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Resources in Finance

Case Study

Reclamation Group of South Africa

A case study in leveraged finance

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A Leveraged Ownership Restructuring

In October 2003, the existing shareholders in The Reclamation Group concluded a leveraged transfer of ownership designed to comply with South Africa's Black Economic Empowerment rules. They 25% + 1 share of the issued share capital of the company. The shares were sold to Phamangu Investment Holdings (Pty) Ltd and were registered in the name of Phamangu Investment Holdings (Pty) Ltd and the Industrial Development Corporation of South Africa on behalf of Phamangu. The other shareholders are, The Bidvest Group Ltd who hold in excess of 9.30% of the issued shares in the company and Brait South Africa Ltd controlling in excess of 21.70% through its management / control of South African Private Equity Trust III and Capital Africa Ltd. The senior management and certain employees of the company own slightly less than 44% being the balance of the issued shares in the company.

Phamangu Investment Holdings and the IDC now own 25% + 1 share of the issued shares in the company . The Bidvest Group Ltd and Brait South Africa Ltd are also structured in compliance with empowerment legislation / requirements. Together with the shareholding of Phamangu Investment Holdings (Pty) Ltd / the IDC this effectively broadens the empowerment base and ownership in The Reclamation Group to 32.5% of the issued shares of the company.

The Company

The Reclamation Group (Pty) Ltd ("Reclam"), was registered on 31 October 1998. At that time, the company purchased numerous companies involved in the purchase, processing and sale of secondary ferrous and non-ferrous metal. The group consolidated 14 different recycling businesses situated throughout Gauteng, the Free State, the Northwest Province, Western Cape and Mozambique, together with certain export sites in Richards Bay, Durban, East London and Maputo. <>In and during 2000, the company expanded its operations into other recyclable commodities which included paper, cardboard, plastic, glass, rubber and integrated waste management services. Reclam is the now largest processor of both ferrous and non-ferrous scrap metals and coupled with plastic, paper, cardboard, rubber, glass and non-toxic waste. Reclam is the leading supplier of secondary raw materials recovered from recycled scrap and waste for use by downstream industry in Africa. The company has branches in Swaziland, Mozambique, Malawi, Kenya, Zambia and Botswana. The work force exceeds of 2500 employees, and Reclam has a specialist fleet of over 600 purpose built vehicles and in excess of 4000 containers placed at customer locations for collection of recyclable materials. Reclam typically collects, processes and delivers well in excess of one and a half million tons of recyclables during each year, with a turnover in excess of 2 Billion Rand per annum.

The pages that follow provide a summary of the transaction and its financing.

Questions:

1. Draw a flowchart showing the events in this ownership restructuring
2. List all the instruments used in the financing of this acquisition
3. As an investor in the notes offered, what level of risk are you taking as compared to conventional acquisition funding?

The Transactions

The proceeds from the issuance of the notes will be used to finance certain aspects of the transactions described below. See “The Transactions” and “Use of Proceeds” for a more detailed description of these financings.

Reclam Purchase

The issuer of the notes was recently formed for the purpose of acquiring all of the assets of Reclam. This acquisition will occur in two stages concurrently with the closing of the offering of the notes. In the first stage, the issuer will acquire all of the outstanding ordinary shares of Reclam (the “Share Purchase”) pursuant to various share purchase agreements with Reclam’s current shareholders, after which Reclam will become a wholly owned subsidiary of the issuer. Immediately thereafter, in the second stage of this transaction, the issuer will acquire: (i) all of the shares of Reclam’s operating subsidiaries, other than Matuba; and (ii) all of the other assets and on-balance sheet liabilities of Reclam and Matuba (together, the “Asset Transfer”). We refer in this offering memorandum to the Share Purchase and the Asset Transfer together as the “Reclam Purchase.”

Upon the closing of the offering of the notes, €187.1 million (R1,418.8 million) of the gross proceeds from the offering of the notes (the “Reclam Escrow Amount”) will be deposited into an escrow account (the “Escrow Account”) along with an amount (the “Reclam Escrow Interest Amount” and, along with the Reclam Escrow Amount, the “Reclam Escrow Funds”) that will be sufficient to provide for the payment in full of interest on the Reclam Escrow Amount at the rate of interest applicable to the notes until the day that is 15 business days following the closing of the offering of the notes, under the terms of an escrow agreement (the “Escrow Agreement”). In the event the Reclam Purchase is not completed by the third business day following the closing of the offering of the notes, the Reclam Escrow Funds and the SAM Escrow Funds (as defined below) held in escrow will be used to fund, subject to the approval of the South African exchange control authorities, a special mandatory redemption of all of the notes at a redemption price equal to 100% of the aggregate principal amount of the notes, plus accrued and unpaid interest through to but not including the redemption date. See “Description of The Notes—Disbursement of Funds; Escrow Account” and “Description of The Notes—Special Mandatory Redemptions.”

The issuer is a direct wholly owned subsidiary of a holding company, Reclamation Holdings (Proprietary) Limited (“Reclamation Holdings”), that was recently formed for the purpose of facilitating the Asset Transfer. Following the Reclam Purchase, the issuer will directly own and operate all of the currently existing assets of Reclam, and the shareholders of Reclamation Holdings will consist of certain members of Reclam’s current management, the BEE investor and a South African trust established to facilitate a share incentive scheme for Reclam’s employees (the “Employee Share Ownership Trust”).

The Reclam Purchase and the financing thereof have various components and steps that are described herein. See “The Transactions—Financing Transactions related to the Reclam Purchase”.

SAM Assets Acquisition

On 15 December 2005, Reclam entered into an agreement with SA Metal & Machinery Company (Proprietary) Limited (“SA Metals”) and Waste Control (Proprietary) Limited (“Waste Control”) to acquire substantially all of their assets (together, the “SAM Assets”). We refer to this transaction as the “SAM Assets Acquisition.” The completion of the SAM Assets Acquisition is subject to customary conditions precedent, including approval by the South African competition authorities. We currently expect the SAM Assets Acquisition to be completed in early to mid 2006 but not earlier than 1 February 2006, at a total cost of R450.0 million (€59.3 million), plus the value of SA Metals’ inventory as of 1 February 2006, which we currently estimate to be R40.0 million (€5.3 million). Other than liabilities that arise after 1 February 2006, all liabilities of SA Metals, Waste Control and those related to the SAM Assets will be excluded from the SAM Assets Acquisition and will not be assumed by Reclam. We will use €57.9 million (R439.0 million) of the net proceeds from the offering of the notes, together with an estimated R11.0 million (€1.5 million) of cash on hand, to fund the SAM Assets Acquisition, and will use additional cash on hand to acquire the SA Metals’ inventory.

Upon the closing of the offering of the notes, €57.9 million (R439.0 million) of the gross proceeds from the offering of the notes (the “SAM Escrow Amount”) will also be deposited into the Escrow Account along with an amount (the “SAM Escrow Interest” and, along with the SAM Escrow Amount, the “SAM Escrow Funds”) that will be sufficient to provide for the payment in full of interest on the SAM Escrow Amount at the rate of interest applicable to the notes until the day that is 15 business days following 30 June 2006, under the terms of the Escrow Agreement. In the event the SAM Assets Acquisition is not completed by 30 June 2006, the SAM Escrow Funds held in escrow will be used to fund, subject to the approval of the South African exchange control authorities, a special mandatory redemption of an aggregate principal amount of the notes equal to the SAM Escrow Amount at 100% of the aggregate principal amount thereof plus accrued and unpaid interest thereon through to but not including the redemption date. See “Description of The Notes—Disbursement of Funds; Escrow Account” and “Description of The Notes—Special Mandatory Redemptions.”

The net proceeds from the offering will be used, together with funds received from our parent holding company in the form of two deeply subordinated shareholder loans (the “Subordinated Shareholder Loans”), equity contributions from our parent holding company and cash on hand, to: (i) effect the Asset Transfer under the Reclam Purchase Financing in the manner described under “The Transactions—Financing transactions related to the Reclam Purchase”; (ii) pay certain transactions costs related to the offering and make a distribution to the shareholder of the issuer; (iii) fund R439.0 million of the total estimated R490.0 million cost of the SAM Assets Acquisition; and (iv) fund cash amounts to be used for working capital purposes (together, the “Transactions”).

