REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period ended 30 September 2021

LAYING THE FOUNDATION TO GROW SUSTAINABLY

Salient features

Revenue of
R2.666 billion
(HY21: R2.089 billion)

Mining volumes
4.8 million tonnes
(HY21: 4.4 million tonnes)

Gross profit
R342 million
(HY21: R252 million)

Earnings before interest, taxation, depreciation and amortisation ("EBITDA")
R416 million
(HY21: R315 million)

Operating expenses
R165 million
(HY21: R160 million)

Total net profit
R81 million
(HY21: R11 million)

Headline earnings
20.7 cents per share
(HY21: 3.3 cents per share)

Gearing ratio
49%
(FY21: 55%)

Cash generated from operations
R288 million
(HY21: R522 million)

The group managed to deliver another consistent production performance in HY22 on the back of a solid production performance in FY21. The investment and effort that have been put into stabilising the current operations and the diligence exercised in operationalising our greenfield Moabsvelden Project, have put Wescoal on track to produce the 8mtpa of run of mine ("ROM") which we have been targeting since 2019. As we enter the second half of the financial year, our key focus will be on maintaining profitability to get the group back in the green in FY22.

Robinson Ramaite
Interim chief executive officer

Chairman's and chief executive officer's review

Wescoal has navigated and continues to effectively navigate the COVID-19 pandemic, while the improving operating environment has assisted the group (Wescoal Holdings Limited and its subsidiaries) to continue to build on the momentum that it has been gaining since FY21. As a result, Wescoal returned to profitability in the first half of FY22. The positive results were achieved despite Eskom offtake being slightly lower than anticipated, which has also led to stockpile build-up at all our operations. Despite this, the group generated solid cash flows throughout HY22, which is expected to continue for the rest of the financial year as the stock build-up will help maintain sales levels through the upcoming rainy season and December festive season.

Although sales were lower than targeted, coal sales to the group's main customer, Eskom, maintained at R1.2 billion during HY22 (HY21: R1.4 billion) due to sales from Moabsvelden. The various cost-cutting measures that the group has put in place continue to improve profitability. Capital expenditure in HY22 was significantly lower than the comparative period due to the major capital projects at Moabsvelden and the VG5 box cut being completed in FY21.

Capital structure

There has been a significant reduction in capital investment into our operations to R82 million (HY21: R251 million) which is in line with expectations as significant capex has been invested into the operations in the past two years towards the development of Moabsvelden and pit decoupling at Vanggatfontein. R49 million has been invested into the jointly controlled Arnot operation for development in preparation for servicing its 10-year coal supply agreement with Eskom.

The net debt position reduced to R905 million (FY21: R1.0 billion) due to repayments towards the term loan during the reporting period. The reduction in the net debt position resulted in a reduction in the gearing ratio to 49% (FY21: 55%). The net debt position is inclusive of asset-based finance for Vanggatfontein of R229 million (FY21: R294 million).

The group has met all four of its financial covenants during the period. The last breach to financial covenants was on 31 March 2020 which was due to late payment from a customer. There were no drawdowns made from the term loan and the revolving credit facilities during the period as all the facilities were fully drawn in the prior year. The group continues to focus on aggressive debt reduction to free up excess cash in the future to reward shareholders. As at the date of reporting, the group has fully caught up the R76 million term loan payment that was deferred in the prior year due to the negative impact of COVID-19.

The net asset value per share of 227 cents (FY21: 207 cents) indicates a 10% increase which was due to impressive profitability in the period.

Strategic update

Wescoal has the objective of becoming a diversified energy company in the medium to long term, thereby transitioning from being a coal-focused mining and trading company. This new strategic direction is fully endorsed by the board and anchored on the environmental, social and governance ("ESG") strategy currently being implemented across the group. A key strategic opportunity lies in clean energy and Wescoal has already started looking at opportunities in the wind and solar market.

Environmental, social and governance

Significant progress has been achieved in developing, integrating and implementing the ESG strategy, the impact of which is being felt across the organisation as demonstrated by the improved results.

The next phase of the company's ESG journey will include ESG induction and training programmes, development of the Wescoal sustainability report, implementation of the organisation-wide performance measurements solution, transparent and concise reporting on ESG performance and assurance of material ESG key performance indicators.

Safety, health, environment and sustainability

Wescoal continues to strive for excellence in health, safety and environmental compliance, and is pleased to have upheld its commitment to the principles of good corporate citizenship, zero harm and our safety and health policy in HY22.

Wescoal provides and maintains a safe working environment, safe systems of work and facilities for the welfare of workers. Health and safety campaigns are also regularly undertaken at the operations as well as information sharing, training and supervision to prevent injury. As a result, no fatalities were recorded at any of our operations during the period, and fewer injuries were sustained at the operations than the comparative period.

The company also continues to comply with all relevant legislation and other requirements as well as all applicable codes of practice and South African standards related to risk as far as possible.

Wescoal also recently adopted leading edge, innovative technology that has a direct impact in mitigating the operations' environmental footprint, while at the same time offering the opportunity to boost the group's growth aspirations and improve sustainability in how the mining and processing of coal is done.

COVID-19

Wescoal has navigated and continues to effectively manage the COVID-19 pandemic challenge with zero COVID-19-related fatalities across all operations and limited business interruptions due to the outbreak. At the reporting date, Wescoal had 143 reported cases of infection of which all have fully recovered.

Production and operational performance

A steady production performance was recorded across all the operations within the group in HY22. Boosted by production from the Moabsvelden box cut, the group recorded its highest-ever first half production volumes of 4.7 million tonnes in HY22. The new greenfield project which commenced in FY21 was the main reason for the overall 7% increase in production compared to the comparative period.

Elandspruit

The operation delivered another consistent performance for the group, even though ROM production in HY22 was lower than the solid performance that was recorded in the comparative period. The underground mining section was restarted in July 2021 and this has started supplementing production from Elandspruit opencast.

Khanyisa

The operation also recorded lower production volumes than the comparative period, 5% down from HY21. However, Q2 HY22 production volumes were higher than both the preceding quarter and Q2 HY21, which is an encouraging trend that indicates that performance is improving at Khanyisa.

Vanggatfontein

ROM production at the operation was significantly lower than the comparative period mainly due to the boost to HY21 volumes provided by production from the VG5 box cut development. Nonetheless, the production performance at Vanggatfontein was consistent throughout HY22 with minimal disruptions at the operation and supply to Eskom in line with contractual commitments.

