve in effecting change compared to a great many of our peers, although we still have some way to go.

## **FINANCIAL RESULTS**

Whilst the 2017 financial year started off on a positive trend gross margins came under threat during the second half of the year seeing the gross profit for the year drop to 10.2% below that of 2016. An exchange loss of R1.2 million in our Exports segment contributed to this.

Overall revenue dropped by 6% in comparison to 2016 whilst operating expenses increased by 8%. Included in operating expenses are certain restructure costs related to the closure of the tube processing line, being R3.8 million in the form of an impairment on plant and machinery and R3.5 million attributable to retrenchments. Other one-off impairments such as R2.9 million on computer software and R3.6 million on a write-off related to assets sold in a prior year contributed to the increase in costs.

It was decided to impair R5.7 million in goodwill, related to the ex Stockists segment held, in light of the recent move in the market on margins to those associated with the Bulk sales segment.

Investment income includes a gain of R10.1 million related to the sale of the Pro Steel subsidiary in the Democratic Republic of the Congo. The group will continue to supply the Pro Steel business as dictated by a franchise agreement.

A final impairment was made on the iron ore held as many offers were received but none were delivered upon. The directors are pursuing legal action against the quantity surveying company responsible for the loss.

The strengthening in the SA Rand to the US Dollar at R13.46 at year-end resulted in a decrease of R83.5 million in equity during the year, inclusive of a reserve realisation gain of R47.7 million allocated to discontinued operations. The reallocation relates to the disposal of the shares held in the Pro Steel business.

A significant decrease in interest rates afforded on US Dollar borrowings contributed to the 34% drop in finance costs compared to 2016, along with less borrowing required due to lower inventory levels and continued focus on collections.

Non-current assets held for sale comprise of the business property held in Richards Bay previously occupied by the BSI Plate Solutions which was closed down during 2015. The disposal liability consists of the associated Nedbank bond and Hire Purchase agreement balances.

Our minority shareholding in Qinisa Steel Solutions was sold on 31 March 2017 and the payment settlement is expected to occur on 31 March 2018.

A significant amount of attention was devoted to the recoverability of the Tower Trade Group (TTG) loan of R219 million given both the materiality thereof and the level of uncertainty as to the probability and timing of capital repayments as anticipated in the loan agreement. This is by far the most significant judgement call in relation to the financial statements. TTG significantly underperformed against budget for the year to March 2017 and the budget for the next three years were perused properly, which are based on significant revisions to its business model, including reduced reliance on any one business partner. The audit committee noted that although TTG was in breach of the loan agreement in respect of interest payments at year-end, this situation was subsequently remedied by the receipt of US\$1.8 million in June 2017, representing settlement of arrear interest and a prepayment of interest to 31 December 2017. The directors concluded that, notwithstanding some uncertainty as to the timing of recoverability, the TTG loan should not be impaired.

## **RESTATEMENT**

The prior year figures were restated due to the reclassification of losses incurred due to discontinued operations in terms of IFRS5.

## **DIVIDEND**

A dividend of 2 cents per share (1.7 cents per share net of dividends tax) was paid on 15 August 2016.

Shareholders are advised that the board has assessed the financial results for the year-ended 31 March 2017 and other key drivers with regard to declaring a dividend for the year-ended 31 March 2017. The board has resolved, following such assessment, that no dividend will be declared for the year-ended 31 March 2017.

## **BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the JSE Limited Listings Requirements ("Listings Requirements") for provisional reports and the requirements of the Companies Act of South Africa applicable to financial statements. In terms of the Listings Requirements the condensed consolidated financial statements are to be prepared in accordance with the conceptual

framework and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements. The condensed consolidated financial results have been prepared by JB McGrath (CA(SA)) under the supervision of E Vermaak (CA(SA)), the group Financial Director.

## FINANCIAL INSTRUMENTS

The fair values of financial instruments are determined by using quoted prices in active markets for identical assets or liabilities and therefore fall into the level 2 fair value category as per IFRS 13.

	<b>2017</b>	<b>2016</b>
	<b>Level 2</b>	<b>Level 2</b>
Financial liabilities, fair value through profit and loss	834	11 511

The values were calculated by way of a market-to-market valuation at year-end. There have been no transfers between levels during the financial year. The fair values approximate their carrying values.

## CHANGES TO THE BOARD

K Paxton stepped down on 19 June 2017 as Chief Operations Officer, however, remains on the board as an executive director.

## SUBSEQUENT EVENTS

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

## PROSPECTS

The year has been difficult, and certainly the latter half exceptionally so. The group, however, remains steadfast in the drive to reduce costs and close non-contributing operations. We achieved what we set out to in getting costs down from R27 million to R22 million per month.

Improved efficiencies across the group are front of mind, as can be seen from the drop in costs. We remain committed to bringing our costs down even further in the coming months.

Margins across the industry remain stubbornly low, hence the need to operate in the lowest quartile of cost per ton amongst our peers whilst stock management has received considerable focus and we are pleased with the results and will continue to exert the necessary pressure in order to achieve excellence in this critical area of our business.

The possibility of a strike in the coming weeks looms and we have taken all possible steps to mitigate the effects of the stoppage to our business.

The policy of 'steady as she goes' remains for the coming year and along with ensuring that we have a lean operating structure.

## STATEMENT ON GOING CONCERN

The condensed consolidated financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

## QUALIFIED REVIEW OPINION

The auditors, Deloitte & Touche, have issued their qualified review opinion on the condensed financial results for the year-ended 31 March 2017. The review was conducted in accordance with International Standards on Review Engagements 2410. A copy of their ISRE 2410 review report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

## **BASIS FOR QUALIFIED OPINION**

An extract from the "Basis for Qualified Opinion" section of the review opinion is set out below.

"The condensed consolidated statement of financial position reflects a loan receivables of R219.6 million (non-current R195.3 million and current R24.4 million) from an associate company, Tower Trade Group, for the year-ended 31 March 2017. Subsequent to year-end an amount of R24.4 million was received, relating to both arrear interest and prepayment of future interest to 31 December 2017.

Management were unable to provide sufficient appropriate evidence regarding the recoverability of the non-current portion of this loan receivable as at 31 March 2017 and therefore we were unable to independently corroborate the assumptions and estimates used by management in their recoverability assessment. Consequently, we are unable to conclude whether any impairment to the non-current portion of this loan receivable is necessary."

By order of the Board

14 July 2017

**C Parry**  
*Chief Executive Officer*

**E Vermaak**  
*Financial Director*

## **CORPORATE INFORMATION**

**Chairman:** WL Battershill

**Non-executive directors:** BM Khoza (Alternate – NM Anderson), NG Payne; RG Lewis

**Executive directors:** C Parry, K Paxton, E Vermaak

**Registered address:** 46 Eden Park Drive, Mkondeni, Pietermaritzburg, 3201

**Postal address:** PO Box 101096, Scottsville, 3209

**Company secretary:** SJ Hackett

**Telephone:** (033) 846 2208

**Facsimile:** (033) 846 2233

**Transfer secretaries:** Computershare Investor Services Proprietary Limited

Pietermaritzburg

14 July 2017

## **Designated advisor**

Sasfin Capital (A division of Sasfin Bank Limited)"

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## 2016 YEAR-END RESULTS

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The 2016 Year-end Results as published on SENS on 23 June 2016, are set out below. The 2016 Year-end Results as well as BSI's annual financial statements for the year-ended 31 March 2016 and 31 March 2015 are also available for inspection as contemplated in paragraph 19 of this Circular and available on the Company's website at the following link: <https://www.bsisteel.com>.