The following table sets forth the sources and uses of funds in connection with the Transactions without setting forth the bridge loans and intra-group cash flows described under “The Transactions—Financing transactions related to the Reclam Purchase” (this table should be read in conjunction with the detailed description of the terms of the financing transactions described under “The Transactions—Financing transactions related to the Reclam Purchase”):

Source of Funds	**Amount[(a)]**		**Uses of Funds**	**Amount[(a)]**	
	(R in millions)	*(€ in millions)*		*(R in millions)*	*(€ in millions)*
Cash	146.1	19.3	Consideration for the acquisition of Reclam[(d)]	1,412.6	186.3
Notes offered hereby[(b)]	1,858.0	245.0	Transaction costs and distributions to shareholder[(e)]	583.0	76.9
Subordinated Shareholder Loans[(c)]	234.9	31.0	SAM Assets Acquisition (escrow)[(f)]	439.0	57.9
Common equity	210.7	27.8	Cash over-funding[(g)]	15.1	2.0
Total Sources	2,449.7	323.1	**Total Uses**	2,449.7	323.1

(a) We have translated, for your convenience, the rand amounts presented in this table into euro using the exchange rate of €1.00 = R7.583. The Bloomberg Composite Rate of the euro on 4 January 2006 was €1.00 = R7.46. You should not view such translations as a representation that such rand amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate. See “Exchange Rates.”

(b) To be held in escrow as described in “The Transactions,” “Description of The Notes—Disbursement of Funds; Escrow Account” and “Description of The Notes—Special Mandatory Redemptions.”

(c) Represents the net proceeds from the issuance of a payment-in-kind loan and class C ordinary shares of Reclamation Holdings (the “PIK Funding”) and a subordinated payment-in-kind loan and class C ordinary shares of Reclamation Holdings (the “Subordinated PIK Funding”), such proceeds to be lent to the issuer by Reclamation Holdings pursuant to the Subordinated Shareholder Loans. See “Description of Certain Other Indebtedness—Subordinated Shareholder Loans.”

(d) To be paid by the issuer from funds borrowed under the first bridge loan described under “The Transactions—Financing transactions related to the Reclam Purchase.”

(e) To be paid by the issuer out of funds received from the dividend paid to the issuer by Reclam described under “The Transactions—Financing transactions related to the Reclam Purchase.”

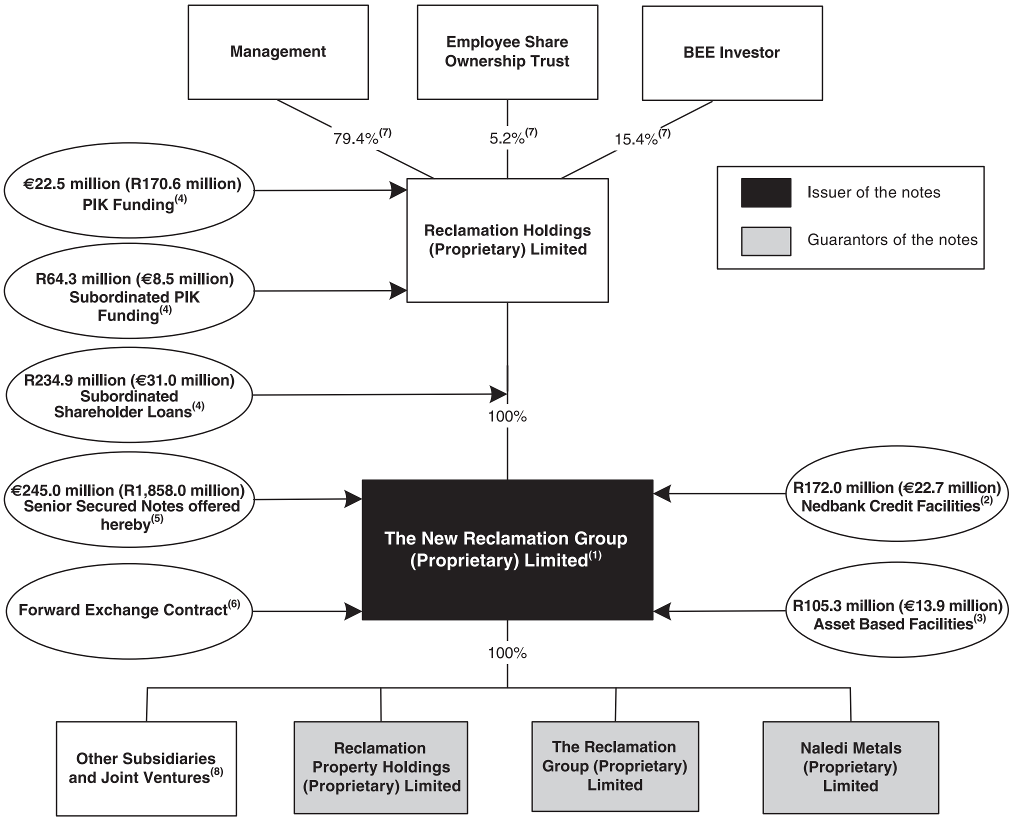
(f) To be held in escrow pending the closing of the SAM Assets Acquisition. See “The Transactions,” “Description of The Notes—Disbursement of Funds; Escrow Account” and “Description of The Notes—Special Mandatory Redemptions.”

(g) We expect to use this cash amount to fund our working capital needs.

You should read “The Transactions,” “Capitalisation” and “Description of Certain Other Indebtedness” for a more detailed description of our expected use of proceeds, capitalisation and financing arrangements.

Corporate Structure

The following diagram summarises our corporate structure and outstanding financing arrangements following the consummation of the Reclam Purchase. For a summary of the debt obligations referenced below, please refer to "Description of Certain Other Indebtedness" and "Description of The Notes." The diagram does not reflect the SAM Assets Acquisition, which we currently expect to be completed in early to mid 2006 and not earlier than 1 February 2006. See "The Transactions—SAM Assets Acquisition."



(1) The New Reclamation Group (Proprietary) Limited is the issuer of the notes offered hereby. It was recently formed to facilitate the Asset Transfer. See "The Transactions." The Reclamation Group (Proprietary) Limited, Reclamation Property Holdings (Proprietary) Limited and Naledi Metals (Proprietary) Limited will guarantee the issuer's obligations under the notes. The following table sets forth the assets, turnover and EBITDA of the issuer on a stand-alone basis as well as the issuer and guarantors on a combined basis and the issuer and subsidiaries on a consolidated basis, as a proportion of our total consolidated assets, turnover and EBITDA as of and for the periods indicated, as if the Reclam Purchase had ocurred:

	Year ended 30 June 2005			Three months ended 30 September 2005		
	Issuer	**Issuer and guarantors combined**	**Issuer and subsidiaries consolidated**	**Issuer**	**Issuer and guarantors combined**	**Issuer and subsidiaries consolidated**
			(percentages)			
Assets (as of period end)				79.4	91.1	95.7
Turnover	94.5	96.0	96.1	92.8	94.0	94.1
EBITDA[(a)]	101.3	105.1	99.3	85.7	88.2	96.7

(a) For a description of how we calculate EBITDA, see note (2) to "—Summary Historical and Pro Forma Financial Information" and note (1) to "Selected Historical Financial Information."

(2) The Nedbank Credit Facilities will be increased to R252.0 million upon the completion of the SAM Assets Acquisition. Immediately following the closing of the offering of the notes, we expect that all of the R120.0 million (€15.8 million) available under the general banking facility under the Nedbank Credit Facilities will be undrawn and available. See "Description of Certain Other Indebtedness."

(3) For a description of these facilities, see "Description of Certain Other Indebtedness."

(4) The proceeds from the issuance of a payment-in-kind loan and class C ordinary shares of Reclamation Holdings in the aggregate amount of €22.5 million (R170.6 million) and a subordinated payment-in-kind loan and class C ordinary shares of Reclamation Holdings in the aggregate amount of R64.3 million (€8.5 million) each by Reclamation Holdings, the issuer's direct parent holding company, will be lent to the issuer pursuant to the Subordinated Shareholder Loans. For a description of the Subordinated Shareholder Loans, see "Description of Certain Other Indebtedness."

(5) The notes and the guarantees will be secured by first-priority security interests over all of the issuer's capital stock and certain of the assets of the issuer and the guarantors. See "Description of The Notes—Security."

(6) The notes will be hedged in respect of foreign exchange risk concurrently with the closing of the offering of the notes pursuant to a four-year forward exchange contract for the rand equivalent of substantially all of the principal amount of, and four years of interest under, the notes. See "Description of Certain Other Indebtedness—Hedging arrangements."