Moabsvelden

Production from Moabsvelden accounted for almost 25% of the group's HY22 production. This is the result of a smooth box cut development process that is progressing well to steady state. Since first own coal sales were delivered to Eskom in March 2021, own sales have been consistently delivered to Eskom from the operation, with own sales exceeding buy-ins in August 2021. The early-works auxiliary infrastructure projects are also progressing well with the pollution control dam having been recently completed in time for the rainy season.

Arnot

Arnot Opco recently announced that it had secured a long-term CSA with Eskom, allowing it to supply the full coal requirement for the life of Arnot Power Station via conveyor belt. Supply to Eskom from the underground shafts is expected to commence in the first half of the calendar year 2022.

Wescoal Trading

The Trading business saw sales volumes increase by more than 27% in HY22 compared to the comparative period which was significantly impacted by COVID-19. However, HY22 revenue was just 8% higher than the comparative period due to pricing pressure in the domestic market. This has also impacted margins which the business is trying to improve by enhancing operational flexibility and pricing optimisation through the ongoing working relationship with our Mining business.

Financial overview

The group has achieved its promised objective of maintaining its production levels at the operations. This has played a pivotal role in the group's performance for the reporting period, which together with the impact of the COVID-19 pandemic subsiding resulted in EBITDA of R416 million (HY21: R315 million). This achievement outperforms the prior year and five-year high record. The ramp up of Moabsvelden, together with improved sales with less impact from COVID-19 in the current reporting period, resulted in an increase of 24% in total group revenue to R2.7 billion (HY21: R2.1 billion). The gross profit percentage increased slightly to 12.8% from 12.0% in the prior comparative period. This improved performance resulted in an 86% increase in operating profit to R190 million (HY21: R102 million). Net finance costs reduced by 7% to R79 million (HY21: R85 million) mainly due to repayments towards the term loan post suspension of two capital instalments in the prior year. Wescoal continues to focus on aggressive settling of current debt to ensure that it can provide returns to shareholders.

The operations generated income of R287 million in the period (HY21: R522 million). The prior year cash generated includes working capital movement of R297 million which is due to a late payment by a customer for a sale which related to the 2020 financial year. The cash generated by the operations in the current reporting period is therefore in line with targets and expectations for the period.

The EBITDA margin for the period is at 15.6% (HY21: R15.1%) which reflects a 3% improvement. Wescoal has continued to focus on cost optimisation in the period to ensure that savings projected in cost-saving initiatives in the prior year are sustainable. The 7% increase in ROM production has also played a pivotal role in the dilution of fixed cost across the operations.

The increase in the value of the inventory to R315 million (FY21: R266 million) is due to an increase in production, which supports the group's objective of building strategic stockpiles in the dry season ahead of the rainy season projected for the second half of the financial year. This will anchor sustainable sales during the rainy season which impacts production negatively.

The strong performance from the group has resulted in a significant increase in earnings per share of 658% to 19.7 cents (HY21: 2.6 cents).

Resource and reserve statements

The most recent SAMREC-compliant resource and reserve statements of the group are available on the Wescoal website www.wescoal.com. The respective resource and reserve statements contain details of all competent persons, their professional memberships, qualifications and experience.

There have been no material changes to the resources and reserves since the year ended 31 March 2021.

Dividends

After careful consideration of the financial position, performance of the group and macroeconomic conditions, the board resolved not to declare a dividend for the period ended September 2021. The board remains committed to delivering shareholder value and has currently prioritised capital allocation to the repayment of debt and ensuring the completion and ramp up of the development of the Moabsvelden Project.

Outlook statement

Wescoal is looking to build on the momentum that it gained during the first six months of the financial year by using the healthy stockpiles that have been built up at the operations to ensure consistent supply to customers during the holiday and rainy season. Production from the Moabsvelden Project is also expected to continue to ramp up as steady state is reached, supplementing the group's saleable product.

Wescoal is also looking to diversify its sales mix and benefit from the high global seaborne coal prices which South African coal suppliers have unfortunately not been able to take full advantage of, due to major issues with Transnet's rail network to the Richards Bay Coal Terminal. Despite this, the group recently secured a short-term coal supply contract to a major coal user in the domestic market and is currently negotiating various opportunities to supply into the export market.

Wescoal's new strategic direction to diversify from being a coal-focused mining and trading company to a broader investment and energy company in the medium to long term is already starting to present opportunities for the group.

While the group's short-term focus remains to sweat its current coal assets and continue to generate solid cash flows from the existing operations, the new strategic direction, anchored on the ESG strategy, is becoming a priority for management as investment opportunities in new technologies, other resources and the green energy space are starting to be investigated.

Basis of preparation

The condensed consolidated financial information for the period ended 30 September 2021 has been summarised from the reviewed interim financial statements which have been prepared in accordance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting* as issued by the International Accounting Standards Board, the International Financial Reporting Interpretations Committee, the requirement of the Companies Act of South Africa, 71 of 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, JSE Listings Requirements and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The condensed consolidated financial information must be read in conjunction with the reviewed interim financial statements. Any reference to the future financial performance has not been reviewed or reported on by the group's auditor. The directors are of the opinion that the group has adequate resources to continue in operation for the foreseeable future and accordingly the condensed consolidated interim financial statements have been prepared on a going concern basis. The condensed consolidated interim financial statements have been prepared together by Ms HT Kganane CA(SA) and HTCO Auditors under the supervision of Mrs JM Speckman CA(SA).

Independent auditor's review

This summarised report is extracted from reviewed information but is not itself reviewed. The condensed consolidated interim financial statements were reviewed by KPMG Inc., who expressed a conclusion that nothing has come to their attention that causes them to believe that these condensed consolidated interim financial statements are not prepared, in all material respects in accordance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*, the SAICA Reporting Guides as issued by Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and Interpretations and the requirements of the Companies Act of South Africa, 71 of 2008. The reviewed condensed consolidated interim financial statements and the independent reviewer's report thereon are available for inspection at the company's registered office as well as on Wescoal's website: www.wescoal.com/interim-reports. The directors take full responsibility for the preparation of the interim report and that the financial information has been correctly extracted from the condensed consolidated interim financial statements.