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### **BSI Steel Limited**

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

JSE code: BSS ISIN: ZAE000125134

("BSI" or "the Company")

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#### **Salient features**

- Revenue down 12.45%
- HEPS increased 152% to 5.3 cents
- NAV per share up to 106 cents
- R56.2 million Profit after tax from continued operations
- Cash flows from operations R305 million
- Operating profit increased 74.52%



**AUDITED PROVISIONAL CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016  
AND DIVIDEND DECLARATION**

**Summarised consolidated statement of profit and loss**

	<b>Audited year ended 31 March 2016 R'000</b>	<b>Audited year ended Restated 31 March 2015 R'000</b>
Revenue	2 668 006	3 047 370
Gross profit	395 741	435 902
Other costs	(227 958)	(324 057)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	167 783	111 845
Depreciation and amortisation	(22 885)	(28 820)
Operating profit	144 898	83 025
Income from equity accounted investments	(36)	(2 669)
Interest received	34 350	8 175
Interest paid	(51 476)	(59 951)
Impairment of iron ore (*)	(39 952)	–
Profit before taxation	87 784	28 580
Taxation	(31 572)	(20 071)
Profit for the year from continuing operations	56 212	8 509
Loss from discontinued operations(**)	(22 927)	(6 259)
Profit for the year	33 285	2 250
Profit attributable to ordinary shareholders	33 285	2 250
Basic and diluted earnings per share (cents) – continued operations	8.0	1.2
Basic and diluted earnings per share (cents) – discontinued operations	(3.3)	(0.9)
Total basic and diluted earnings per Share	4.7	0.3
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	33 285	2 250
Loss on disposal of property, plant and equipment	1 428	4 521
Tax impact on adjustments	(400)	(1 266)
Realisation of foreign currency translation reserve on discontinued operations	2 781	9 090
Headline earnings attributable to ordinary shareholders(basic and diluted)	37 094	14 595
Weighted average shares in issue on which earnings are based ('000)	700 336	701 810
Headline earnings per share (cents) (basic and diluted)	5.3	2.1

(\*) This represents the impairment loss provided for on the iron ore held by Sentinel Bridge.

(\*\*) This represents the result of the discontinuation of the Mozambique operations (2015: Ghana operation) during the year and includes R2.8 million loss (2015: R9.1 million) related to the realisation of the foreign currency translation reserve.

**Summarised consolidated statement of other comprehensive income**

	<b>Audited 31 March 2016 R'000</b>	<b>Audited 31 March 2015 R'000</b>
Profit for the year	33 285	2 250
Other comprehensive income – items that may not be reclassified to profit or loss		
Foreign currency translation reserve	72 254	51 699
Cash flow hedge	(12 342)	6 308
Total comprehensive income	93 197	60 257
Attributable to ordinary shareholders	93 197	60 257

## Summarised consolidated statement of financial position

	<b>Audited 31 March 2016 R'000</b>	<b>Restated Audited 31 March 2015 R'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	331 644	364 616
Goodwill	14 706	14 706
Intangible assets	10 452	12 866
Investment in joint ventures	13 165	10 831
Loans to group companies	182 165	132 587
Other financial assets	5 795	6 986
Deferred taxation	17 172	13 791
	<b>575 099</b>	<b>556 383</b>
<b>Current assets</b>		
Inventories	377 998	483 356
Loans to group companies	14 290	127
Other financial assets	827	7 757
Trade and other receivables	528 618	755 840
Current tax receivable	6 658	6 936
Cash and cash equivalents	53 131	55 822
	<b>981 522</b>	<b>1 309 838</b>
Non-current assets held for sale	28 698	–
<b>Total assets</b>	<b>1 585 319</b>	<b>1 866 221</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Total shareholders' equity	743 062	665 549
Non-controlling interest	(143)	(143)
	<b>742 919</b>	<b>665 406</b>
<b>Non-current liabilities</b>		
Other financial liabilities	38 630	71 847
Deferred taxation	21 641	16 463
Other liabilities	85 821	65 748
	<b>146 092</b>	<b>154 058</b>
<b>Current liabilities</b>		
Trade and other payables	428 467	609 102
Current tax payable	3 472	10 120
Other financial liabilities	43 967	41 989
Bank overdraft	214 502	385 546
	<b>690 408</b>	<b>1 046 757</b>
Liabilities of disposal group	5 900	–
<b>Total liabilities</b>	<b>842 400</b>	<b>1 200 815</b>
<b>Total equity and liabilities</b>	<b>1 585 319</b>	<b>1 866 221</b>
Capital commitments	13 786	–
Number of shares in issue (000)	700 336	701 810
Net asset value per share (cents)	106.1	94.8
Net tangible asset value per share (cents)	102.5	90.9

**Summarised consolidated statement of changes in equity**

	<b>Audited 31 March 2016 R'000</b>	<b>Audited 31 March 2015 R'000</b>
Balance at beginning of year	665 549	620 044
Share-based payment	418	(662)
Dividends paid	(14 090)	(14 090)
Purchase of treasury shares	(2 012)	–
Total comprehensive income	93 197	60 257
Profit for the year	33 285	2 250
Foreign currency translation reserve	72 254	51 699
Cash flow hedge	(12 342)	6 308
Attributable to ordinary shareholders at end of year	743 062	665 549
Attributable to non-controlling interest	(143)	(143)
<b>Total equity</b>	<b>742 919</b>	<b>665 406</b>

**Summarised consolidated statement of cash flows**

	<b>Audited 31 March 2016 R'000</b>	<b>Restated Audited 31 March 2015 R'000</b>
Operating activity cash flows	252 456	111 653
Cash flows from operations	304 842	174 820
Interest and taxation	(52 386)	(63 167)
Investing activity cash flows	(65 180)	(73 015)
Financing activity cash flows	(23 242)	16 031
Total cash movement for the year	164 034	54 669
Cash at beginning of year	(329 724)	(387 306)
Effect of exchange rate movement on cash balances	4 319	2 913
<b>Total cash at end of year</b>	<b>(161 371)</b>	<b>(329 724)</b>

## Summarised consolidated segment report

	<b>Audited 31 March 2016 R'000</b>	<b>Restated Audited 31 March 2015 R'000</b>
<b>Net revenue</b>		
SA Trading	1 608 050	2 035 036
Exporting	1 020 373	990 651
Other	39 583	21 683
	<b>2 668 006</b>	<b>3 047 370</b>
<b>Operating profit</b>		
SA Trading	44 110	58 403
Exporting	87 281	23 472
Other	13 507	1 150
	<b>144 898</b>	<b>83 025</b>
<b>Total assets</b>		
SA Trading	425 411	640 706
Exporting	662 843	653 869
Other	518 308	591 304
Eliminations	(21 243)	(19 658)
	<b>1 585 319</b>	<b>1 866 221</b>

## OVERVIEW

The directors of BSI are pleased to present the financial results for the year-ended 31 March 2016 ("the 2016 year").