(7) Calculated on the basis the class A and class B ordinary shares of Reclamation Holdings. See "Our Principal Shareholders."

(8) The following is a list of the issuer's other operating subsidiaries and its direct or indirect equity interest in those entities. Each of these subsidiaries will be a "restricted subsidiary" under the terms of the notes. See "Description of The Notes."

Subsidiaries	Ownership
Reclamation Group Malawi (Proprietary) Limited	100.0%
Reclamation Group Botswana (Proprietary) Limited	100.0%
Greystone Investments (Proprietary) Limited[(a)]	100.0%
Reclamation Group Swaziland (Proprietary) Limited	100.0%
Reclamation Group Mocambique Lda	100.0%
Reclam Chemicals (Proprietary) Limited	60.0%

(a) Greystone's only asset is its 17.5% partnership interest in Cronimet II, a joint venture partnership ("Cronimet II"). SA Metals also has a 17.5% partnership interest in Cronimet II.

The following is a list of our joint ventures and our equity interest in those entities. We either proportionately consolidate these entities or account for them based on the equity method of accounting as set forth below. None of these entities is a subsidiary of the issuer and therefore none of them will be a "restricted subsidiary" under the terms of the notes. See "Description of The Notes."

Joint ventures	Ownership
Boxcon Africa (Proprietary) Limited[(a)]	50.0%
Flaming Silver Investments (Proprietary) Limited[(a)]	50.0%
Heever Rubber Reclamation (Proprietary) Limited[(b)]	49.9%
National Scrap Metal (Cape Town) (Proprietary) Limited[(c)]	40.0%
Murec Crushing and Milling (Proprietary) Limited[(c)]	40.0%
Falcon Aluminium Alloys (Proprietary) Limited[(a)]	33.3%

(a) Accounted for based on the equity method of accounting.

(b) This entity will be an "unrestricted subsidiary" of the issuer under the terms of the notes as of the closing date of the offering of the notes. The issuer has, however, agreed with The Bidvest Group Limited to the transfer of 5.15% of the issuer's equity interest in this subsidiary to The Bidvest Group Limited on or around the closing of the offering of the notes. Upon such transfer, this entity will cease to be the issuer's subsidiary, but will be proportionately consolidated. This table gives effect to such transfer.

(c) Proportionately consolidated.

THE TRANSACTIONS

The proceeds from the issuance of the notes will be used to finance certain aspects of the transactions described below. See also "Use of Proceeds."

Reclam Purchase

The issuer of the notes was recently formed for the purpose of acquiring all of the assets of Reclam. This acquisition will occur in two stages concurrently with the closing of the offering of the notes. In the first stage, the issuer will acquire all of the outstanding ordinary shares of Reclam (the "Share Purchase") pursuant to various share purchase agreements with Reclam's current shareholders, after which Reclam will become a wholly owned subsidiary of the issuer. Immediately thereafter, in the second stage of this transaction, the issuer will acquire: (i) all of the shares of Reclam's operating subsidiaries, other than Matuba; and (ii) all of the other assets and on-balance sheet liabilities of Reclam and Matuba (together, the "Asset Transfer"). We refer in this offering memorandum to the Share Purchase and the Asset Transfer together as the "Reclam Purchase." The agreements effecting the Reclam Purchase contain limited representations and warranties as to clear title and transferability.

The issuer is a direct wholly owned, subsidiary of a holding company, Reclamation Holdings, that was recently formed for the purpose of facilitating the Asset Transfer. Following the Reclam Purchase, the issuer will directly own and operate all of the currently existing assets of Reclam, and the shareholders of Reclamation Holdings will consist of certain members of Reclam's current management, the BEE investor and the Employee Share Ownership Trust.

Financing transactions related to the Reclam Purchase

The Reclam Purchase and the financing thereof (the "Reclam Purchase Financing") have various components, which we list below in the order they will be deemed to occur.

- The issuer will issue the notes in this offering. €187.1 million (R1,418.8 million) of the gross proceeds from the offering of the notes (the "Reclam Escrow Amount") will be deposited into an escrow account (the "Escrow Account"), along with an amount (the "Reclam Escrow Interest Amount" and, along with the Reclam Escrow Amount, the "Reclam Escrow Funds") as will be sufficient to provide for the payment in full of interest on the Reclam Escrow Amount at the rate of interest applicable to the notes until the day that is 15 business days following the closing of the offering of the notes, under the terms of an escrow agreement (the "Escrow Agreement"). In the event the Reclam Purchase is not completed by the third business day following the closing of the offering of the notes, the Reclam Escrow Funds and the SAM Escrow Funds (as defined below) held in escrow will be used to fund, subject to the approval of the South African exchange control authorities, a special mandatory redemption of all of the notes at a redemption price equal to 100% of the aggregate principal amount of the notes, plus accrued and unpaid interest through to but not including the redemption date. See "Description of The Notes—Disbursement of Funds; Escrow Account" and "Description of The Notes—Special Mandatory Redemptions."
- The issuer of the notes will borrow R1,412.6 million (€186.3 million) from a South African financial institution under a bridge loan and will apply the proceeds from such bridge loan to effect the Share Purchase and thereby acquire 100% of Reclam's shares from the shareholders of Reclam.
- The issuer's parent holding company, Reclamation Holdings, will lend the issuer R234.9 million (€31.0 million) pursuant to the Subordinated Shareholder Loans. Reclamation Holdings will fund these loans with the proceeds from the issuance of the PIK Funding and the Subordinated PIK Funding.
- The issuer will then borrow an additional R84.3 million (€11.1 million) under a second bridge loan, and will apply the proceeds from such bridge loan, together with equity contributions and the proceeds of the Subordinated Shareholder Loans and the proceeds from the notes offered hereby (excluding an estimated R439.0 million (€57.9 million) that will also be held in the Escrow Account pending the closing of the SAM Assets Acquisition) to effect the Asset Transfer by paying such amounts to Reclam, which at such time will be the issuer's direct wholly owned subsidiary as a result of the Share Purchase.
- Reclam will then distribute, by way of a dividend to the issuer, all of its cash, which includes the consideration received from the issuer for the Asset Transfer, as well as R146.1 million (€19.3 million) of cash on hand.

- The issuer will then, with funds received pursuant to the dividend paid to it by Reclam, repay all of the R1,496.9 million (€197.4 million) outstanding under the two bridge loans and pay fees, expenses and distributions totalling R583.0 million (€76.9 million) to Reclamation Holdings.
- After giving effect to the foregoing, the issuer will have outstanding indebtedness of R1,858.0 million (€245.0 million), represented by the notes offered hereby, and by the Subordinated Shareholder Loans in the amount of R234.9 million (€31.0 million).

SAM Assets Acquisition

On 15 December 2005, Reclam entered into an agreement with SA Metals and Waste Control for the acquisition of the SAM Assets. SA Metals and Waste Control (the "Sellers") are incorporated in South Africa. The SAM Assets include SA Metals' business, whose principal assets consist of a steel billet manufacturing plant, a copper billet manufacturing plant, a zinc anode manufacturing plant, a steel shredding plant, a cable granulation plant, a scrap metal trading and processing business, a steel and related products trading business and an industrial waste removal business, and Waste Control's entire vehicle and equipment rental business.

The completion of the SAM Assets Acquisition is subject to customary conditions precedent, including approval by the South African competition authorities. We currently expect the SAM Assets Acquisition to be completed in early to mid 2006 but not earlier than 1 February 2006, at a total cost of R450.0 million (€59.3 million) plus the value of SA Metals' inventory as of 1 February 2006, which we currently estimate to be R40.0 million (€5.3 million). Other than liabilities that arise after 1 February 2006, all liabilities of SA Metals, Waste Control and those related to the SAM Assets will be excluded from the SAM Assets Acquisition and will not be assumed by Reclam. The issuer believes that the consideration to be paid for the Reclam Purchase and the SAM Assets Acquisition is representative of the fair market value of such assets.

In order to expedite the approval of the SAM Assets Acquisition by the South African competition authorities, the rights to acquire the SAM Assets will not be transferred to the issuer as part of the Reclam Purchase, but will remain with Reclam.