By order of the board

Dr Humphrey Mathe
Independent non-executive chairman

Robinson Ramaite
Interim chief executive officer

10 December 2021

Condensed consolidated statements of financial position

as at 30 September 2021

	Notes	Reviewed as at 30 September 2021 R'000	Reviewed as at 30 September 2020 R'000	Audited as at 31 March 2021 R'000
Assets				
Non-current assets				
Property, plant and equipment	3	**2 480 295**	2 360 235	2 449 938
Right-of-use assets		**5 319**	8 202	6 673
Investment property		**709**	709	709
Goodwill		**52 611**	73 637	52 611
Intangible assets*		**13 719**	10 439	9 451
Investment in equity-accounted investment**		**76 365**	27 784	27 548
Restricted investments		**94 085**	65 876	81 529
Other receivables		**–**	52 805	–
Lease receivables		**150 104**	228 586	183 606
Deferred tax		**34 331**	28 868	26 799
Prepaid royalty		**2 674**	3 932	3 346
Restricted cash		**8 133**	6 594	6 744
		2 918 345	2 867 667	2 848 954
Current assets				
Inventories	4	**315 323**	286 709	265 700
Trade and other receivables#		**1 013 787**	650 135	558 558
Other receivables		**58 391**	–	55 906
Lease receivables		**64 276**	53 051	62 299
Prepaid royalty		**1 310**	1 570	1 478
Current tax receivable		**–**	10 855	7 087
Cash and cash equivalents		**183 599**	205 467	238 565
		1 636 686	1 207 787	1 189 593
Total assets		**4 555 031**	4 075 454	4 038 547

* *The increase in intangible assets is due to Wescoal Trading Proprietary Limited's implementation of SAP (R4.8 million). The increase is offset by the amortisation for the period (R0.5 million).*

** *During the current financial year, Wescoal Mining Proprietary Limited, a wholly owned subsidiary, completed its equity subscription in Arnot Holdco Proprietary Limited. The remaining movement during the current year relates to the share of losses as disclosed in the statement of other comprehensive income.*

\# *Included in the trade and other receivable balance is a receivable of R44 million for diesel rebates claimed and not received from the South African Revenue Service ("SARS") for the period beginning January 2021 to September 2021. An impairment loss of R5.5 million has been recognised in relation to the receivable.*

	Notes	Reviewed as at 30 September 2021 R'000	Reviewed as at 30 September 2020 R'000	Audited as at 31 March 2021 R'000
Equity and liabilities				
Equity				
Share capital		**629 838**	629 838	629 838
Reserves		**(12 337)**	(13 002)	(12 421)
Retained income		**312 200**	277 916	231 334
		929 701	894 752	848 751
Liabilities				
Non-current liabilities				
Interest-bearing borrowings	5	**–**	807 325	–
Lease liabilities		**158 705**	231 026	191 100
Deferred tax		**220 155**	258 913	231 044
Environmental rehabilitation provision	6	**1 174 433**	856 289	998 806
		1 553 293	2 153 553	1 420 950
Current liabilities				
Trade and other payables		**1 105 216**	795 490	689 883
Interest-bearing borrowings	5	**829 919**	66 671	926 606
Financial liabilities at amortised cost		**1 090**	2 447	1 090
Lease liabilities		**70 255**	62 587	69 200
Current tax payable		**34 954**	733	8 056
Environmental rehabilitation provision	6	**947**	947	947
Bank overdraft		**29 656**	98 274	73 064
		2 072 037	1 027 149	1 768 846
Total liabilities		**3 625 330**	3 180 702	3 189 796
Total equity and liabilities		**4 555 031**	4 075 454	4 038 547

Condensed consolidated statements of profit or loss and other comprehensive income

for the period ended 30 September 2021

	Notes	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Revenue	8	**2 666 314**	2 089 210	3 902 631
Cost of sales	9	**(2 324 020)**	(1 837 332)	(3 491 248)
Gross profit		**342 294**	251 878	411 383
Operating income		**12 586**	13 960	35 599
Operating expenses		**(165 070)**	(159 959)	(308 039)
Loss on disposal of assets		**–**	(3 678)	(3 884)
Operating profit		**189 810**	102 201	135 059
Interest income		**10 948**	16 898	26 425
Finance costs	10	**(89 990)**	(102 043)	(180 939)
Income from equity-accounted investments		**(483)**	(71)	(307)
Profit/(loss) before taxation		**110 285**	16 985	(19 762)
Taxation		**(29 419)**	(6 229)	(16 064)
Profit/(loss) for the period		**80 866**	10 756	(35 826)
Other comprehensive income		**–**	–	–
Total comprehensive income/(loss) for the period		**80 866**	10 756	(35 826)
Earnings per share				
Basic earnings/(loss) per share (cents)	11	**19.72**	2.62	(8.74)
Diluted earnings/(loss) per share (cents)	11	**19.72**	2.62	(8.74)

Condensed consolidated statements of cash flows

for the period ended 30 September 2021

	Notes	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Cash flows from operating activities				
Cash generated from operations	7	**287 590**	522 449	773 202
Interest received		**7 646**	13 144	20 050
Interest paid		**(50 789)**	(59 963)	(109 330)
Tax paid		**(13 856)**	(25 827)	(50 371)
Net cash inflow from operating activities		**230 591**	449 803	633 551
Cash flows from investing activities				
Purchase of property, plant and equipment		**(81 767)**	(250 810)	(419 539)
Proceeds on sale of property, plant and equipment		**–**	–	2
Purchase of intangible assets		**(4 862)**	(3 166)	(2 236)
Lease receipts		**30 647**	24 617	60 349
Investment in equity-accounted investment		**(49 300)**	–	–
Purchase of rehabilitation investment		**(11 699)**	(3 874)	(23 660)
Net cash outflow from investing activities		**(116 981)**	(233 233)	(385 084)
Cash flows from financing activities				
Proceeds from long-term borrowings		**–**	60 000	120 000
Repayment of long-term borrowings		**(93 828)**	(76 769)	(76 769)
Repayment of other financial liabilities		**–**	(640)	(1 997)
Repayment of lease liabilities		**(31 340)**	(23 011)	(55 243)
Acquisition of shares in subsidiary from non-controlling interest*		**–**	(16 572)[#]	(16 572)
Net cash outflow from financing activities		**(125 168)**	(56 992)	(30 581)
Total cash movement for the period		**(11 558)**	159 578	217 886
Cash at the beginning of the period		**165 501**	(52 385)	(52 385)
Total cash at the end of the period		**153 943**	107 193	165 501

* *The acquisition of shares in subsidiary from non-controlling interest relates to the shares in Neosho Trading 86 Proprietary Limited ("Neosho") which had occurred during the financial year ended 31 March 2020. The cash flow movement relates to the payment for acquired minority share in line with purchase agreement.*

