



Wescoal Mining (Pty) Ltd (In Business Rescue)

Registration Number: 1999/005845/07

Business rescue status report in terms of Sections 132 and 141 of the Companies Act, 71 of 2008 read with Regulation 125 of the Companies Act filed by the joint business rescue practitioners Dawie van der Merwe, Lance Schapiro and Grant Chittenden

2 February 2024

1. Important Information and Actions

• Board of directors passes resolution for Business Rescue on	25/08/2023
• Notice of resolution filed with CIPC on	25/08/2023
• Notice to affected parties on filing for Business Rescue on	01/09/2023
• Company nominated a BRP on	25/08/2023
• CIPC confirmed certification of BRP on	28/08/2023
• File notice to CIPC re BRP appointment on	28/08/2023
• Publish notice to affected parties of BRP appointment on	01/09/2023
• First meeting of creditors held on	11/09/2023
• First meeting of employees held on	11/09/2023
• Publish Business Plan on/ due by	29/02/2024
• Publish notice of meeting to consider proposed Business Rescue Plan on	TBC
• Meeting to determine the future of the business held on	TBC

2. Current Status of Business Rescue Proceeding

Kindly note: This is the 1st monthly report submitted by the BRPs. As is required by law the BRPs will going forward provide Affected Parties with a monthly report, updating such parties on the progress of the business rescue process.

Each subsequent status report must be read together with all previous status reports and that the information contained in the most recent report only contain a record of events and/or information that have transpired subsequent to the publication of the previous month's status report:

3. Publication of Proposed Business Rescue Plan

- 3.1 With the consent of the creditors holding the majority voting interest, the publication date of the proposed business rescue plan was extended to 29 February 2024.

4. Current Operations

4.1 Elandspruit:

- 4.1.1 The 1st of 2 coal resources operated by Wescoal. The operations at Elandspruit consist of both an underground operation as well as an open cast operation. Whilst the operation of the open cast stopped well before the commencement of business rescue, the underground operations, operated by a contractor still continues.
- 4.1.2 The recommencement of operations at Elandspruit is essential to a longer term strategy for Wescoal. The BRPs have re-employed the services of an experienced mine planner to assist in assessing the commercial viability of future operations at Elandspruit.
- 4.1.3 The assessment has indicated that there is significant opportunity to operate the Elandspruit resource profitably. It is however fundamentally based on parameter that differ significantly from the manner in which this resource was operated by the company historically. The assessment has included inputs from key stakeholders including the former contractor that operated the opencast operations.
- 4.1.4 The BRPs, assisted by the experts, have identified Eskom and Sasol as 2 potential future clients for the coal produced at Elandspruit. Interaction with both Eskom and Sasol have already commenced with a view to secure longevity of supply to either or both of these clients. These assessments are ongoing and have not been concluded.

4.2 Khanyisa:

- 4.2.1 Operations at Khanyisa have been on care and maintenance for some time. On site there is approximately 128 000 tonnes of run of mine coal of varying qualities. The BRP's considered various options to deal with these stockpiles, some of which had already started to show signs of spontaneous combustion.
- 4.2.2 The BRPs have run a public tender process, inviting tenders from various parties to purchase these stockpiles. This process has concluded and the purchase and removal of these stockpiles should be concluded within the next 60 to 90 days.
- 4.2.3 At present the BRPs are exploring various options relating to the future of the Khanyisa colliery and are in discussions with various parties.

4.3 Processing Plant:

- 4.3.1 The BRPs identified the Wescoal processing facility as a prime source of revenue and all effort has been made to commence toll washing operations on site.
- 4.3.2 Various parties have expressed interest in concluding longer term toll washing agreements. The festive season, the current crisis experienced at the South African ports and even the recent conflict in the Middle East has impacted on the demand for processed coal and has delayed what the BRPs had hoped would be an early restart of operations at the processing plant.
- 4.3.3 Limited processing has taken place and negotiations with a number of parties continue.

5. Cost Saving Measures

- 5.1 The BRPs inherited what can only be described as a monstrously expensive overhead structure.
- 5.2 The BRPs have cut cost to the bone and negotiated the significant reduction of its contribution to shared services cost with its parent company, Salungano. An exercise to reconcile inter-company accounts and collect funds due to Wescoal from within the Salungano Group was also commenced and has assisted in funding monthly expenses to date.
- 5.3 In consultation with employees, Wescoal offered voluntary severance packages to all employees resulting in a substantial uptake. Consequently, the ongoing expense of a large number of employees not being utilised productively has been alleviated.

6. Proof of Claims

- 6.1 Creditors who have yet to submit their claims are encouraged to do so. Claims can be submitted via the online form, which can be found on www.matusonassociates.co.za/wescoal/.
- 6.2 Wescoal, together with the BRPs, are reconciling the claims received to date and will communicate with creditors, individually, regarding the status of their claims.
- 6.3 Please direct any queries to wescoal@claimform.co.za

7. Additional Matters

- 7.1 Various other matters have also needed to be dealt with and next steps considered, being *inter alia*:
 - 7.1.1 Arnot Business Rescue and ongoing litigation;
 - 7.1.2 An assessment of the required rehabilitation at all sites and related guarantees issued;
 - 7.1.3 Engagements with Wescoal's guarantors; and
 - 7.1.4 Assessment of a wide variety of legal matters.

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