The agreement for the SAM Assets Acquisition contains customary warranties, covenants and indemnities from the Sellers and two individual shareholders of SA Metals and Waste Control (the "Shareholder Guarantors") in favour of Reclam, which will inure to our benefit following the transfer of the SAM Assets to us. In particular, the agreement for the SAM Assets Acquisition provides for:

- a warranty by the Sellers and Shareholder Guarantors that the SAM Assets comply in all respects with environmental legislation and regulations, that all consents, licences, permits, registrations, approvals and other authorities required for the conduct of the business have been obtained and are valid for a period of six months after 1 February 2006, that neither the Sellers nor the landlords at any premises have any liability for clean-ups, and that there are no pending or threatened environmental complaints or disputes in respect of the use of the premises occupied in relation to the SAM Assets;
- an indemnity from the Sellers and the Shareholder Guarantors in favour of Reclam against any loss, damage or expense that Reclam may suffer as a result of any liability or obligation in respect of the SAM Assets that arose prior to 1 February 2006, any claims or liabilities as a result of any breach of contract by the Sellers that occurred prior to 1 February 2006 or a breach by the Sellers and the Shareholder Guarantors of any of the warranties;
- a covenant by the Sellers, the Shareholder Guarantors and certain other shareholders of the Sellers in favour of Reclam to refrain from soliciting employees of SA Metals or Waste Control or its or their successors and assigns for a period of ten years from 1 February 2006;
- a covenant by the Sellers, the Shareholder Guarantors and certain other shareholders of the Sellers restraining them from engaging, directly or indirectly, in any competitive activity in Africa or the islands of Madagascar, Mauritius, Reunion, the Seychelles and the Commores for a period of ten years from 1 February 2006;
- an indemnity from Reclam to the Sellers against losses arising from employee-related obligations that are assumed by Reclam (the obligations assumed being (i) obligations owing to employees that arise on or after 1 February 2006 or as a result of any action or omission of Reclam in relation to any of the employees and (ii) liability for severance pay that may be payable to an employee (save for certain exclusions) in the event of dismissal subsequent to 1 February 2006);
- an indemnity from the Sellers against losses arising from employee-related obligations that are not assumed by Reclam;

- a covenant by the Sellers that no party other than Reclam or any of its associates are entitled to use the names “SA Metal,” “SA Metal Group,” “Waste Control,” “Real Steel” and “SA Steelworks;” and
- a suretyship from the Shareholder Guarantors for the due payment and performance by the Sellers of all their liabilities and obligations under the agreement.

Financing transactions related to the SAM Assets Acquisition

We will fund the SAM Assets Acquisition and the payment of estimated transaction fees and expenses using €57.9 million (R439.0 million) from the proceeds of the offering of the notes, together with an estimated R11.0 million (€1.5 million) of cash on hand, and will fund the acquisition of SA Metals’ inventory, which we currently estimate to be R40.0 million (€5.3 million), from additional cash on hand. Pending the completion of the SAM Assets Acquisition, €57.9 million (R439.0 million) of the gross proceeds from the offering of the notes (the “SAM Escrow Amount”) will also be deposited into the Escrow Account, along with an amount (the “SAM Escrow Interest” and, along with the SAM Escrow Amount, the “SAM Escrow Funds”) as will be sufficient to provide for the payment in full of interest on the SAM Escrow Amount at the rate of interest applicable to the notes until the day that is 15 business days following 30 June 2006, under the terms of the Escrow Agreement. At the closing of the SAM Assets Acquisition, the purchase price will be released from escrow to the issuer to be lent to Reclam as an intercompany loan for payment to the Sellers. The SAM Assets will first be transferred to Reclam and soon thereafter to the issuer in settlement of the intercompany loan. In the event the SAM Assets Acquisition is not completed by 30 June 2006, the SAM Escrow Funds held in escrow will be used to fund, subject to the approval of the South African exchange control authorities, a special mandatory redemption of an aggregate principal amount of the notes equal to the SAM Escrow Amount at 100% of the aggregate principal amount thereof plus accrued and unpaid interest thereon through to but not including the redemption date. See “Description of The Notes—Disbursement of Funds; Escrow Account” and “Description of The Notes—Special Mandatory Redemptions.”

USE OF PROCEEDS

We estimate that the net proceeds to the issuer from the sale of the notes offered hereby will be approximately €235.2 million (R1,783.7 million) after deducting the initial purchaser's discounts and commissions. The net proceeds of the offering will be held in escrow to be used together with funds received from the Subordinated Shareholder Loans, equity contributions from our parent holding company and cash on hand to (i) effect the Asset Transfer under the Reclam Purchase Financing in the manner described under "The Transactions—Financing transactions related to the Reclam Purchase," (ii) pay certain transactions costs related to the offering and make a distribution to the shareholder of the issuer and: (iii) fund R439.0 million of the total estimated R490.0 million cost of the SAM Assets Acquisition (the "Transactions").

The following table sets forth the sources and uses of funds in connection with the Transactions without setting forth the bridge loans and inter-group cash flows described under "The Transactions—Financing transactions related to the Reclam Purchase" (this table should be read in conjunction with the detailed description of the terms of the financing transactions described under "The Transactions—Financing transactions related to the Reclam Purchase"):

Source of Funds	Amount[a]		Uses of Funds	Amount[a]	
	(R in millions)	*(€ in millions)*		*(R in millions)*	*(€ in millions)*
Cash	146.1	19.3	Consideration for the acquisition of Relcam[d]	1,412.6	186.3
Notes offered hereby[b]	1,858.0	245.0	Transaction costs and distributions to shareholder[e]	583.0	76.9
Shareholder loan[c]	234.9	31.0	SAM Assets Acquisition (escrow)[f]	439.0	57.9
Common equity	210.7	27.8	Cash over-funding[g]	15.1	2.0
Total Sources	2,449.7	323.1	**Total Uses**	2,449.7	323.1

(a) We have translated, for your convenience, the rand amounts presented in this table into euro using the exchange rate of €1.00 = R7.583. The Bloomberg Composite Rate of the euro on 4 January 2006 was €1.00 = R7.46. You should not view such translations as a representation that such rand amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate. See "Exchange Rates."

(b) To be held in escrow as described in "The Transactions," "Description of The Notes—Disbursement of Funds; Escrow Account" and "Description of The Notes—Special Mandatory Redemptions."

(c) Represents the net proceeds of the PIK Funding and the Subordinated PIK Funding to be lent to the issuer by Reclamation Holdings pursuant to the terms of the Subordinated Shareholder Loans. See "Description of Certain Other Indebtedness—Subordinated Shareholder Loans."

(d) To be paid by the issuer from funds borrowed under the first bridge loan described under "The Transactions—Financing transactions related to the Reclam Purchase."

(e) To be paid by the issuer out of funds received from the dividend paid to the issuer by Reclam described under "The Transactions—Financing transactions related to the Reclam Purchase."

(f) To be held in escrow pending the closing of the SAM Assets Acquisition. See "The Transactions, "Description of The Notes—Disbursement of Funds; Escrow Account" and "Description of The Notes—Special Mandatory Redemptions."

(g) We expect to use this cash amount to fund our working capital needs.

You should read "The Transactions," "Capitalisation" and "Description of Certain Other Indebtedness" for a more detailed description of our expected use of proceeds, capitalisation and financing arrangements.

CAPITALISATION

The following table sets forth on a consolidated basis under IFRS the consolidated cash position and capitalisation as of 30 September 2005 of:

- Reclam, on an actual basis, derived from the unaudited balance sheet of Reclam as of 30 September 2005 included elsewhere in this offering memorandum; and
- the issuer, as adjusted to give effect to the offering of the notes and the application of the proceeds therefrom.

This table should be read in conjunction with the financial statements and information included elsewhere in this offering memorandum. See also "The Transactions," "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources."

	As of 30 September 2005			
	Reclam historical	**Offering and transaction adjustments**[1]	**Issuer as adjusted**	**Issuer as adjusted**[2]
		(R in millions)		*(€ in millions)*
Cash and bank:				
Cash and bank	157.7	(131.0)[a]	26.7	3.5
Restricted SAM Escrow Amount	—	439.0[b]	439.0	57.9
	157.7	308.0	465.7	61.4
Debt:				
Interest-bearing liabilities (including current portion)	41.8	—	41.8	5.5
Notes offered hereby	—	1,858.0[c]	1,858.0	245.0
Total debt	41.8	1,858.0	1,899.8	250.5
Shareholder's funds:				
Share capital and premium	1.0	209.7[d]	210.7	27.8
Retained earnings	550.5	(414.6)[e]	135.9	17.9
Shareholder's equity	551.5	(204.9)	346.6	45.7
Subordinated Shareholder Loans	—	234.9[f]	234.9	31.0
Total shareholder's funds	551.5	30.0	581.5	76.7
Total capitalisation	593.3	1,888.0	2,481.3	327.2

(1) The following adjustments have been made to reflect the offering of the notes and related Transactions:

(a) Represents net cash utilised to effect the Transactions.