[#] *Previously disclosed under repayment of other financial liabilities.*

Condensed consolidated statements of changes in equity

for the period ended 30 September 2021

	Share capital R'000	Share-based payment reserve R'000	Other non-distributable reserve R'000	Total reserves R'000	Retained income R'000	Total equity R'000
Audited balance as at 31 March 2020	629 838	13 160	(27 113)	(13 953)	267 160	883 045
Profit for the period	–	–	–	–	10 756	10 756
Employee share option scheme	–	951	–	951	–	951
Reviewed balance as at 30 September 2020	629 838	14 111	(27 113)	(13 002)	277 916	894 752
Loss for the period	–	–	–	–	(46 582)	(46 582)
Employee share option scheme	–	581	–	581	–	581
Audited balance as at 31 March 2021	**629 838**	**14 692**	**(27 113)**	**(12 421)**	**231 334**	**848 751**
Profit for the period	**–**	**–**	**–**	**–**	**80 866**	**80 866**
Employee share option scheme	**–**	**84**	**–**	**84**	**–**	**84**
Reviewed balance as at 30 September 2021	**629 838**	**14 776**	**(27 113)**	**(12 337)**	**312 200**	**929 701**

Notes to the reviewed condensed consolidated interim financial statements

for the period ended 30 September 2021

1. Presentation of the condensed consolidated interim financial statements

1.1 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the JSE Listings Requirements. The condensed consolidated interim financial statements have further been prepared in accordance with and contain the information required by International Financial Reporting Standard IAS 34: *Interim Financial Reporting*, the SAICA Reporting Guides as issued by Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and Interpretations and the requirements of the Companies Act of South Africa, 71 of 2008.

The principal accounting policies adopted, and the methods of computation used in the preparation of these interim financial statements, are set out below and are consistent in all material respects with those applied during the previous financial year. These interim financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31March 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial statements were prepared under the supervision of the chief financial officer, Mrs JM Speckman CA(SA).

1.2 Accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention. The principal accounting policies used by the group are in terms of IFRS and consistent with those applied in the previous period. There were no standards that were effective from 1 April 2021 that significantly affected the group.

1.3 Independent review by the auditor

These condensed consolidated interim financial statements have been reviewed by KPMG Inc., who expressed an unmodified review conclusion thereon. A copy of the auditor's review report on the condensed consolidated interim financial statements is available for inspection at the company's registered office, together with the interim financial statements identified in the auditor's review report.

2. Changes in accounting policies

2.1 Standards and interpretations not yet effective

New accounting standards, amendments to accounting standards and interpretations issued, that are relevant to the group but not yet effective on 30 September 2021, have not been early adopted. The group continuously evaluates the impact of these standards and amendments.

3. Property, plant and equipment

	Reviewed 30 September 2021		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Land and buildings	123 237	(4 873)	118 364
Mining properties, plant and machinery	5 302 519	(2 965 868)	2 336 651
Furniture and fixtures	4 483	(3 286)	1 197
Motor vehicles	23 668	(20 924)	2 744
IT equipment	16 520	(13 824)	2 696
Assets under construction	18 643	–	18 643
Total	5 489 070	(3 008 775)	2 480 295

	Reviewed 30 September 2020		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Land and buildings	123 014	(4 495)	118 519
Mining properties, plant and machinery	4 785 970	(2 562 012)	2 223 958
Furniture and fixtures	4 130	(3 466)	664
Motor vehicles	23 587	(19 879)	3 708
IT equipment	15 000	(13 060)	1 940
Assets under construction	11 446	–	11 446
Total	4 963 147	(2 602 912)	2 360 235

	Audited 31 March 2021		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Land and buildings	123 106	(4 655)	118 451
Mining properties, plant and machinery	4 839 137	(2 742 655)	2 096 482
Furniture and fixtures	3 768	(3 229)	539
Motor vehicles	23 127	(20 302)	2 825
IT equipment	16 419	(13 624)	2 795
Assets under construction	228 846	–	228 846
Total	5 234 403	(2 784 465)	2 449 938

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Total R'000
30 September 2021						
Land and buildings	118 451	132	–	–	(219)	118 364
Mining properties, plant and machinery	2 096 482	230 287	–	233 101	(223 219)	2 336 651
Furniture and fixtures	539	716	–	–	(58)	1 197
Motor vehicles	2 825	541	–	–	(622)	2 744
IT equipment	2 795	94	–	–	(193)	2 696
Assets under construction	228 846	22 898	–	(233 101)	–	18 643
	2 449 938	254 668	–	–	(224 311)	2 480 295
30 September 2020						
Land and buildings	118 775	–	–	–	(256)	118 519
Mining properties, plant and machinery	2 050 590	373 040	(3 655)	13 127	(209 144)	2 223 958
Furniture and fixtures	826	–	(21)	(11)	(130)	664
Motor vehicles	4 094	449	–	–	(835)	3 708
IT equipment	2 691	737	(2)	(1 269)	(217)	1 940
Assets under construction	26 157	718	–	(15 249)	(180)	11 446
	2 203 133	374 944	(3 678)	(3 402)	(210 762)	2 360 235
31 March 2021						
Land and buildings	118 775	92	–	–	(416)	118 451
Mining properties, plant and machinery	2 050 590	442 978	(3 655)	13 127	(406 558)	2 096 482
Furniture and fixtures	826	–	(32)	–	(255)	539
Motor vehicles	4 094	449	(207)	–	(1 511)	2 825
IT equipment	2 691	1 838	(1 296)	–	(438)	2 795
Assets under construction	26 157	221 809	(3 763)	(15 176)	(181)	228 846
	2 203 133	667 166	(8 953)	(2 049)	(409 359)	2 449 938

4. Inventories

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Raw materials, components	**245 822**	214 913	191 406
Finished goods	**61 873**	61 848	67 463
Production supplies	**7 628**	13 095	11 061
	315 323	289 856	269 930
Inventories (write-downs)	**–**	(3 147)	(4 230)
	315 323	286 709	265 700

The group has had an increase in stock levels due to increased mining activity as a result of stabilised mining contractors, reduced community disruptions to operations as well as the ramp up of Moabsvelden production.

5. Interest-bearing borrowings excluding leases

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Held at amortised cost			
Secured			
Term loan	**324 555**	420 608	417 624
Revolving credit facility	**500 011**	439 861	500 011
General banking facility	**–**	–	(141)
Interest rate swap	**5 353**	13 527	9 112
	829 919	873 996	926 606
Split between non-current and current portions			
Non-current liabilities	**–**	807 325	–
Current liabilities	**829 919**	66 671	926 606
	829 919	873 996	926 606

5. Interest-bearing borrowings excluding leases (continued)

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Reconciliation of interest-bearing borrowings			
At the beginning of the year	**926 606**	883 863	883 863
Cash advances received	**–**	60 000	120 000
Unwinding of transaction cost incurred*	**1 061**	1 061	1 868
Finance costs	**32 368**	43 884	84 685
Payments			
Capital	**(93 828)**	(76 769)	(76 769)
Interest	**(33 429)**	(38 043)	(80 144)
Interest rate swap repayments	**(2 859)**	–	(6 897)
	829 919	873 996	926 606

* *Transaction costs are amortised over the duration of the loans.*

Refer to note 12 for the repayment profile of interest-bearing borrowings.