The group operates in the steel and associated industries with strategically located operations in South Africa, Mauritius, the Democratic Republic of the Congo ("DRC") and Zambia. BSI markets through two distinct channels, being SA Trading and Exports; all of these divisions are supported by a steel distribution and processing centre in Gauteng. Due to the recent business restructure the Stockists and Bulk sales segments were merged into SA Trading.

BSI has done well to deliver a reasonable profit despite extremely difficult market conditions in South Africa and other African markets. This has been achieved as a result of the F2015 restructuring process, along with an ongoing drive for increased efficiency in every facet of the business.

The restructuring process was aimed at reducing overheads, eliminating all loss-making operations and cutting out non-profitable business. As a consequence, our current monthly overheads are more than 40% below prior levels, with relatively modest drop of 11% in tonnage sold. The reduction in tonnage can also be attributed to lower steel consumption in the southern African region.

The unforeseen rapid depreciation of the Kwacha and Meticaais in Zambia and Mozambique respectively materially reduced our profits. This risk has been largely eliminated going forward.

Having completed the restructure, we move into an era of continual improvement of our traditional core business, which continues to bear fruit.

## FINANCIAL RESULTS

Poor trading conditions gave rise to a 12% drop in revenue but steel price increases towards the end of the financial year resulted in a 0.5% increase in gross profit margin in comparison to the 2015 financial year.

A 30% drop in operating expenses allowed for a 74% increase in operating profit in 2016 in relation to the prior year. The restructure of our operations in the DRC resulted in one-off costs of R5.2 million.

Included in the income statement is a significant impairment of iron ore of R39.95 million held by Sentinel Bridge. The iron ore was sold to the liquidator of the Chilean mine in order to realise maximum value from it. The operation does not qualify as a discontinued operation in terms of IFRS5 but the intention is for the operation to be closed as soon as it has been wound up.

Included in investment income is an amount of R33 million being interest received from the joint venture, Tower Trade Group Limited, in line with the terms of the loan agreement.

A weaker South African Rand to the US Dollar at R14.88 at year-end resulted in an increase of R72 million in equity during the year after the loss realisation adjustment of R2.8 million to profit and loss relating to discontinued operations.

Improved stock and credit management resulted in further decreased inventory levels as well as a much improved debtors book. This resulted in lowered cash borrowings and improved finance costs.

Non-current assets held for sale comprise of the business property held in Richards Bay previously occupied by our Richards Bay operation which was closed down during 2015. The disposal liability consists of the associated Nedbank bond and hire purchase agreement balances.

## RESTATEMENT

The prior year figures have been restated due to: the reversal of an offset applied to Trade and other payables and Loans to group companies as the offset agreement with the Tower Trade Group proved to be legally unenforceable; and the reclassification of Trade Finance from Bank overdraft to Trade and other payables.

The effects of the reclassifications are as follow:

<b>Statement of financial position (Corrected)</b>	<b>2015</b>
Loans to group companies – Non-current	132 714
Other liabilities – Non-current	(65 748)
Bank overdraft	(385 546)
Trade and other payables	(609 102)
<b>Statement of financial position (Prior)</b>	
Loans to group companies – Current	127
Bank overdraft	(431 546)
Trade and other payables	(496 263)

The prior year figures were also restated due to the following:

- the reclassification of losses incurred due to discontinued operations in terms of IFRS5;
- a change in the operating segments as a result of the business restructure and the way in which financial results are reported to the CEO;
- and the reversal of the revaluation to land and buildings due to a change in accounting policy.
- The effect of the restatement was as follow:

	<b>2015</b>
Property, plant and equipment	(14 263)
Deferred tax	4 992
Revaluation reserve	9 271

## DIVIDEND

A dividend of 2 cents per share (1.7 cents per share net of dividends tax) was paid in July 2015.

The Board of Directors has pleasure in announcing that a dividend of 2 cents per ordinary share (gross) has been declared for the year-ended 31 March 2016. Dividends are subject to Dividends Withholding Tax. In accordance with the provisions of the JSE Listings Requirements, the following additional information is disclosed.

- the Dividend has been declared out of income reserves;
- the local dividend tax rate is 15%;

- the gross local dividend amount is 2 cents per ordinary share for shareholders exempt from dividend tax;
- the net local dividend amount is 1.7 cents per ordinary share for shareholders liable to pay dividend tax;
- The issued number of ordinary shares as at declaration date is 719 854 996; and

the Company's income tax reference number is 9150236215.

The final dividend will be paid on Monday, 15 August 2016, to shareholders recorded in the register of the Company at the close of business on the record date being Friday, 12 August 2016.

The salient dates relating to the Dividend are as follows:

Declaration announcement	Thursday, 23 June 2016
Last day to trade <i>cum</i> dividend	Monday, 8 August 2016
Shares commence trading <i>ex-dividend</i>	Wednesday, 10 August 2016
Record date	Friday, 12 August 2016
Payment date of the Dividend	Monday, 15 August 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 August 2016 and Friday, 12 August 2016, both days inclusive.

## DIVIDEND GUIDELINE

The Board is pleased to advise we are in a position to adopt and publish a dividend guideline as follows.

BSI aims to pay out 33% of NPAT as an annual dividend subject to the Board's evaluation of certain key drivers, including, *inter alia*, cash flow, business outlook and investment opportunities.

## BASIS OF PREPARATION

The provisional summarised consolidated financial statements have been prepared in accordance with the JSE Limited Listings Requirements ("Listings Requirements") for provisional reports and the requirements of the Companies Act applicable to summary financial statements. In terms of the Listings Requirements the provisional summarised consolidated financial statements are to be prepared in accordance with the conceptual framework and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which these summary consolidated annual financial statements were derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements except for the change in accounting policy relating to land and buildings. The adoption of these revised standards has had no impact on the financial statements. The provisional consolidated financial results have been prepared by JB McGrath (CA(SA)) under the supervision of E Vermaak (CA(SA)), the group Financial Director.

## FINANCIAL INSTRUMENTS

The fair values of financial instruments are determined by using quoted prices in active markets for identical assets or liabilities and therefore fall into the level 1 fair value category as per IFRS 13.

	<b>2016</b>	<b>2015</b>
	<b>Level 1</b>	<b>Level 1</b>
Loan and receivables	784 826	952 236
Financial assets, fair value through profit and loss	–	6 883
Financial liabilities at amortised cost	799 876	1 174 232
Financial liabilities, fair value through profit and loss	11 511	–

There have been no transfers between levels during the financial year. The fair values approximate their carrying values.

## CHANGES TO THE BOARD

JR Waller resigned from the board with effect from 8 June 2015. GDG MacKenzie and JS Govender resigned as directors on 30 June 2015 and 17 July 2015 respectively.

WL Battershill stepped down as Chief Executive Officer with effect from 16 May 2016, C Parry was appointed Chief Executive Officer and K Paxton was appointed Chief Operating Officer on the same day.

## **SUBSEQUENT EVENTS**

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

## **PROSPECTS**

The company will continue with our current 'steady as she goes' low-risk, modest growth strategy. We anticipate ongoing increases in efficiency on the back of a much simplified business model. As our cost per ton reduces, so our competitiveness and market share will increase.

Every operation in BSI has a business plan strongly orientated towards Return on Capital Employed (ROCE). All incentives, marketing programmes and cost structures are geared to achieve maximum returns, with low tolerance on any operations not achieving a prescribed ROCE.