(b) Represents the rand equivalent of the proceeds from the offering of the notes to be held in a restricted escrow account (the "Escrow Account") to be used for the SAM Assets Acquisition (the "SAM Escrow Amount"). In the event the SAM Assets Acquisition is not completed by 30 June 2006, the SAM Escrow Amount will be used to fund, subject to the approval of the South African exchange control authorities, a mandatory redemption of an aggregate principal amount of the notes equal to the SAM Escrow Amount at 100% of the aggregate principal amount thereof plus accrued and unpaid interest thereon through to but not including the redemption date.

(c) Represents the rand equivalent of the principal amount of the notes offered hereby to be held in the Escrow Account, including the SAM Escrow Amount.

(d) Represents the difference between the R210.7 million of share capital issued by the issuer in connection with the Transactions and the share capital and premium of Reclam.

(e) Represents changes in reserves arising from the Transactions and distributions.

(f) Represents deeply subordinated shareholder loans provided to the issuer by Reclamation Holdings, in connection with the Transactions.

(2) We have translated, for your convenience, the rand amounts presented in this table into euro using the exchange rate of €1.00 = R7.583. The Bloomberg Composite Rate of the euro on 4 January 2006 was €1.00 = R7.46. You should not view such translations as a representation that such rand amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate. See "Exchange Rates."

	Financial year ended 30 June			Three months ended 30 September		Twelve months ended 31 October	
	2003	2004	2005	2004	2005	2005	2005
		(audited)				*(unaudited)*	
			(R in millions)				*(€ in millions)*[1]
Income statement data:							
Turnover	2,091.1	2,282.1	2,770.7	618.8	801.4	2,949.5	389.0
Cost of sales	(1,360.0)	(1,401.0)	(1,806.8)	(384.5)	(527.3)	(1,931.1)	(254.7)
Direct expenses	(193.6)	(230.4)	(243.3)	(62.9)	(92.1)	(280.1)	(36.9)
Gross profit	537.5	650.7	720.6	171.4	182.0	738.3	97.4
Operating expenditure	(344.3)	(422.0)	(427.0)	(97.9)	(114.2)	(446.6)	(58.9)
Other income	16.0	20.7	15.1	3.7	4.4	14.1	1.8
Operating profit before impairment of goodwill	209.2	249.4	308.7	77.2	72.2	305.8	40.3
Impairment of goodwill	—	—	(10.6)	—	(0.3)	(10.9)	(1.4)
Operating profit	209.2	249.4	298.1	77.2	71.9	294.9	38.9
Interest paid	(8.7)	(4.6)	(3.0)	(0.8)	(1.4)	(1.8)	(0.2)
Interest received	0.4	1.1	8.9	2.0	3.3	8.7	1.1
Income from associate	—	5.4	5.7	1.8	1.3	6.7	0.9
Profit before taxation	200.9	251.3	309.7	80.2	75.1	308.5	40.7
Taxation	(62.9)	(85.9)	(105.9)	(23.6)	(21.6)	(104.5)	(13.8)
Net profit for the year	138.0	165.4	203.8	56.6	53.5	204.0	26.9
Balance sheet data (at period end):							
Property, plant and equipment	223.6	247.5	281.7	246.1	285.6	285.8	37.7
Cash and bank	75.8	159.8	186.7	144.7	157.7	145.0	19.1
Ordinary shareholder's interest	341.0	385.6	497.9	442.2	551.4	588.0	77.5
Long-term liabilities	34.8	20.9	26.0	18.2	23.5	25.7	3.4
Total assets	582.4	737.3	932.0	763.2	918.6	957.5	126.3
Other data							
EBITDA[2]	231.0	276.5	338.1	84.2	80.3	336.8	44.4
Capital expenditure	71.1	57.5	67.3	8.2	12.9	72.2	9.5
Net cash interest expense	8.3	3.5	(5.9)	(1.2)	(1.9)	6.9	0.9
Total debt[3]	50.1	33.9	45.5	31.1	41.8	41.2	5.4
Net debt/(cash)[4]	(25.8)	(125.9)	(141.9)	(113.6)	(115.9)	(103.8)	(13.7)
Pro forma net debt[5]						1,445.0	190.6
Pro forma net cash interest expense[6]						122.7	16.2
Ratio of pro forma net cash interest expense to EBITDA						2.75x	
Ratio of pro forma net debt to EBITDA						4.29x	

(1) We have translated, for your convenience, the rand amounts presented in this table into euro using the exchange rate of €1.00 = R7.583. The Bloomberg Composite Rate of the euro on 4 January 2006 was €1.00 = R7.46. You should not view such translations as a representation that such rand amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate. See "Exchange Rates."

(2) We define EBITDA as operating profit, as determined in accordance with IFRS, plus amounts included therein in respect of depreciation and impairment of goodwill. We believe that EBITDA serves as useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA is a widely accepted indicator in comparing a company's underlying operating profitability with that of other companies in the same industry. EBITDA is not an IFRS or an SA GAAP measure and you should not consider EBITDA as an alternative to measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity whether under IFRS or SA GAAP. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA is not a uniform or standardised measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies. A reconciliation of EBITDA to operating profit for the years ended 30 June 2003, 2004 and 2005 and for the three-months ended 30 September 2004 and 2005 is presented below:

	Financial year ended 30 June			Three months ended 30 September	
	2003	2004	2005	2004	2005
			(R in millions)		
EBITDA	231.0	276.5	338.1	84.2	80.3
Impairment of goodwill	—	—	(10.6)	—	(0.3)
Depreciation	(21.8)	(27.1)	(29.4)	(7.0)	(8.1)
Operating profit	209.2	249.4	298.1	77.2	71.9

(3) Total debt means loans, installment sale and finance lease obligations, excluding the Subordinated Shareholder Loans.

(4) Net debt/(cash) means total debt less cash and cash equivalents.

(5) Pro forma net debt means total existing debt adjusted for the issuance of the notes offered hereby (based on an aggregate principal amount of €245.0 million, minus €57.9 million to be held in escrow and used to fund a portion of the SAM Assets Acquisition, and an exchange rate of €1.00 = R7.583) and surplus cash following the completion of the Transactions.

(6) Pro forma net cash interest expense represents net cash interest expense, adjusted to reflect the interest payable on the notes (assuming an indicative interest rate of 8.5%) and additional interest received on the surplus cash balances.

Summary pro forma financial information based on historical SA GAAP financial information

The summary unaudited pro forma financial information presented below has been extracted from the unaudited pro forma consolidated financial information appearing elsewhere in this offering memorandum. The pro forma financial information has been prepared to show the effect of the SAM Assets Acquisition.

The pro forma financial information is based on the consolidated financial information of Reclam for the twelve months ended 31 December 2004 and as of and for the six months ended 30 June 2005 and the combined financial statements of SA Metals and Waste Control for the financial year ended 31 December 2004 and as of and for the six months ended 30 June 2005, each prepared in accordance with SA GAAP. Such combined financial information has been derived from the audited income statements for the year ended 31 December 2004 and the unaudited management accounts as of and for the six months ended 30 June 2005 for each of SA Metals and Waste Control, in each case prepared in accordance with SA GAAP and included elsewhere in this offering memorandum. We currently expect the SAM Assets Acquisition to be completed in early to mid 2006 and not earlier than 1 February 2006. For a detailed discussion of the basis of presentation of the pro forma financial information and the adjustments made, see “Unaudited Pro Forma Consolidated Financial Information.”

The pro forma financial information is presented for illustrative purposes only and does not purport to represent what the results of operation and financial consolidation of Reclam would have been had the SAM Assets Acquisition occurred on 1 January 2004, in the case of the income statements, and 30 June 2005, in the case of the balance sheet, or to project the future results of operations of Reclam or the issuer for any future period or their financial condition at any future date.