The group has used the refinanced debt packages to determine its weighted average cost of capital ("WACC") by combining the forward-looking JIBAR+3.5% at a gearing ratio of 49% with the cost of equity calculated using the risk-free rate adjusted for market-related risk premiums and specific asset-related risk premiums. Total WACC for the group has been calculated at 9.89%.

Term loan, revolving credit facility ("RCF") and general banking facility ("GBF")

During the financial year ended 31 March 2020, the group concluded the refinancing of its existing credit facilities through a consortium of South African commercial banks consisting of Nedbank Limited (acting through its Corporate and Investment Banking Division) ("Nedbank") and The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division) ("Standard Bank"). The new credit-approved comprehensive, long-term financing facilities are for a combined R1.1 billion, with a provision that also allows the group access to an additional R500 million accordion facility subject to credit approval but within the legal agreements of the refinance facilities, thus reducing significantly the lead time towards accessing this extra liquidity facility.

The financing facilities consist of a term loan of R500 million, a RCF of R500 million and a GBF of R100 million. The term loan and RCF bear interest at JIBAR+2.75% and JIBAR+3.50%, respectively, depending on contractual obligations and criteria. The GBF bears interest at the prime lending rate. The term loan is for a duration of 48 months, with the last instalment on 30 June 2023. Funding utilised from the term loan is repayable in equal quarterly payments. Interest is payable on a quarterly basis.

5. Interest-bearing borrowings excluding leases (continued)

The RCF is for a duration of 48 months, terminating on 21 June 2023. Interest is payable on a quarterly basis on funds utilised.

Transaction fees for the refinanced loan package amounted to R11.9 million which has been capitalised to the loan facility on group level and will be unwound over the life of the term loan.

The facilities are subject to the following financial covenants:

- Net debt to EBITDA should be less than 2.5;
- Net debt to equity should be less than 1.5;
- Interest cover ratio should be greater than 3.5; and
- Debt service cover ratio should be greater than 1.3.

As at 30 September 2021, the covenants above have been met. The group was, however, in breach of two conditions: having an approved strategic and liquidity plan and fulfilment of cession of contracts of major customer. As at the date of the results release, an extension of fulfilment of the conditions has been approved by the funders.

Exposure to interest rate risk

Interest rate swaps

Certain interest rate swaps have been entered into in order to mitigate against the effect of reducing interest rates on cash flow risk.

On 28 February 2020, the group entered into interest rate swap transactions with Nedbank and Standard Bank to fix interest rates for the full duration of the term loan at 6.4% (Nedbank) and 6.45% (Standard Bank) which was just below the ruling three-month JIBAR rate of 6.5% at the time of fixing. The purpose of the fixing of rates was to protect margins as most of the group revenue streams are at fixed pricing. Subsequent to entering into the swap transaction, the South African Reserve Bank reduced its lending rate by 200 basis points to stimulate the economy. The group has reviewed options to revise swap transactions, but the reduced rate is limited to 10 basis points and results in new caps being introduced should interest rates increase in future.

Fair value interest rate risk

	Increase R'000	Decrease R'000
September 2021		
Pay variable three-month JIBAR plus 3.5%, receive fixed 9.83%. Two years, payable quarterly.	**(2 692)**	**2 692**
September 2020		
Pay variable three-month JIBAR, receive fixed 6.425%. Three years, payable quarterly.	(6 346)	6 346
March 2021		
Pay variable three-month JIBAR plus 3.5%, receive fixed 9.83%. Two years, payable quarterly.	(4 312)	4 312

The above sensitivity analysis illustrates the effect of an increase and decrease of 1% that the three-month JIBAR rate would have on the swap liability.

5. Interest-bearing borrowings excluding leases (continued)

Interest rate sensitivity analysis

A sensitivity analysis has been prepared for the GBF and RCF facilities using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

A change of 100 basis points in the interest rate at the reporting date would have increased/decreased profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis as was used for March 2021 and September 2020.

Increase or decrease in rate of interest-bearing borrowings by 1%

	Increase R'000	Decrease R'000
Impact on profit or loss:		
30 September 2021	**(3 007)**	**3 007**
30 September 2020	(4 430)	4 430
31 March 2021	(9 266)	9 266
	(16 703)	16 703

6. Environmental rehabilitation provision

Environmental rehabilitation

	Opening balance R'000	Additions R'000	Rehabilitation work performed during the period R'000	Time value of money and inflation component of rehabilitation R'000	Total R'000
Six months ended 30 September 2021	**999 753**	**172 902**	**(39 335)**	**42 060**	**1 175 380**
Six months ended 30 September 2020	701 017	122 970	–	33 249	857 236
Year ended 31 March 2021	701 017	235 280	(12 822)	76 278	999 753

6. Environmental rehabilitation provision (continued)

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Non-current liabilities	**1 174 433**	856 289	998 806
Current liabilities	**947**	947	947
	1 175 380	857 236	999 753
The breakdown of the liability per site is as follows:			
Khanyisa	**97 805**	84 334	94 255
Elandspruit	**361 349**	256 482	273 604
Blesboklaagte*	**947**	947	947
Vanggatfontein	**585 365**	464 784	537 702
Intibane	**14 945**	14 945	14 945
Moabsvelden	**114 969**	35 744	78 300
Total discounted obligation	**1 175 380**	857 236	999 753

* *There has been no movement in the rehabilitation provision relating to Blesboklaagte and Intibane due to the dispute with Absa Property Development Proprietary Limited, and Tokata Resources Proprietary Limited respectively, refer to note 15.1 and 15.3.*

7. Cash generated from operations

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Profit/(loss) before taxation	**110 285**	16 985	(19 762)
Adjustments for:			
Depreciation of property, plant and equipment	**224 311**	210 752	409 358
Amortisation of intangible assets	**594**	1 129	2 256
Amortisation of right-of-use asset	**1 354**	1 417	2 947
Loss on sale of assets	**–**	3 655	3 885
Income from equity-accounted investment	**483**	71	307
Share-based payment expense	**84**	951	1 533
Interest income	**(10 948)**	(16 898)	(26 426)
Finance costs	**89 990**	102 043	180 939
Fair value gain	**(2 246)**	(7 083)	(5 666)
Prepaid royalty	**840**	834	1 512
Impairment of goodwill	**–**	–	21 026
Rehabilitation cost incurred	**(39 335)**	–	(12 821)
Other non-cash items	**–**	–	(1 460)
Expected credit loss	**1 695**	–	–
Changes in working capital			
Inventories	**(49 623)**	(155 380)	(134 369)
Trade and other receivables	**(455 229)**	311 820	403 397
Trade and other payables	**415 335**	52 153	(53 454)
	287 590	522 449	773 202