The appointment of Craig Parry as CEO and Kevin Paxton as COO promises to inject new energy and ideas into BSI. Both Craig and Kevin are strong proponents of keeping it simple and driving for maximum returns. This philosophy will underpin sustainable growth with minimal risk.

For many years the core business units within BSI have consistently delivered good returns, only to be undermined by loss-making operations and other losses often associated with the complicated nature of the business prior to the restructure. Whilst one cannot eliminate risk completely, we can state with certainty that our risk profile is much lower and the chances of unforeseen or uncontrolled losses in the future are much reduced.

## **STATEMENT ON GOING CONCERN**

The summarised consolidated financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

## **AUDIT OPINION**

The auditors, Deloitte & Touche, have issued their unmodified audit opinion on the consolidated annual financial statements for the year-ended 31 March 2016. The audit was conducted in accordance with International Standards on Auditing. A copy of their ISA 700 audit report and the consolidated annual financial statements are available for inspection at the company's registered office. Deloitte & Touche have also issued an ISA 810 audit report confirming that these audited provisional summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects, with the audited consolidated annual financial statements. A copy of their ISA 810 audit report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company's auditors.

By order of the Board

22 June 2016

**WL Battershill**  
*Chairman*

**E Vermaak**  
*Financial Director*



## **CORPORATE INFORMATION**

**Chairman:** WL Battershill

**Non-executive directors:** BM Khoza (Alternate – NM Anderson), NG Payne; RG Lewis

**Executive directors:** C Parry, K Paxton, E Vermaak

**Registered address:** 46 Eden Park Drive, Mkondeni, Pietermaritzburg, 3201

**Postal address:** PO Box 101096, Scottsville, 3209

**Company secretary:** SJ Hackett

**Telephone:** (033) 846 2208

**Facsimile:** (033) 846 2233

**Transfer secretaries:** Computershare Investor Services Proprietary Limited

Pietermaritzburg

23 June 2016

### **Designated advisor**

Sasfin Capital (A division of Sasfin Bank Limited)“



## BSi Steel Limited

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

JSE code: BSS ISIN: ZAE000125134

("BSi" or "the Company")

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## NOTICE OF GENERAL MEETING OF SHAREHOLDERS

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Where appropriate and applicable, the terms defined in the Circular to which this Notice is attached and forms part, bear the same meanings in this Notice, and in particular in the resolutions set out below.

**NOTICE IS HEREBY GIVEN** that the General Meeting will be held at 10:00 on Wednesday, 24 January 2018 at the Company's registered office 46 Eden Park Drive, Murrayfield Park, Mkondeni, Pietermaritzburg, 3201 or any other adjourned or postponed date and time in accordance with the provisions of section 64(11) of the Companies Act and the Company's memorandum of incorporation, as read with the Listings Requirements, for Shareholders to consider, and, if deemed fit, to pass, with or without modification, the special resolutions and ordinary resolutions set out below.

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### IMPORTANT DATES TO NOTE REGARDING THE GENERAL MEETING

**2017/2018**

Record date to determine which Shareholders are entitled to receive the Circular	Friday, 15 December 2017
Circular posted to Shareholders and details regarding the General Meeting published on SENS on	Friday, 22 December 2017
Last day to trade Shares in order to be recorded in the Register to attend, participate and vote at the General Meeting (see note 5 below)	Tuesday, 16 January 2018
Record date for Shareholders to be recorded in the Register in order to be eligible to attend, participate and vote at the General Meeting	Friday, 19 January 2018
Shareholders or their proxies who wish to participate in the General Meeting via the teleconference facility will be required to advise the Company thereof by no later than 10:00 on	Monday, 22 January 2018
Last day and time to lodge Forms of Proxy ( <i>white</i> ) with the Transfer Secretary by 10:00 on (see note 2 below)	Monday, 22 January, 2018
Last date and time for Shareholders to give notice to BSi objecting to the Scheme Resolution in terms of section 164 of the Companies Act by 10:00 on	Wednesday, 24 January 2018
General Meeting to be held at 10:00 on	Wednesday, 24 January 2018
Results of General Meeting published on SENS on or about	Wednesday, 24 January 2018

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#### Notes:

1. The above dates and times may be amended by BSi (subject to the approval of the JSE and/or the TRP, if required). The dates have been determined based on certain assumptions regarding the date by which certain Shareholder and regulatory approvals will be obtained and that no Court approval or review of the Scheme Resolution will be required. Any change in the dates and times will be released on SENS and published in the press.
2. A Form of Proxy (*white*) not lodged with the Transfer Secretary may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.
3. If the General Meeting is adjourned or postponed, a Form of Proxy (*white*) submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
4. If the General Meeting is adjourned or postponed then Forms of Proxy (*white*) that have not yet been submitted should be lodged with the Transfer Secretary by no later than 48 hours before the adjourned or postponed General Meeting but may nonetheless be handed to the chairman of the adjourned or postponed General Meeting before the proxy exercises the voting rights of the Shareholder at the adjourned or postponed General Meeting.
5. Shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, Shareholders who acquire Shares after close of trade on Tuesday, 16 January 2018, will not be eligible to attend, participate and vote at the General Meeting.

6. All dates and times quoted in this document are South African dates and times.
7. For purposes of being eligible to attend, participate and vote at the General Meeting, no dematerialisation or rematerialisation of Shares may take place between Wednesday, 17 January 2018 and Friday, 19 January 2018 both days inclusive.

### **SPECIAL RESOLUTION NUMBER 1 – APPROVAL FOR THE COMPANY TO RE-ACQUIRE SHARES IN ACCORDANCE WITH SECTION 48(8)(a) OF THE COMPANIES ACT**

**“Resolved that** subject to and conditional upon the passing of Special Resolution Number 2, Special Resolution Number 3, Ordinary Resolution Number 1, Ordinary Resolution Number 2 and Ordinary Resolution Number 3, to the extent that any Shareholders who accept the Scheme Consideration in accordance with the prescribed terms and conditions in the Circular are directors or prescribed officers of BSI or to the extent that any Shareholders which accept the Scheme Consideration are related to a director or prescribed officer of BSI, the re-acquisition of Shares from such Shareholders be and is hereby approved in accordance with section 48(8)(a) of the Companies Act.”

#### **Voting requirement**

Special Resolution Number 1 will, in terms of the Companies Act, require the support of at least 75% of the total number of votes exercised by Shareholders, present in person or by proxy and entitled to vote on such resolution at the General Meeting, to be approved.

#### **Explanatory note**

In accordance with section 48(8)(a) of the Companies Act, the Scheme must be approved by a special resolution of the Company if any Shares are to be acquired by the Company from a director or prescribed officer of the Company or a person related to a director or prescribed officer of the Company.