	Pro forma for the SAM Assets Acquisition	
	Twelve months ended 31 December 2004	Six months ended 30 June 2005
	(R in millions)	
Income statement data:		
Turnover	3,460.2	1,922.8
Cost of sales	(2,217.9)	(1,316.6)
Direct expenses	(251.3)	(129.9)
Gross profit	991.0	476.3
Operating expenditure	(618.2)	(292.8)
Other income	19.2	6.6
Operating profit before impairment of goodwill	392.0	190.1
Impairment of goodwill	(0.8)	(9.2)
Operating profit	391.2	180.9
Interest paid	(48.6)	(21.3)
Interest received	4.7	4.7
Financial costs	(15.8)	(7.9)
Income from associate	13.6	5.3
Profit before taxation	345.1	161.7
Taxation	(115.6)	(61.3)
Net profit for the year	229.5	100.4
Balance sheet data (at period end)		
Cash and bank		135.7
Property, plant and equipment		454.5
Total assets		1,407.5
Long-term liabilities		465.0
Ordinary shareholder's interest		472.1

SUMMARY

This summary highlights information from this offering memorandum. It is not complete and does not contain all of the information that you should consider before investing in the notes. You should read this offering memorandum carefully in its entirety, including the "Risk Factors" section, the financial statements provided and the notes to those financial statements.

Overview

We are the leading producer of recyclable ferrous and non-ferrous metals and recyclable glass products in South Africa. We also produce recyclable paper, cardboard and plastic products, and have recently begun producing aluminium ingots and pellets, and copper sulphate chemicals. Our products are primarily used by our customers as input materials in the manufacturing of their products. These include steel, various non-ferrous metals, glass, paper and cardboard. Our position in the markets in South Africa for recyclable ferrous and non-ferrous metals and recyclable glass products is indicated in the following table, in each case for the twelve months ended 30 June 2005:

Product Categories	Market position
Recyclable ferrous metals	#1
Recyclable non-ferrous metals	#1
Recyclable glass or "cullet"	#1

Our market share of the recyclable ferrous and non-ferrous markets in South Africa is approximately 3 times and 2.3 times, respectively, that of our largest competitors while our market share for recyclable glass is approximately 1.5 times that of our largest competitor.

Our principal product groups are recyclable ferrous and non-ferrous metals (representing 97.0% of our fiscal turnover for the 2005 financial year), recyclable glass (representing 1.5% of our 2005 turnover) and recyclable paper, cardboard and plastic products and other services (together representing 1.5% of our 2005 turnover).

The products in each of these groups include:

Ferrous metals. A variety of recyclable ferrous metal products including:

- heavy melting scrap, or HMS, in pieces approximately 1.0 to 1.5 metres long, typically used in the production of primary steel products such as flat rolled steel, steel rebar, wire rod and structural sections, as well as other steel products made in larger sized furnaces;
- foundry scrap in pieces approximately 0.3 to 0.5 metres long, typically used in the production of foundry ferrous products as well as certain primary steel products made in smaller sized furnaces;
- bales of varying sizes ranging from approximately 0.3 x 0.3 x 0.3 metres to 0.5 x 1.0 x 1.5 metres, typically used in the production of a wide range of steel and iron products by foundries and primary steel producers;
- cylindrical briquettes of approximately 0.25 metres in diameter and up to 0.3 metres in length, typically used by primary steel manufacturers that require higher efficiency in their production processes and ferrous foundries;
- smaller shreddings and cuttings typically used in the production of a wide range of steel and iron products; and
- cast iron and pool iron pieces typically used by foundries in the production of cast iron items as well as primary steel manufacturers as a substitute for steel scrap.

We sold 85% of our recyclable ferrous metal products in the 2005 financial year to customers in South Africa such as Mittal Steel, Columbus Stainless and Scaw Metals. During the same period, we exported the remaining 15% of our recyclable ferrous metal products to customers internationally, primarily in Asia.

Non-ferrous metals. A variety of recyclable non-ferrous metal products made of aluminium, copper, nickel, lead and zinc or their respective alloys, such as:

- aluminium products that include semi-finished ingots used in the manufacture of foundry-cast aluminium items, pellets used as de-oxidising agents in the steel making process, granules used as reactants by the vanadium industry and loose and baled recycled aluminium used in the manufacture of a wide range of cast, rolled and extruded aluminium products;
- copper products that include granules and small scrap pieces used in the manufacture of a variety of copper cast, rolled and extruded and alloyed products;

- nickel products that are similar in size and shape to our ferrous products, which are used in the production of high-alloy and stainless steels made for high temperature and corrosion resistant applications;
- zinc products that include loose scrap pieces used in a variety of zinc melting and die-casting operations; and
- lead products that include loose scrap pieces typically used by lead melting and refining facilities that produce lead products for the manufacture of batteries.

We exported 63% of our recyclable non-ferrous metal products in the 2005 financial year to customers internationally and sold the remaining 37% to various customers in South Africa.

Glass or "cullet." A variety of bottle, plate and armoured recyclable glass products typically sold to manufacturers of bottles, plate glass and armoured glass. We sold all of our cullet products in the 2005 financial year to the three major glass manufacturers in South Africa.

Paper, cardboard and plastics. A variety of recyclable baled paper and cardboard products typically sold to producers of recycled paper and cardboard products, and recyclable baled and loose plastics typically sold to producers of a wide variety of plastic products. We sold 53% of our paper and cardboard and all our plastic products in the 2005 financial year to customers in South Africa with the remaining 47% of paper and cardboard products being exported to customers internationally.

We recently agreed to acquire substantially all of the assets of one of our competitors, SA Metals, a leading producer of recyclable metals in the Western Cape region of South Africa, and a smaller affiliate of SA Metals, Waste Control. We believe that these acquisitions will complement our already extensive geographic footprint of over 50 collection and processing facilities by strengthening our ability to source recyclable metal raw materials and to produce, market and sell our products to customers in the coastal Western Cape region of South Africa, where most of SA Metals' operations are located. For a more detailed discussion of the business of SA Metals and Waste Control, see "SA Metals and Waste Control Businesses." These acquisitions will be partially funded with a portion of the proceeds from this offering. See "Use of Proceeds."

We generated turnover of R2,770.7 million (€365.4 million) and EBITDA of R338.1 million (€44.6 million) in the 2005 financial year, and we have over 2,200 employees.

Our strengths

We believe that the following strengths distinguish us from our competitors:

Leading market positions. Many of our products enjoy leading market positions in their respective categories. In the year ended 30 June 2005, we were the #1 producer of recyclable ferrous metals, the #1 producer of recyclable non-ferrous metals, the #1 producer of cullet and the leading producer of recyclable materials overall, in each case in South Africa (as measured by turnover). We believe that our leading market positions give us a number of competitive advantages. These include allowing us to significantly manage the price at which we are able to purchase recyclable metal raw materials and other raw materials from our suppliers and facilitating our ability to provide our customers with a more stable and reliable source of supply than our smaller competitors. We believe that none of our competitors is capable of delivering a similar range of products at the volume levels required by our customers.

Extensive operational footprint. We have an extensive operational footprint consisting of over 50 collection and processing facilities located strategically across South Africa and in several neighbouring countries. We believe that this extensive footprint makes us less dependent on any single region than those of our competitors whose operations are focused in fewer regions. The scale and size of our operations in conjunction with our investment in modern technologies and machinery also allows us to take advantage of economies of scale. These benefits include lower production, transportation and shipping costs compared to our smaller competitors. In addition, we believe that our presence in South Africa's major ports, combined with our ability to obtain favourable shipping rates, enables us to shift our sales from domestic to export customers as necessary, when domestic demand for our products weakens. This flexibility helps us to maintain our profitability. Although exports represented approximately 28.5% of our total turnover, historically, we have been able to increase the percentage of international sales when required.

Attractive, geographically protected South African market. Our business operates primarily in the South African market whose developing economy and geographic location is especially favourable to local producers of recycled materials. We expect that, as a developing economy, South Africa's economy will continue to grow strongly with a corresponding increase in demand for primary steel products. In response to the expected increase in demand for our principal customers' products, as well as their low cost position relative to their international peers and competitors, our customers Mittal Steel and Columbus Stainless recently announced that they would increase the annual production capacities of their South African operations by two million tonnes and 300,000 tonnes, respectively. We believe that, as the leading producer and supplier of recyclable ferrous metal products to these and other South African customers, we are well-positioned to take advantage of this expected growth. We also believe that South Africa's expanding economy will stimulate the generation and supply of recyclable metal raw materials for recyclable metal products. As is common with many developing economies, the supply of obsolete recyclable metal raw materials for recyclable metal products in South Africa and in neighbouring countries is considerable, which provides producers of recyclable metals and other products such as ourselves with a local and relatively inexpensive source of recyclable raw materials compared to producers located in more developed economies. We believe that our willingness to purchase a wide range of recyclable raw materials at our numerous facilities located across South Africa has made us the customer of choice for the suppliers of recyclable raw materials. We intend to preserve this position in the future by seeking to maintain our leading market positions and continuing to build upon the relationships we have developed with our supplier base over the last 20 to 30 years.