8. Revenue

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Revenue from contracts with customers			
Sale of goods	**2 031 458**	1 671 836	3 056 388
Rendering of services	**634 856**	417 374	846 243
	2 666 314	2 089 210	3 902 631
Disaggregation of revenue from contracts with customers			
The company disaggregates revenue from customers as follows:			
Sale of goods			
Local sales	**889 343**	196 285	805 340
Eskom sales	**1 121 382**	1 406 235	2 149 312
Export sales	**20 733**	69 316	101 736
	2 031 458	1 671 836	3 056 388
Rendering of services			
Transport services (recognised on coal delivery)	**634 696**	417 216	845 927
Rental income (recognised over time)	**160**	158	316
	634 856	417 374	846 243
Total revenue from contracts with customers	**2 666 314**	2 089 210	3 902 631

9. Cost of sales

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Sale of goods	**2 100 799**	1 627 317	3 084 343
Depreciation and impairment	**223 221**	210 015	406 905
	2 324 020	1 837 332	3 491 248
Sale of goods			
Direct purchases	**932 889**	694 575	1 393 144
Royalty expenses	**28 061**	19 162	39 488
Mining contractor cost	**943 161**	759 938	1 380 188
Consumables and maintenance cost	**5 130**	7 845	10 913
Staff cost	**9 760**	–	7 852
Fuel	**181 768**	144 747	252 323
Mining overhead and other cost	**30**	1 050	435
	2 100 799	1 627 317	3 084 343
Depreciation – cost of sales			
Property, plant and equipment	**223 221**	210 015	406 905

10. Finance cost

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Interest-bearing borrowings	**33 429**	44 945	86 807
Capitalised borrowing costs	**(1 851)**	–	(8 909)
Lease liabilities	**8 192**	16 777	19 691
Bank overdraft	**3 420**	3 395	3 395
Unwinding of discount on provisions and other liabilities	**42 060**	33 249	76 278
Other interest paid	**4 740**	3 677	3 677
Total finance costs	**89 990**	102 043	180 939

11. Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit/(loss) attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

	Reviewed for the six months ended 30 September 2021	Reviewed for the six months ended 30 September 2020	Audited year ended 31 March 2021
Basic earnings per share (cents)			
Net profit/(loss) attributable to owners of the company (R'000)	**80 866**	10 756	(35 826)
Weighted average number of ordinary shares in issue ('000)	**410 058**	410 059	410 058
Basic earnings/(loss) per share (cents)	**19.72**	2.62	(8.74)

Diluted earnings per share

The determination of diluted earnings per share is based on the net profit/(loss) for the period, attributable to owners of the company. The weighted average number of shares in issue is adjusted to assume conversion of all potential dilutive shares as a result of share options granted under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as detailed previously is compared with the number of shares that would have been issued assuming the exercise of the share options.

11. Earnings per share (continued)

	Reviewed for the six months ended 30 September 2021	Reviewed for the six months ended 30 September 2020	Audited year ended 31 March 2021
Reconciliation of weighted average number of ordinary shares used for earnings per share to weighted average number of ordinary shares used for diluted earnings per share			
Weighted average number of ordinary shares used for basic earnings per share ('000)	410 058	410 059	410 058
Adjusted for:			
Share options in terms of the Wescoal Share Incentive Trust* ('000)	1 107	–	–
Weighted average number of shares for diluted earnings per share* ('000)	411 165	410 059	410 058
Diluted earnings/(loss) per share (cents)	19.67	2.62	(8.74)

* *Diluted earnings reflected show the potential effect of dilution for 1.65 million (HY20: 1.75 million and FY21: 1.68 million) options held in terms of the Wescoal Share Incentive Trust by the directors and employees to subscribe to new shares in Wescoal Holdings Limited. For the year ended 31 March 2021, the group was in a loss-making position; the impact of the share options was anti-dilutive and therefore has not been taken into account. As at 30 September 2020, none of these options were in the money and therefore they have been excluded from diluted earning per share and diluted headline earnings per share.*

Headline earnings and diluted headline earnings per share

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable remeasurement items in terms of the JSE headline earnings circular, HEPS Circular 1/2021.

Headline earnings and diluted headline earnings are presented after tax.

	Reviewed for the six months ended 30 September 2021	Reviewed for the six months ended 30 September 2020	Audited year ended 31 March 2021
Headline earnings/(loss) per share (cents)	**20.69**	3.32	(2.87)
Diluted headline earnings/(loss) per share (cents)	**20.63**	3.32	(2.87)

11. Earnings per share (continued)

	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Reconciliation between basic/diluted earnings/(loss) and headline/diluted headline earnings/(loss)			
Net profit/(loss) attributable to owners of the company ('000)	80 866	10 756	(35 826)
Adjusted for:			
Net loss on disposal of property, plant and equipment (net of taxes)	–	2 854	3 014
Goodwill impairment	–	–	21 026
Receivable impairment (net of taxes)	3 966	–	–
Headline earnings/(loss) and diluted headline earnings/(loss)	84 832	13 610	(11 786)

12. Financial instruments and risk management

Financial risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The following tables analyse the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

12. Financial instruments and risk management (continued)

	Note	Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Contractual cash flows R'000	Carrying amount R'000
As at 30 September 2021						
Trade and other payables		1 100 761	–	–	1 100 761	1 100 761
Interest-bearing borrowings	5	829 919	–	–	829 919	829 919
Financial liabilities at amortised cost		1 090	–	–	1 090	1 090
Lease liabilities		76 114	76 114	91 474	243 702	228 960
Bank overdraft		29 656	–	–	29 656	29 656
		2 037 540	76 114	91 474	2 205 128	2 190 386
As at 30 September 2020						
Trade and other payables		761 924	–	–	761 924	761 924
Interest-bearing borrowings	5	215 439	789 024	–	1 004 463	873 996
Financial liabilities at amortised cost		2 447	–	–	2 447	2 447
Lease liabilities		74 935	73 424	161 219	309 578	293 613
Bank overdraft		98 274	–	–	98 274	98 274
		1 153 019	862 448	161 219	2 176 686	2 030 254
As at 31 March 2021						
Trade and other payables		687 821	–	–	687 821	687 821
Interest-bearing borrowings	5	926 606	–	–	926 606	926 606
Financial liabilities at amortised cost		1 090	–	–	1 090	1 090
Lease liabilities		69 200	200 774	9 165	279 139	260 300
Bank overdraft		73 064	–	–	73 064	73 064
		1 757 781	200 774	9 165	1 967 720	1 948 881

13. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

- Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 2	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Recurring fair value measurements			
Assets			
Financial assets mandatorily at fair value through profit or loss			
Restricted investments in rehabilitation portfolio	**94 085**	65 876	81 529
Total	**94 085**	65 876	81 529

The restricted investment portfolio is managed primarily by Old Mutual and Centriq and is mainly invested in actively trading unit trust shares, equity and cash.