### **SPECIAL RESOLUTION NUMBER 2 – SCHEME RESOLUTION (IN ACCORDANCE WITH SECTIONS 48(8)(b) AND 115(2) OF THE COMPANIES ACT)**

**“Resolved that,** subject to and conditional upon the passing of Special Resolution Number 1, Special Resolution Number 3, Ordinary Resolution Number 1, Ordinary Resolution Number 2 and Ordinary Resolution Number 3, the Scheme proposed by the Board between the Company and its Shareholders in terms of which:

- (a) as contemplated by section 114(1)(e) of the Companies Act, the Company:
  - i. re-acquires, at a price of 50 cents per Share, those Shares which a Scheme Participant has validly elected to dispose of to the Company in the manner set out in the “Action Required by Shareholders” section of the Circular;
  - ii. will not re-acquire those Shares which a Scheme Participant has validly elected not to dispose of to the Company in the manner set out in the “Action Required by Shareholders” section of the Circular; and
- (b) as contemplated by section 114(1)(c) of the Companies Act, the Company will re-acquire at a price of 50 cents per Share and by way of expropriation, all the Scheme Shares held by those Scheme Participants who fail to, or do not validly, elect to dispose of some or all of their Shares to the Company or who fail to, or do not validly, elect to retain some or all of their Shares in the Company in the manner set out in the “Action Required by Shareholders” section of the Circular be and is hereby approved in accordance with section 115(2) of the Companies Act.”

#### **Voting requirement**

Special Resolution Number 2 will, in terms of the Companies Act, require the support of at least 75% of the total number of votes exercised by Shareholders, present in person or by proxy and entitled to vote on such resolution at the General Meeting, to be approved.

#### **Explanatory note**

The Scheme will result in BSI acquiring more than 5% of Shares in issue as at the Scheme Consideration Record Date and thus the Scheme, as required by section 48(8)(b) of the Companies Act, is subject to the requirements of section 114 of the Companies Act and section 115 of the Companies Act. Accordingly, the reason for this special resolution 2 is to approve the Scheme in terms of 115(2) of the Companies Act.

### **SPECIAL RESOLUTION NUMBER 3 – REVOCATION OF SPECIAL RESOLUTION NUMBER 2 IF THE SCHEME IS NOT IMPLEMENTED AND DISSENTING SHAREHOLDERS HAVE EXERCISED THEIR APPRAISAL RIGHTS UNDER SECTION 164 OF THE COMPANIES ACT**

**“Resolved that**, subject to the passing of Special Resolution Number 1, Special Resolution Number 2, Ordinary Resolution Number 1, Ordinary Resolution Number 2 and Ordinary Resolution Number 3 and subject to and if:

- (i) Special Resolution Number 2 is approved by Shareholders; and
  - (ii) the Scheme is not implemented for whatever reason; and
  - (iii) BSI makes an announcement on SENS to the effect that the Scheme will not be continued or implemented; and
  - (iv) Dissenting Shareholders have exercised their appraisal rights under section 164 of the Companies Act,
- Special Resolution Number 2 is to be revoked with effect from the date of the announcement contemplated in (iii) above, as contemplated in section 164(9)(c) of the Companies Act.”

#### **Voting requirement**

Special Resolution Number 3 will, in terms of the Companies Act, require the support of at least 75% of the total number of votes exercised by Shareholders, present in person or by proxy and entitled to vote on such resolution at the General Meeting, to be approved.

#### **Explanatory note**

In accordance with section 164(9)(c) of the Companies Act, Shareholders who validly exercise their appraisal rights under section 164 of the Companies Act pursuant to the Scheme, shall, by virtue of Special Resolution Number 3, be re-instated as Shareholders, and their appraisal rights under section 164 of the Companies Act will become void and of no further force or effect if, after the approval of the Scheme in terms of Special Resolution 2, the Scheme is not implemented for whatever reason and BSI makes an announcement on SENS to the effect that the Scheme shall not be continued or implemented.

### **ORDINARY RESOLUTION NUMBER 1**

#### **Approval for the Delisting in terms of paragraph 1.14(a) of the Listings Requirements**

**“Resolved that**, subject to, and conditional upon the passing of Special Resolution Number 1, Special Resolution Number 2, Special Resolution Number 3, Ordinary Resolution Number 2 and Ordinary Resolution Number 3, and the implementation of the Scheme in accordance with its terms, the listing of all Shares on Alt<sup>x</sup> be terminated with effect from Tuesday, 27 February 2018 or such other date as the JSE may determine.”

#### **Voting requirement**

Ordinary Resolution Number 1 will, in terms of the Listings Requirements, require the support of at least 50% of the total number of votes exercised by Shareholders, excluding any Controlling Shareholder, its associates and any party acting in concert, and any other party which the JSE deems appropriate, present in person or by proxy and entitled to vote on such resolution at the General Meeting, to be approved. Accordingly, Battershill Investments and WL Battershill and any of their associates will not exercise any votes on this resolution.

#### **Explanatory note**

In accordance with paragraph 1.14(a) of the Listings Requirements, approval must be obtained from Shareholders in general meeting for the removal of a listing.

### **ORDINARY RESOLUTION NUMBER 2**

#### **Amendments to the SARS rules**

**“Resolved that**, subject to, and conditional upon the passing of Special Resolution Number 1, Special Resolution Number 2 and Special Resolution Number 3 and Ordinary Resolution 1 and Ordinary Resolution Number 3, the Scheme becoming operative and with effect from the date of the Delisting, the rules of the SARS be amended by the substitution in its entirety of the existing SARS rules with the amended restated rules, which have been tabled at this General Meeting and initialed by the Chairman for identification purposes.”

### **Voting requirement**

Ordinary Resolution Number 2 will, in terms of the Listings Requirements, require the support of at least 75% of the total number of votes exercised by Shareholders, excluding all the votes attaching to all Shares owned or controlled by person who are existing SARS participants, present in person or by proxy and entitled to vote on such resolution at the General Meeting, to be approved.

### **Explanatory note**

In accordance with paragraph 14.2 of Schedule 14 of the Listings Requirements, approval must be obtained from Shareholders in general meeting for the amendments to the SARS of the nature contemplated in the amended restated rules.

### **ORDINARY RESOLUTION NUMBER 3 – AUTHORITY GRANTED TO DIRECTORS**

**“Resolved that** each director of BSI be and is hereby individually authorised to sign all such documents and do all such other things as may be necessary for or incidental to the implementation of the resolutions above.”

### **Voting requirement**

Ordinary Resolution Number 3 will, require the support of at least 50% of the total number of votes exercised by Shareholders, present in person or by proxy and entitled to vote on such resolution at the General Meeting, to be approved.

### **Explanatory note**

The adoption of this Ordinary Resolution Number 3 will authorise any director of the Company to execute all documents and do all such further acts and things as he may in his discretion consider appropriate to implement and give effect to the resolutions set out in this Notice.

### **QUORUM**

The *quorum* for the purposes of considering the resolutions above shall consist of at least three Shareholders present in person or represented by proxy and entitled to vote on at least one matter at the General Meeting. In addition, a *quorum* shall comprise 25% of all the voting rights that are entitled to be exercised by Shareholders in respect of each matter to be decided at the General Meeting.

### **ELECTRONIC PARTICIPATION AT THE GENERAL MEETING**

Shareholders or their proxies may participate in the General Meeting by way of a telephone conference call. Shareholders or their proxies who wish to participate in the General Meeting via the teleconference facility will be required to advise the Company thereof by no later than 10:00 on Monday, 22 January 2018 by submitting an email to Stephen.Hackett@bsisteel.com with the relevant contact details including an email address, cellular number and landline, as well as full details of the Shareholder’s title to the shares issued by the Company, proof of identity in the form of copies of identity documents and share certificates (in the case of Certificated Shareholders) and written confirmation from the Shareholder’s CSDP or Broker confirming the Shareholder’s title to the Dematerialised Shares (in the case of Dematerialised Shareholders). Upon receipt of the required information, the Shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the General Meeting.