Our principal recyclable ferrous and non-ferrous metal products also enjoy significant advantages as a result of South Africa's geographic location. South Africa is relatively distant from the North American and European countries that are the principal exporters of recyclable metal products. This gives us, we believe, a significant pricing advantage when competing with competitors from these countries for customers in South Africa and in many of the countries that are the principal importers of recyclable metal products. In South Africa, this advantage over imported products is attributable to the expense of shipping products from the exporting country to a South African port and then, in many cases, to the necessity of having to transport such products inland, where demand is concentrated. There is strong demand for recyclable ferrous metals in the inland regions of South Africa as most of the steel producers are located in these regions. This concentration of demand in the inland regions makes it difficult for international companies to enter the South African market, as the price of recyclable ferrous metals supplied to the inland steel producers by local companies tends to be significantly lower than that of imported recyclable ferrous metals. As for the countries to which we export recyclable metal products, many of them are located closer to South Africa than to other exporters of recyclable metal products in North America and Europe. These customers are mainly supplied by our coastal operations. This positions us to be able to ship our products to such importers at lower costs than those of our competitors who are located further away.

Stable business model that provides greater control over profitability. We historically have been able to maintain relatively stable gross margins and cash flows due to our ability to manage the prices we pay for our recyclable raw materials, in line with those of our products. We believe that this ability is due to the supply relationships we have developed with our key customers, which helps us to align the prices at which we purchase recyclable raw materials from our suppliers with firm orders for corresponding products from our customers setting out the price, volume and quality they require. We seek to protect the profitability of export sales by entering into hedging contracts on a transaction-by-transaction basis with respect to freight and exchange rates, which allows us to purchase our recyclable raw materials against known sales and costs.

Minimising working capital, direct costs and operating expenditures are also important elements of our business model. For example, due to the higher value of non-ferrous metal products compared to ferrous metal products, we sell unsold stock of non-ferrous metal products on a daily basis to ensure that we hold minimal amounts of unsold non-ferrous metal products in inventory. This is intended to minimise our exposure to market price movements. We also continuously monitor international recyclable non-ferrous metal products prices and adjust the prices we pay for recyclable non-ferrous raw materials on an hourly basis to ensure that we source at "real time" prices. We believe that our business model mitigates adverse fluctuations in commodity prices and exchange rate movements and provides us with significant control over profitability and cash generation.

Profitable track record with strong and proven cash flow generation. We have generated strong turnover, EBITDA and cash flow over the past five years. During this period, turnover grew at a compound annual rate of approximately 22%, our EBITDA margin has averaged 10.9% and we generated cumulative cash flow of approximately R663.8 million (€87.5 million).

Experienced and dedicated management team. Our management has extensive experience in the South African recyclable materials business and the related steel and metals industries. We also have extensive knowledge of local market dynamics and long-standing relationships with key industry participants. After giving effect to the Reclam Purchase, our management and employees will beneficially own 100% of our share capital (class A and class B ordinary shares of our parent holding company), with members of the senior management team, including Mr. Sello Mahlangu (the "BEE investor"), beneficially owning approximately 95% of our share capital (class A and class B ordinary shares of our parent holding company). We believe that this level of management participation aligns the interests of our management with those of the company.

Our strategy

The key elements of our strategy are as follows:

Continue to reinforce our leading market position. We intend to reinforce our leading market positions by capitalising on our strong geographical footprint, reputation, management depth and industry knowledge. Pursuant to this strategy, we have agreed to acquire the SAM Assets, which include a steel micro-mill in the Western Cape. SA Metals is a leading recycling company that operates a ferrous metals business in the Western Cape region of South Africa and a recyclable non-ferrous metals business on a national basis. We expect this acquisition to provide us with a strong presence in the recyclable ferrous metals market in the Western Cape region and reinforce our competitive position in the national recyclable non-ferrous metals market, particularly through the addition of five processing facilities.

Selectively expand our product range. We intend to expand our product range so that we can better meet the demands of existing and new customers and can further differentiate ourselves from our competitors. For example, through one of our joint ventures, we are in the process of commissioning a small aluminium processing facility that will convert aluminium scrap into master ingots to be used in Murray & Roberts' (our partner in the business) automotive foundry and into aluminium pellets to be used by the primary steel industry. We have also recently used our industry experience to build a state-of-the-art facility for the manufacturing of copper sulphate for the platinum industry that, once commissioned, will use our recyclable copper products as input materials. When this new facility is commissioned, we will be one of only two manufacturers of copper sulphate in South Africa and the only manufacturer of copper sulphate in South Africa to have its own supply of recyclable raw materials. We have also identified opportunities for the recovery and extraction of precious metals from the extensive range of waste products we currently recover.

Pursue growth opportunities in our sourcing capabilities across southern Africa. We intend to continue to seek to benefit from the significant pool of dormant, obsolete and low-cost scrap by continuing to expand our sourcing capabilities in South Africa's neighbouring countries. In these countries, long civil wars in conjunction with a decline in economic activity and deterioration of infrastructure have produced a considerable supply of dormant, obsolete scrap from abandoned and redundant mines, railways and military facilities. The end of hostilities in many of these countries has removed many of the previous constraints to sourcing this scrap. Between 2003 and 2005, we opened five new collection points in five southern African countries. In the year ended 30 June 2005, approximately 13% and 7% of our recyclable ferrous and non-ferrous raw materials, respectively, was sourced from these countries. We intend to expand our sourcing capabilities into Namibia, Indian Ocean islands (Mauritius, Réunion, the Seychelles), among others, in the short-term.

Focus on reducing financial leverage. We expect that economic conditions in South Africa, the growth of the recyclable ferrous and non-ferrous markets in South Africa and our business model will enable us to continue to generate strong cash flows. Over the last five years, our EBITDA margin has averaged 10.9%, with cumulative cash flows of approximately R663.8 million (€87.5 million). We intend to use these cash flows to reduce indebtedness. We also intend to maximise our cash flow available for debt repayment by continuing our disciplined approach to capital expenditures, cost management and working capital management. Over the past five years, our capital expenditures as a percentage of turnover have averaged approximately 2.7% per year.

SUBJECT TO COMPLETION, DATED 10 JANUARY 2006

OFFERING MEMORANDUM **CONFIDENTIAL**

€245,000,000
The New Reclamation Group (Proprietary) Limited
% First Priority Senior Secured Notes due 2013

Guaranteed on a senior secured basis by
The Reclamation Group (Proprietary) Limited,
Reclamation Property Holdings (Proprietary) Limited
and Naledi Metals (Proprietary) Limited

The New Reclamation Group (Proprietary) Limited, ("the issuer"), was recently formed for the purpose of acquiring all of the assets of The Reclamation Group (Proprietary) Limited. Following the closing of this acquisition, which is expected to occur concurrently with the closing of the offering of the notes, the issuer will own all of the currently existing assets of The Reclamation Group (Proprietary) Limited.

The % First Priority Senior Secured Notes due 2013 will be the issuer's senior secured obligations and will be guaranteed on a senior secured basis by certain wholly owned subsidiaries of the issuer. The notes will bear interest at a rate of % per year. Interest on the notes is payable on and of each year, beginning on 2006. The notes will mature on 2013. We may redeem all or part of the notes at any time on or after 2010, at the redemption prices specified herein. Prior to 2010, the issuer may also redeem all or part of the notes by paying a "make-whole" premium. In addition, prior to 2009, the issuer may also redeem up to 35% of the aggregate principal amount of the notes with the net proceeds from certain equity offerings.

The notes will be the issuer's senior secured obligations and will rank equal in right of payment with all of the issuer's existing and future unsubordinated indebtedness, senior in right of payment to all of the issuer's existing and future indebtedness that is subordinated in right of payment to the notes, be effectively senior to all of the issuer's existing and future unsecured indebtedness to the extent of the assets securing the notes and be secured by first priority security interests over all of the issuer's capital stock and certain of the assets of the issuer and the guarantors.