Level 2 fair values for restricted investments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date. These financial institutions invest in instruments which are listed.

13. Fair value information (continued)

Level 3	Note	Reviewed for the six months ended 30 September 2021 R'000	Reviewed for the six months ended 30 September 2020 R'000	Audited year ended 31 March 2021 R'000
Recurring fair value measurements				
Liabilities				
Financial liabilities at fair value through profit/(loss)	5			
Interest-bearing borrowings		**3 759**	(6 605)	4 600
Total		**3 759**	(6 605)	4 600

The interest-bearing borrowings contain a swap through which the group has swapped its variable commitment to pay on the three-month JIBAR less 0.5%, to pay fixed at 9.83%.

Investment property

The fair value was assessed at Level 3 on the fair value hierarchy and was based on comparable transactions in the area. The fair value of the property was valued at R1 million. The investment property is held by the group's property investment company, Blanford 006 Proprietary Limited. The latest valuation performed has been deemed to be reflective of current market conditions and therefore has not been reassessed.

A register containing the information required by regulation 25(3) of the Companies Regulations 2011, is available for inspection at the registered office of the company.

Valuation processes applied by the group

The fair value computations of the investments are performed by the group's corporate finance department, reporting to the chief financial officer, on an annual basis. The valuation reports are discussed with the chief operating decision maker and the audit committee in accordance with the group's reporting governance.

14. Commitments

Capital commitments for the period ended 30 September 2021 comprised R62 million, of which R45 million mainly relates to the development of the Moabsvelden Mine.

Capital commitments for the period ended 30 September 2020 comprised R36 million, of which R22 million mainly relates to the development of the Moabsvelden Mine.

Capital commitments for the year ended 31 March 2021 comprise R148 million, of which R77 million mainly relates to the development of the Moabsvelden Mine and R45 million relates to Vanggatfontein Mine.

All these capital commitments are and had been uncontracted at the date of the respective reporting periods.

15. Contingencies

15.1 Tokata Resources Proprietary Limited

In the 2020 integrated annual report, it was indicated that arbitration proceedings with Tokata Resources Proprietary Limited ("Tokata") resulted in a settlement agreement in terms of which coal supply was reinstated and arbitration put on stay.

During the current reporting period, Tokata sought to cancel the settlement agreement entered into with Wescoal Mining Proprietary Limited in September 2019. This has resulted in Wescoal reinstating the arbitration proceedings which were put on stay per the settlement agreement.

At the date of reporting, Wescoal has submitted its statement of claim in relation to the arbitration and Tokata has submitted their statement of defence and counterclaim against Wescoal. This process is currently being undertaken by Wescoal external counsel.

Due to early stages of the process, Wescoal has not recorded a receivable for its claim nor a provision for the possible obligation.

15.2 Dispute: Mining contractor Stefanutti Stocks Mining Services Proprietary Limited ("SSMS")

During the prior reporting period, the group received a statement of claim pertaining to losses incurred by SSMS in terms of the contract mining agreement concluded on 30 November 2018, and as terminated effective 31 July 2020. The group, disclaiming the liability, has submitted a comprehensive response rebutting the majority of the SSMS claims and lodging its own counterclaims which includes, the recoupment of historical mining costs incurred in terms of the contract mining agreement. A response to the counterclaim was received during November 2020 and is being considered. On 10 March 2021, the parties agreed to the appointment of an arbitrator. The arbitration proceedings have reached close of pleadings stage and are set to proceed with the discovery process through a hearing. No provision in relation to this matter has been made.

15.3 Absa Property Development Proprietary Limited

On 3 July 2018, Absa Property Development Proprietary Limited ("Absa") indicated that they are not satisfied with the rehabilitation to Portion 26 of the Farm Blesboklaagte 296JS Emalahleni Mpumalanga (the "property") that Wescoal Mining Proprietary Limited leased from Absa. Wescoal does not agree with the required rehabilitation and mitigation measures as set out by Absa. Although Wescoal disclaims the liability, the claim by Absa against Wescoal is for an amount of R25 million. Possible settlement outcomes from the discussions are not expected to have a material negative impact on the group and therefore no provision in relation to this matter has been made.

15.4 South African Revenue Service

In July 2020, SARS initiated a diesel audit process on Keaton Mining Proprietary Limited ("Keaton") for the period May 2018 to May 2020 with an extended scope from June 2020 to December 2020. The diesel audit was concluded in September 2021 and SARS disallowed the diesel refunds claimed for the entire period under audit based on the reasons mentioned in the letter of demand received from SARS dated 17 September 2021.

The letter of demand resulted in a tax liability of R87 million of which the capital amount is R77 million and the interest is R9 million. Keaton disputed the audit outcome based on factual reasons that SARS did not take into consideration in arriving at their conclusion. Keaton is of the view that SARS' basis of seeking to claim diesel refunds previously paid to Keaton during the audit period is misdirected.

Keaton has performed an analysis of the merits of the SARS' claim and is of the view that such a claim will be limited to R11 million. This amount has been recognised in the condensed consolidated interim financial statements for the period ended 30 September 2021.

16. Events after the reporting period

The directors are not aware of any material events arising since the end of the reporting period not otherwise dealt with in the reviewed condensed consolidated interim financial statements, which could significantly affect the financial position of the group at 30 September 2021 or the results of its operations or cash flows for the six months then ended.

17. Going concern

Introduction

In determining the appropriate basis of preparation of the condensed consolidated interim financial statements for the six months ended 30 September 2021, the directors are required to consider whether Wescoal Holdings Limited and its subsidiaries ("Wescoal Group") can continue in operational existence for the foreseeable future.

The group manages liquidity risk (note 12) by making use of a central treasury function within the group to manage pooled business unit cash investments and borrowing requirements.

Financial performance during the period

As at the interim period ended 30 September 2021, the group generated a net profit of R81 million compared to a net profit of R11 million in the same comparative period which illustrates a significant improvement. The main contributing factor to the increase is a steady production performance, minimal disruption to production across all operations and ramp up at Moabsvelden. There has also been an improvement on sales volumes which indicates that COVID-19 has had less of an impact during the current period.