Shareholders who wish to participate in the General Meeting by way of telephone conference call must note that they will not be able to vote at the General Meeting. Such Shareholders, should they wish to have their vote counted at the General Meeting, must, to the extent applicable: (i) complete the attached Form of Proxy (*white*); or (ii) contact their CSDP or Broker, in both instances, as set out above.

### **VOTING**

On a show of hands, every Shareholder who is present in person, by proxy or represented at the General Meeting shall have one vote (irrespective of the number of Shares held), and on a poll, every Shareholder shall have one vote for each Share held.

### **IDENTIFICATION**

Section 63(1) of the Companies Act requires meeting participants (including proxies) to provide the person presiding the meeting with satisfactory identification. The Company will regard the presentation of participants’ original drivers’ licences, identity documents or passports to be satisfactory “documentation”.

## ATTENDANCE AT THE GENERAL MEETING AND PROXIES

Certificated Shareholders who are unable to attend the General Meeting but who wish to be represented thereat, are required to complete and return the attached Form of Proxy (*white*), to the Transfer Secretary, Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or proxy@computershare.co.za preferably by no later than 10:00 on Monday, 22 January 2018. Forms of Proxy not lodged with the Transfer Secretary by 10:00 on Monday, 22 January 2018, may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.

Own-Name Dematerialised Shareholders who are unable to attend the General Meeting but who wish to be represented thereat, are required to complete and return the attached Form of Proxy (*white*), to the Transfer Secretary, Computershare at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or proxy@computershare.co.za preferably by no later than 10:00 on Monday, 22 January 2018. Forms of Proxy not lodged with the Transfer Secretary by 10:00 on Monday, 22 January 2018, may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.

Shareholders who have Dematerialised their Shares, other than by "own-name" registration, who wish to attend the General Meeting, should instruct their CSDP or Broker to issue them with the necessary letter of representation to attend the General Meeting. Shareholders who have Dematerialised their Shares, other than by "own-name" registration, who wish to vote at the General Meeting, should provide their CSDP or Broker with voting instructions, in terms of the Custody Agreement. These instructions must be provided to their CSDP or Broker by the cut-off time or date advised by their CSDP or Broker for instructions of this nature.

Shareholders' rights regarding proxies in terms of section 58 of the Companies Act are as follows:

- (1) At any time, a Shareholder may appoint any individual, including an individual who is not a Shareholder, as a proxy to:
  - (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the Shareholder; or
  - (b) give or withhold written consent on behalf of the Shareholder to a decision contemplated in section 60 of the Companies Act.
- (2) A proxy appointment:
  - (a) must be in writing, dated and signed by the Shareholder; and
  - (b) remains valid for:
    - (i) one year after the date on which it was signed; or
    - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c) below, or expires earlier as contemplated in section 58(8)(d) of the Companies Act.
- (3) Except to the extent that the MOI provides otherwise:
  - (a) a Shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the Shareholder; and
  - (b) a copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the Shareholder at a shareholders meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy:
  - (a) the appointment is suspended at any time and to the extent that the Shareholder chooses to act directly and in person in the exercise of any rights as a Shareholder;
  - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
  - (c) if the appointment is revocable, a Shareholder may revoke the proxy appointment by:
    - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
    - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of:
- (a) the date stated in the revocation instrument, if any; or
  - (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii) above.
- (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the Shareholder without direction, except to the extent that the MOI, or the instrument appointing the proxy provides otherwise.

Shareholders, who have any doubt as to the action they should take, should consult their Broker, CSDP, attorney, accountant, banker or other professional advisor immediately.

### **APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS**

In terms of section 164 of the Companies Act, at any time before the Resolutions as set out in this notice of General Meeting are voted on, a Dissenting Shareholder may give the Company a written notice objecting to Special Resolution Number 2.

Within ten Business Days after the Company has adopted Special Resolution Number 2, the Company must send a notice that the Resolutions have been adopted to each Shareholder who:

- gave the Company a written notice of objection as contemplated above; and
- has neither withdrawn that notice nor voted in support of the Special Resolution Number 2.

A Shareholder may demand that the Company pay the Shareholder the fair value for all of the Shares of the Company held by that person if:

- the Shareholder has sent the Company a notice of objection;
- the Company has adopted Special Resolution Number 2; and
- the Shareholder voted against the Special Resolution Number 2 and has complied with all of the procedural requirements of section 164 of the Companies Act.

A copy of section 164 of the Companies Act is set out in Appendix A to **Annexure 1** to this Circular.

By order of the Board

### **W Battershill**

*Executive Chairman and Chief Executive Officer*

14 December 2017

### **Registered office**

46 Eden Park Drive, Murrayfield Park, Mkondeni, Pietermaritzburg, 3201







## BSi Steel Limited

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

JSE code: BSS ISIN: ZAE000125134

("BSi" or "the Company")

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## FORM OF PROXY

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Where appropriate and applicable the terms defined in the Circular to which this Form of Proxy is attached forms part of and shall bear the same meaning in this Form of Proxy.

### **This Form of Proxy is irrevocable and cannot be withdrawn once given.**

This Form of Proxy is for use by Certificated Shareholders and Own-Name Dematerialised Shareholders only, registered as such at the close of business on Friday, 19 January 2018, being the record date for Shareholders to be recorded in the Register in order to be eligible to attend, participate and vote at the General Meeting, at the General Meeting to be held 10:00 on Wednesday, 24 January 2018 at the Company's registered office 46 Eden Park Drive, Murrayfield Park, Mkondeni, Pietermaritzburg, 3201 or any postponed or adjourned date and time in accordance with the provisions of section 64(11) of the Companies Act and the Company's memorandum of incorporation, as read with the Listings Requirements.

Forms of Proxy not lodged with the Transfer Secretary in time may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.

If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting. If the General Meeting is adjourned or postponed then Proxy Forms that have not yet been submitted should be lodged with the Transfer Secretary by no later than 48 hours before the adjourned or postponed General Meeting but may nonetheless be handed to the chairman of the adjourned or postponed General Meeting before the proxy exercises the voting rights of the Shareholder at the adjourned or postponed General Meeting.

Dematerialised Shareholders who have not selected "own-name" registration must **not** complete this Form of Proxy. They must inform their Broker or CSDP timeously of their intention to attend and vote at the General Meeting or be represented by proxy thereat in order for the Broker or CSDP to issue them with the necessary letter of representation to do so or provide the Broker or CSDP timeously with their voting instructions should they not wish to attend the General Meeting in order for the Broker or CSDP to vote in accordance with their instructions at the General Meeting.

