



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

18 July 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 notice requesting time extension - circular 6	28/02/2024
• Publish notice confirming time extension agreed to by creditors to publish proposed business rescue plan - circular 7	01/03/2024
• Published proposed business rescue plan, voting set for 12 July 2024	28/06/2024

2. Current Status of Business Rescue Proceeding

Kindly note: This is the 6th 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 previously extended to 29 February 2024.
- 3.2 A further Notice (circular 6) was sent to creditors on 28 February 2024. With this request, the BRP's proposed that the date to publish the proposed business rescue plan be extended to 28 June 2024. The notice confirming acceptance was published on 1 March 2024.
- 3.3 The proposed business rescue plan was published on 28 June 2024, with a 2nd meeting of creditors to vote on the adoption thereof set for 12 July 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 continue.
- 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 are of the view that a transaction should be concluded whereby the successful bidder will operate the opencast on a royalty basis. This proposal is set out in more detail in the proposed Business Rescue plan.
- 4.1.5 The BRPs will continue to engage with Eskom and Sasol as 2 potential future clients for the coal produced at Elandspruit. These interactions will continue post the adoption of

the proposed business rescue plan in July, with a view to supplement the proposed transaction as per 4.1.4 above.

- 4.1.5.1 In terms of this, the SASOL agreement that was up for renewal at the end of March 2024 was renewed in April 2024 and signed by the BRPs.
- 4.1.5.2 Eskom have previously indicated that they will need to consider the proposed Business Rescue Plan to be adopted prior to a long-term commitment.
- 4.1.5.3 In the interim, the entity agreed in April to supply Neosho (within Salungano group) 70,000 tons of product per month for a 12-month period as part of Neosho's rectification. This project did not commence due to various reasons including burn tests which were required by Eskom, but the sample had not yet been collected by Eskom and completed. This process will be escalated to ensure the sample is collected, followed by a 4-6 week lead time.
- 4.1.5.4 Underground operations continued to show improved performance, and with better planning we have managed to move to a section which has delivered significantly better quality product. Improved pricing has been negotiated with a new offtake agreed, the impact of which will be felt once the "older low quality" product has been blended in a sold. Actions were set to agree Yukocron's post commencement claims, including the recovery of the PDS system costs of over R3m. This will be accommodated, together with the need for a revised agreement with Yukocron in the proposed business rescue plan.

4.2 Khanyisa:

- 4.2.1 Operations at Khanyisa have been on care and maintenance for some time. On site there was initially approximately 128 000 tonnes of run of mine coal of varying qualities which needed to be sold and removed.
- 4.2.2 The BRPs ran a public tender process, inviting tenders from various parties to purchase these stockpiles. The process is behind schedule currently, but remedial action are underway. Commitment letters have been received for accelerated removal of the stockpiles and a payment plan.
- 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. A proposed way forward will be accommodated in the proposed business rescue plan.

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 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. We had hoped to start production in May, but this did not materialise. Further parties have been in contact and proposed contracts, but the BRPs will not allow processing to start without funds held on deposits and commitments on volumes. In the light of the above, the de-commissioning of the smaller “blue plant” (which belonged to a contractor) was actioned.

4.3.4 A proposed way forward will be accommodated in the proposed business rescue plan.

5. Cost Saving Measures

5.1 The BRPs have cut overhead structure costs 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 implemented and has assisted in funding monthly expenses to date. Further action will need to be considered to the historic inter company loans pertaining to 2019 restructuring involving Salungano Group and Salungano Trading. These loan accounts are secured to the lender group and addressed as such in the proposed business rescue plan.

5.2 High costs do however remain for key lines such as security, electricity supply and insurances/guarantees.

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. These are also reflected in annexure c of the proposed business rescue plan as published.

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 (ongoing);

7.1.2 An assessment of the required rehabilitation at all sites and related guarantees issued (ongoing);

7.1.3 Engagements with Wescoal’s guarantors (ongoing); and

7.1.4 Assessment of a wide variety of legal matters.

7.1.5 Various follow up meetings to be scheduled with key stakeholders, following the publication of the proposed business rescue plan, in the 1st 2 weeks in July 2024.

Dawie van der Merwe

Joint Business Rescue Practitioner