The guarantees of the notes by the guarantors will rank equal in right of payment with all of the existing and future unsubordinated indebtedness of the guarantors, senior in right of payment to all of the existing and future indebtedness of the guarantors that is subordinated in right of payment to the guarantors' guarantees of the notes and be effectively senior to all existing and future unsecured indebtedness of the guarantors to the extent of the assets securing the guarantors' guarantees of the notes.

Application will be made to the Irish Stock Exchange for the notes to be admitted to the Official List and traded on its regulated market. Article 5.3 of Directive 2003/71/EC (the "Prospectus Directive") requires the preparation of a prospectus (a "Prospectus") for the notes to be admitted to trading on a regulated market. This offering memorandum does not constitute a Prospectus and has not been approved by the Irish Financial Services Regulatory Authority (the "Financial Regulator"). The notes have yet to be admitted to trade on the Official List of the Irish Stock Exchange. There is no assurance that the Financial Regulator will approve this offering memorandum as a Prospectus pursuant to Article 5.3 of the Prospectus Directive or that the notes will be admitted to trade on the Official List of the Irish Stock Exchange.

Investing in the notes involves risks. See "Risk Factors" beginning on page 18

The notes have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, the notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and outside the United States in accordance with Regulation S under the U.S. Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the notes, see "Plan of Distribution" and "Notice to Investors."

Price: % plus accrued interest, if any, from 2006

The initial purchaser expects to deliver the notes to purchasers on or about 2006.

Citigroup

The Offering

The summary below describes the principal terms of the notes and the guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of The Notes” section of this offering memorandum contains a more detailed description of the terms and conditions of the notes and the guarantees, including the definitions of certain terms used in this summary.

Issuer . . . . The New Reclamation Group (Proprietary) Limited.

Notes offered . . . . €245.0 million aggregate principal amount of % First Priority Senior Secured Notes due 2013.

Maturity date . . . . January 2013.

Interest payment dates . . . . January and June of each year, commencing June 2006.

Denominations . . . . Each note will have a minimum denomination of €50,000 and will be offered only in increments of €50,000 and integral multiples of €1,000 above €50,000.

Ranking of the notes . . . . The notes will be the issuer’s senior secured obligations and will:

- rank equal in right of payment with all of the issuer’s existing and future indebtedness that is not subordinated in right of payment to the notes;
- rank senior in right of payment to all of the issuer’s existing and future indebtedness that is subordinated in right of payment to the notes;
- be effectively senior to all of the issuer’s existing and future unsecured indebtedness to the extent of the assets securing the notes; and
- be secured by first-priority security interests over all of the issuer’s capital stock and certain of the assets of the issuer and the guarantors, as described below under “—Security.”

Guarantees . . . . The notes will be guaranteed on a senior secured basis by The Reclamation Group (Proprietary) Limited, Reclamation Property Holdings (Proprietary) Limited and Naledi Metals (Proprietary) Limited.

Ranking of the guarantees . . . . Each guarantor’s guarantee will be the guarantor’s secured senior obligation and will:

- rank equal in right of payment with all of the guarantor’s existing and future indebtedness that is not subordinated in right of payment to its guarantee;
- rank senior in right of payment to all of the guarantor’s existing and future indebtedness that is subordinated in right of payment to its guarantee;
- be effectively senior to all of the guarantor’s existing and future unsecured indebtedness to the extent of the assets securing its guarantee; and
- be secured on a first ranking basis by certain of the guarantor’s assets, as described below under “—Security.”

Security . . . . The notes and the guarantees will be secured by first priority security interests over all of the issuer’s capital stock and certain of the assets of the issuer and the guarantors. See “Description of the Notes—Security.”

Escrow Account . . . . Upon the closing of the offering of the notes, €187.1 million (R1,1418.8 million) of the gross proceeds from the offering of the notes (the "Reclam Escrow Amount") will be deposited into an escrow account (the "Escrow Account") along with an amount (the "Reclam Escrow Interest Amount" and, along with the Reclam Escrow Amount, the "Reclam Escrow Funds") that will be sufficient to provide for the payment in full of interest on the Reclam Escrow Amount at the rate of interest applicable to the notes until the day that is 15 business days following the closing of the offering of the notes, under the terms of an escrow agreement (the "Escrow Agreement"). In the event the Reclam Purchase is not completed by the third business day following the closing of the offering of the notes, the Reclam Escrow Funds and the SAM Escrow Funds (as defined below) held in escrow will be used to fund, subject to the approval of the South African exchange control authorities, a special mandatory redemption of all of the notes at a redemption price equal to 100% of the aggregate principal amount of the notes, plus accrued and unpaid interest through to but not including the redemption date. €57.9 million (R439.0 million) of the gross proceeds from the offering of the notes (the "SAM Escrow Amount") will also be deposited into the Escrow Account along with an amount (the "SAM Escrow Interest" and, along with the SAM Escrow Amount, the "SAM Escrow Funds") that will be sufficient to provide for the payment in full of interest on the SAM Escrow Amount at the rate of interest applicable to the notes until the day that is 15 business days following 30 June 2006, under the terms of the Escrow Agreement. In the event the SAM Assets Acquisition is not completed by 30 June 2006, the SAM Escrow Funds held in escrow will be used to fund, subject to the approval of the South African exchange control authorities, a special mandatory redemption of an aggregate principal amount of the notes equal to the SAM Escrow Amount at 100% of the aggregate principal amount thereof plus accrued and unpaid interest thereon through to but not including the redemption date. See "Description of The Notes—Disbursement of Funds; Escrow Account" and "Description of The Notes—Special Mandatory Redemptions."

Optional redemption . . . . The issuer may redeem all or part of the notes at any time on or after 2010 at the redemption prices specified under "Description of The Notes—Optional Redemption," plus accrued and unpaid interest.

In addition, at any time prior to 2009, the issuer may redeem up to 35% of the aggregate principal amount of the notes with the net proceeds of certain public equity offerings at a redemption price of % of their principal amount, plus accrued and unpaid interest. See "Description of The Notes—Optional Redemption."

Furthermore, at any time prior to 2010, the issuer may also redeem all or part of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus a "make-whole" premium, plus accrued and unpaid interest, if any.

Any such optional redemption will be subject to the approval of the South African exchange control authorities.

Additional amounts; tax redemption . . . . All payments in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the issuer will pay additional

	amounts so that the net amount you receive is no less than that you would have received in the absence of such withholding or deduction. See "Description of The Notes—Additional Amounts." If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the notes, the issuer may redeem the notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.
Change of control	If the issuer experiences an event treated as a "change of control," it will be required to offer to repurchase the notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of the purchase. For a summary of what constitutes a change of control, see "Description of The Notes—Purchase of Notes upon a Change of Control."
Certain covenants	The indenture governing the notes will contain covenants limiting, among other things, the issuer's ability and the ability of the issuer's restricted subsidiaries to: • incur additional debt; • pay dividends or distributions on, redeem or repurchase our capital stock; • make certain restricted payments and investments; • create certain liens; • transfer or sell assets; • engage in sale and leaseback transactions; • merge or consolidate with other entities; and • enter into transactions with affiliates.
Use of proceeds	The net proceeds of the offering will be used, together with funds received from the Subordinated Shareholder Loans, equity contributions from our parent holding company and cash on hand to (i) effect the Asset Transfer under the Reclam Purchase Financing in the manner described under "The Transactions—Financing transactions related to Reclam Purchase"; (ii) pay certain transactions costs related to the offering and make a distribution to the shareholder of the issuer; and (iii) fund R439.0 million of the total estimated R490.0 million cost of the SAM Assets Acquisition.
Listing	Application will be made to the Irish Stock Exchange for the notes to be admitted to the Official List and traded on its regulated market.
Form of notes	The notes will initially be issued in the form of one or more global notes and will be deposited with, and registered in the name of, a common depositary for Euroclear and/or Clearstream Banking. Transfers of notes will be effected in accordance with the rules and operating procedures of Euroclear and/or Clearstream Banking and their participants. See "Book-Entry; Delivery and Form."

Transfer restrictions	We have not agreed, and do not intend in the future, to register the notes under the U.S. Securities Act. You may only offer or sell the notes in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See "Plan of Distribution" and "Notice to Investors."
No prior market	The notes will be new securities for which there is currently no market. Although the initial purchaser has informed us that it intends to make a market in the notes, it is not obligated to do so and may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.
Trustee, registrar and principal paying agent	The Bank of New York.
Governing laws	The notes, the guarantees and the indenture governing the notes will be governed by the laws of the State of New York. The security documents in respect of the notes will be governed by the laws of the Republic of South Africa.