I/We

(full name/s in block letters) of (address)

Telephone work ( )

Telephone home ( )

Cellphone number

being the holder/custodian of  shares of the Company, hereby appoint (see note):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

the chairman of the General Meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the General Meeting convened for purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each postponement or adjournment thereof, and to vote for and/or against such resolutions, and/or to abstain from voting for and/or against the resolutions to be proposed at the General Meeting, in respect of the Shares registered in my/our name in accordance with the following instructions:

	Number of Shares		
	For	Against	Abstain
<b>Special Resolution Number 1</b> Approval of the Scheme in accordance with section 48(8)(a) of the Companies Act			
<b>Special Resolution Number 2</b> Scheme Resolution (in accordance with sections 48(8)(b) and 115(2) of the Companies Act)			
<b>Special Resolution Number 3</b> Revocation of Special Resolution Number 2 if the Scheme is not implemented and Dissenting Shareholders have exercised their appraisal rights under section 164 of the Companies Act			
<b>Ordinary Resolution Number 1</b> Approval for the Delisting in terms of paragraph 1.14(a) of the Listings Requirements			
<b>Ordinary Resolution Number 2</b> Amendment to the SARS rules in terms of paragraph 14.2 of Schedule 14 of the Listings Requirements			
<b>Ordinary Resolution Number 3</b> Authority granted to Directors			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable. A Shareholder entitled to attend and vote at the General Meeting may appoint one or more proxies to attend and act in his/her stead. A proxy so appointed need not be a Shareholder.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2017/2018

Signature \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

Each Shareholder is entitled to appoint one or more proxies (who need not be a Shareholder) to attend, speak and vote in place of that Shareholder at the General Meeting.

#### Notes to the Form of Proxy

##### Notes:

1. This Form of Proxy (*white*) must be used by Certificated Shareholders and Own-Name Dematerialised Shareholders only.
2. Dematerialised Shareholders who have not selected "own-name" registration are reminded that the onus is on them to communicate their voting instructions to their CSDP or Broker.
3. A Shareholder may insert the name of an irrevocable proxy or the names of two alternative irrevocable proxies (who need not be Shareholders) of the Shareholder's choice in the space/s provided, with or without deleting "the chairman of the General Meeting". The person whose name appears first on this Form of Proxy (*white*) and which has not been deleted will be entitled to act as proxy in priority to those whose names follow.
4. This Form of Proxy (*white*) is irrevocable and cannot be withdrawn once given.
5. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of ordinary shares "the Committed Shares" to be voted on behalf of that Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the chairman of the General Meeting, failure to so comply will be deemed to authorise the chairman of the General Meeting to vote in favour of the resolutions to be proposed at the General Meeting. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy.
6. Forms of Proxy (*white*) must be lodged at or be posted to Transfer Secretary, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) preferably by no later than 10:00 on Monday, 22 January 2018. Forms of Proxy not lodged with the Transfer Secretary in time may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting.
7. The completion and lodging of this Form of Proxy (*white*) will not preclude the Shareholder from attending the General Meeting but will preclude the Shareholder from voting in person thereat because it is an irrevocable proxy. This Form of Proxy cannot be withdrawn once given and the Committed Shares may not be traded once the proxy has been given, until after the General Meeting.
8. The chairman of the General Meeting may reject or accept any Form of Proxy (*white*) not completed and/or received, other than in accordance with these notes, provided that, in respect of the acceptance, the chairman is satisfied as to the manner in which the Shareholder concerned wishes to vote.
9. An instrument of proxy shall be valid for any adjournment of the General Meeting as well as for the meeting to which it relates, unless the contrary is stated thereon.
10. The authority (or a certified copy of the authority) of a person signing this Form of Proxy (*white*):
  - (a) under a power of attorney; or
  - (b) on behalf of a company,
must be attached to this Form of Proxy (*white*) unless the Company has already recorded the power of attorney.
11. Where Shares are held jointly, at least one of the joint Shareholders must sign this Form of Proxy (*white*).
12. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
13. A proxy may not delegate his/her authority to act on behalf of the Shareholder, to another person.
14. Any alteration or correction made to this Form of Proxy must be initialled by the signatory(ies).

##### Hand deliveries to:

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue  
Rosebank, 2196

##### Postal deliveries to:

Computershare Investor Services Proprietary Limited  
PO Box 61051  
Marshalltown, 2107



## BSI Steel Limited

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

JSE code: BSS ISIN: ZAE000125134

("BSI" or "the Company")

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## FORM OF ELECTION, SURRENDER AND TRANSFER

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### For use by Certificated Shareholders only who wish to make the Continuation Election and/or the Exit Election in respect of some or all of their Shares and those who fall under the Default Position

The definitions and interpretations commencing on page 10 of this Circular to which this Form of Election is attached apply to this Form of Election. **Important:**

- Shareholders who do not complete and deliver the Form of Election timeously or who do not make a valid election to retain and/or dispose of some or all of their Shares by making the Continuation Election and/or the Exit Election respectively, will be deemed to fall under the Default Position and the Company will re-acquire all their Shares for the Scheme Consideration pursuant to the Scheme. Details of the Scheme are contained in this Circular to which this Form of Election is attached.**
- This Form of Election should be read in conjunction with the Circular.**
- Please read the instructions below. Non-compliance with the instructions may result in the rejection of this Form of Election and you may be deemed to fall under the Default Position.**
- Forms of Election will be rejected if they are not received by the Transfer Secretary at the addresses below on or before 12:00 on the Scheme Consideration Record Date, which date is expected to be Friday, 23 February 2018.**

#### Instructions:

- Part A must be completed by all Certificated Shareholders.
- Part B must be completed by all Certificated Shareholders who wish to make the Continuation Election in respect of some or all of their Shares.
- Part C must be completed by Certificated Shareholders who wish to make the Exit Election in respect of some or all of their Shares.
- Please note that both Part B and Part C must be completed in the event that a Certificated Shareholder wishes to make the Continuation Election in respect of only some of its Shares and the Exit Election in respect of its remaining Shares.
- Part D must be completed by Shareholders who have made the Exit Election in respect of some or all of their Shares in order that the Scheme Consideration can be paid to them by EFT. If Part D is left blank or partially completed, the Scheme Consideration will be withheld until the correct details are provided by the Certificated Shareholder.
- Part E must be completed by Shareholders who have made the Exit Election in respect of all or some of their Shares and who are emigrants from, or non-residents of, the Common Monetary Area.
- If you are in any doubt as to how to complete this Form of Election, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
- A separate Form of Election is required to be completed by each Certificated Shareholder.

#### To:

##### The Transfer Secretary

##### Hand deliveries to:

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue  
Rosebank, 2196

##### Postal deliveries to:

Computershare Investor Services Proprietary Limited  
PO Box 61673  
Marshalltown, 2107

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### PART A: TO BE COMPLETED BY ALL CERTIFICATED SHAREHOLDERS

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*All Certificated Shareholders must please complete Part A and deliver this Form of Election together with the Documents of Title in respect of their Shares to the Transfer Secretary at any of the above addresses by no later than 12:00 on the Scheme Consideration Record Date.*

*Should the Scheme not become operative, any Documents of Title surrendered to and held by the Transfer Secretary will be returned to Certificated Shareholders, at their own risk, by registered post, to the address set out below or, if no address is provided below, to the Shareholder's registered address.*

I/We hereby surrender the enclosed Documents of Title in respect of the Certificated Shares held by me:

Surname or Name of corporate body \_\_\_\_\_

First names (in full) \_\_\_\_\_

Title \_\_\_\_\_

Identity number or registration number \_\_\_\_\_



My/Our signature(s) on this Form of Election constitutes my/our execution of an instrument of transfer in respect of the Shares in respect of which I/we have made the Exit Election and I/we hereby irrevocably appoint BSI, with the full power of substitution, as my agent to sign all such document(s) and do all such things on my behalf as may be necessary or expedient to give effect to the disposal and transfer of the under mentioned Shares to BSI.

Name of registered holder (separate form for each holder)	Share certificate number(s) and or details of Documents of Title	Number of Shares covered by each certificate enclosed and/ or Documents of Title	Number of Shares in respect of which you wish to make the Exit Election (i.e. the number of Shares you wish to dispose of to BSI and in respect of which you will receive the Scheme Consideration)
<b>Total</b>			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018

Signature \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

**PART D: EFT PAYMENT INSTRUCTION**

*Part D must be completed by Shareholders who have made the Exit Election in respect of all or some of their Shares in order that they can receive the Scheme Consideration by way of EFT. Shareholders who are emigrants from or not resident in the Common Monetary must complete Part E instead of Part D. If Part D is not completed or incorrectly filled, the Scheme Consideration will be withheld until the correct details are provided by the Certificated Shareholder.*

I/We, hereby instruct you to pay the Scheme Consideration payable to me pursuant to the Scheme into the following bank account:

<b>Bank:</b>	
<b>Branch:</b>	
<b>Branch number:</b>	
<b>Account name:</b>	
<b>Account number:</b>	
<b>SWIFT address:</b>	

**In terms of the Financial Intelligence Centre Act requirements, the Transfer Secretary will only be able to record the banking details if the following documents are attached:**

- a) a certified copy of identity document; and
- b) a certified true copy of a bank statement.

**BSI undertakes no responsibility for verification of the banking details provided above nor for the authenticity of the signature below. Scheme Participants warrant the correctness of the above banking details and indemnify and hold BSI harmless against any loss for funds having been paid into the account, details of which have been provided above.**

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018

Duly authorised signature \_\_\_\_\_

Signatory assisted by (if applicable) \_\_\_\_\_

**PART E: EMIGRANTS FROM AND NON-RESIDENTS OF THE COMMON MONETARY AREA**

*Part E must be completed by Shareholders who are emigrants from the Common Monetary Area and by non-residents if they wish the Scheme Consideration to be paid to an authorised dealer in South Africa or a foreign bank account not currently recorded by the Transfer Secretary who have made the Exit Election in respect of all or some of their Shares.*

**1. Shareholders who are emigrants from the Common Monetary Area**

The Scheme Consideration will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked Rand account. Accordingly, Shareholders who are emigrants from the Common Monetary Area and who have made the Exit Election must give the following information:

Name and address of authorised dealer in South Africa:

<b>Bank name:</b>	
<b>Bank address:</b>	
<b>Branch:</b>	
<b>Branch number:</b>	
<b>Account name:</b>	
<b>Account number:</b>	

## 2. All other non-resident Shareholders

The Scheme Consideration will be forwarded to the authorised dealer nominated below, should a non-resident wish that the Scheme Consideration be paid to an authorised dealer in South Africa, failing which the Scheme Consideration will be paid directly into the non-resident's foreign bank account. Accordingly, Shareholders who are non-residents of the Common Monetary Area and have made the Exit Election, and wish that the Scheme Consideration be paid to an authorised dealer in South Africa or into a non-resident foreign bank account not currently recorded by the Transfer Secretary, must give the following information:

Name and address of authorised dealer in South Africa (should the non-resident wish for the Scheme Consideration to be paid to an authorised dealer in South Africa):

<b>Bank name:</b>	
<b>Bank address:</b>	
<b>Branch:</b>	
<b>Branch number:</b>	
<b>Account name:</b>	
<b>Account number:</b>	

3. If Part E is not completed or incorrectly filled, the Scheme Consideration payable to emigrants and non-resident Shareholders will be held in trust by BSI (or any third-party nominated by it for this purpose) for the benefit of the relevant Shareholder for a maximum period of three years from the Operative Date, after which period such funds shall be made over to the Guardians fund of the High Court. For the avoidance of doubt, no interest will accrue on any such funds held by BSI.

### Notes:

- In order to comply with the requirements of the Financial Intelligence Act, 2001 (Act 38 of 2001), Computershare Investor Services Proprietary Limited will be unable to record any changes of address or payment mandates unless the following documentation is received from the relevant Shareholder:
  - a certified true copy of the original identification document (in respect of changes of address and payment mandate); and
  - a certified true copy of an original bank statement (in respect of bank mandate).
- Emigrants from the Common Monetary Area must complete point 1 of Part E.
- All other non-residents of the Common Monetary Area must complete point 2 of Part E if they wish the Scheme Consideration to be paid to an authorised dealer in South Africa or into a non-resident foreign bank account not currently recorded by the Transfer Secretary.
- If Part E is not properly completed, the Scheme Consideration will be held in trust by BSI (or any third party nominated by it for this purpose) for the benefit of the relevant Certificated Shareholder, pending receipt of the necessary nomination or instruction, for a maximum period of three years from the Operative Date, after which period such funds may be made over to the Guardians fund of the High Court. For the avoidance of doubt, no interest will accrue on any such funds held by BSI.
- The Scheme Consideration will not be paid to a Scheme Consideration Participant that holds Certificated Shares unless and until this Form of Election has been properly completed by such Certificated Shareholder and delivered, together with the Documents of Title in respect of the relevant Shares, to the Transfer Secretary. In the event that any Shareholder who holds Certificated Shares fails to surrender their Documents of Title and completed Forms of Election to the Transfer Secretary then, unless otherwise agreed between BSI and the Shareholders concerned, the relevant Scheme Consideration will be held in trust by BSI (or any third party nominated by it for this purpose) for the benefit of the Shareholder concerned for a maximum period of three years, after which period such funds shall be made over to the Guardians fund of the High Court. For the avoidance of doubt, no interest will accrue on any such funds held by BSI.
- If a Certificated Shareholder produces evidence to the satisfaction of BSI that Documents of Title in respect of Shares have been lost or destroyed, BSI may waive the surrender of such Documents of Title against delivery of a duly executed indemnity in a form and on terms and conditions approved by BSI, or may in its discretion waive such indemnity.
- If this Form of Election is not signed by the Certificated Shareholder, the Certificated Shareholder will be deemed to have irrevocably appointed the company secretary of BSI to implement that Shareholder's obligations under the Scheme on his/her behalf.
- Persons who have acquired Shares after the date of posting of this Circular to which this form is attached, can obtain copies of the Form of Election and this Circular from Computershare Investor Services Proprietary Limited, whose address is Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa (PO Box 61763, Marshalltown, 2107).
- No receipts will be issued for documents lodged, unless specifically requested. In compliance with the Listings Requirements, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form.
- Any alteration to this form must be signed in full and should not be merely initialed.
- If this form is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this form for noting (unless it has already been noted by BSI or the Transfer Secretary).
- Where the Certificated Shareholder is a company or a close corporation, unless it has already been registered with BSI or the Transfer Secretary, a certified copy of the directors' or members' resolution authorising the signing of this form must be submitted if so requested by BSI.
- Note 8 above does not apply in the event of this form bearing the stamp of a broking member of the JSE.
- Where Shares are held jointly, all joint holders are required to sign. Any joint holder may vote at the General Meeting in respect of his/her joint shares as if he/she was solely entitled thereto, but if more than one such joint holders are present or represented at the General Meeting, the one whose name stands first in the register is the respect of such Shares or his/her proxy, as the case may be, is alone entitled to vote in respect thereof.