The condensed consolidated statement of financial position has seen improvement to its gearing ratio (net debt* divided by sum of net debt and equity) at 49% compared to a ratio of 55% at 31 March 2021. This was mainly due to lower debt balance due to repayments made in the period.

* *Net debt is the total debt less cash and cash equivalents.*

Solvency and liquidity

Solvency

As at 30 September 2021, the total assets exceeded the total liabilities of the group by R930 million (FY21: R849 million) which reflects that the group is still solvent.

Liquidity management

As at 30 September 2021, the total current liabilities exceeded the total current assets of the group by R435 million which represents an improvement of R144 million compared to the balance of R579 million at the year ended 31 March 2021. Available facilities on the GBF amount to R70 million compared to R27 million as at 31 March 2021.

The group has comfortably met all its four financial covenants in the period and all indicate good headroom. Capital repayments towards the term loan of R93 million have been made from internally generated funds in the period. Our operations have generated cash of R288 million in the reporting period compared to cash generated of R522 million in the comparative reporting period.

As at 31 March 2021, Wescoal was in breach of its lending facilities due to two outstanding requirements of financial undertaking under its facilities.

17. Going concern (continued)

The lenders have subsequently obtained their credit approval to extend the timelines for the requirements to the 2022 financial year. Currently, the third amendment to the facility agreement is being reviewed to accommodate the credit approval requirements but has still not yet been fully executed as at the date of reporting. This therefore results in Wescoal still being in breach for the reporting period ended 30 September 2021. The conditions will include a strategic and liquidity plan which is to be approved by the lenders and the Wescoal board of directors and is to be implemented by 31 December 2021. This plan must support a specified minimum cash balance and the plan was approved by the Wescoal board in June 2021 but the lenders' review and approval of the plan remains outstanding. For this reason, the total debt has been disclosed as current.

No distributions can be made and Wescoal will also attract an interest ratchet on the RCF and the term loan until the liquidity and strategic plan has been fully implemented. Permission to cede the Eskom coal supply agreement as part of the security of the lending arrangements also needs to be submitted, a condition which has been previously deferred due to delays beyond the control of the company.

The lenders agreed to defer the capital repayments due under the term loan at the end of December 2020 and March 2021 (R76 million total), with no negative impact to the risk profile of the group. The request to defer the capital repayments was due to the pressure experienced in sales volumes due to low coal offtake as a result of COVID-19. Stockpiles have increased significantly since year-end, which has resulted in a negative impact on cash flow.

The group's cash flow forecast reflects that adequate funds will be generated in the next 12 months to meet all its operational needs and to catchup the wavered capital amount.

The forecast assumes costs are maintained at current levels and sales maintained in line with the existing coal sales agreement.

Subsequent to the period ended 30 September 2021, the group caught up the wavered capital payments, which was a major requirement for the second amendment.

Discussions are well advanced with the respective credit committees from lenders. The group believes that it is well positioned to successfully conclude the third amendment by 31 January 2022 which is in line with the lenders expectations.

Conclusion

The group's forecasted cash flows reflect that adequate funds will be generated in the next 12 months to meet all its operational and financing needs. This forecast assumes costs are maintained at current levels and sales maintained in line with the existing coal sales agreement (thus expiring will be successfully extended). Subsequent to half year, the group has fully caught up the waivered capital payments (December 2021) that were granted in the prior financial year. Discussions are well advanced with the lenders' respective credit committees. We believe that we are well positioned to successfully conclude the third amendment by 31 January 2022 which is in line with the lenders' expectations.

The board has, based on information available to it, considered the cash flow projections and based on the above the board is therefore of the opinion that the going concern assumption is appropriate in the preparation of the condensed consolidated interim financial statements.

18. Segment report

For management purposes, the group is organised into business units based on their products and activities and has four reportable operating segments:

- The Mining segment is involved in the exploration, beneficiation and mining of bituminous coal;
- The Trading segment buys and sells coal to inland customers;
- The property rental segment rents property to other segments within the group; and
- The investment holding segment is the holding company of the group and also acts as a central treasury function.

	Mining R'000	Trading R'000	Property rental and other R'000	Investment holding R'000	Inter-segment eliminations R'000	Consolidated R'000
30 September 2021						
Local	663 710	225 633	–	–	–	343
Eskom sales	1 121 381	–	–	–	–	1 121 382
Export sales	20 733	–	–	–	–	20 733
Rental income	–	–	160	–	–	160
Transport	570 429	64 267	–	–	–	634 696
External customers	2 376 254	289 900	160	–	–	2 666 314
Inter-segment	363 838	105 920	2 815	49 167	(521 740)	–
Total revenue	2 740 092	395 820	2 975	49 167	(521 740)	2 666 314
Cost of sales	(2 415 344)	(362 072)	–	–	453 396	(2 324 020)
Gross profit/(loss)	324 748	33 748	2 975	49 167	(68 344)	342 294
Other income/(expenses)	12 169	1 460	18	261	(1 322)	12 586
Operating expenses	(138 842)	(27 680)	(2 139)	(49 712)	53 303	(165 070)
Operating profit/(loss)	198 075	7 528	854	(284)	(16 363)	189 810
Interest received	7 592	–	2	61 105	(57 751)	10 948
Interest paid	(86 183)	(2 230)	85	(59 413)	57 751	(89 990)
Share of net loss of joint venture accounted for using the equity method	(483)	–	–	–	–	(483)
Profit/(loss) before income tax	119 001	5 298	941	1 408	(16 363)	110 285
Depreciation and amortisation	(207 588)	(1 092)	(6)	(1 211)	(16 362)	(226 259)
Gain/(loss) on sale of assets	–	–	–	–	–	–
Total assets	3 257 563	238 706	4 894	2 491 877	(1 438 009)	4 555 031
Total liabilities	(2 754 424)	(131 792)	(2 510)	(895 906)	159 302	(3 625 330)

18. Segment report (continued)

	Mining R'000	Trading R'000	Property rental and other R'000	Investment holding R'000	Inter-segment eliminations R'000	Consolidated R'000
30 September 2020						
Local	93 709	102 577	–	–	–	196 286
Eskom sales	1 406 235	–	–	–	–	1 406 235
Export sales	69 315	–	–	–	–	69 315
Rental income	–	–	158	–	–	158
Transport	359 272	57 944	–	–	–	417 216
External customers	1 928 531	160 521	158	–	–	2 089 210
Inter-segment	204 591	34 460	2 707	78 142	(319 900)	–
Total revenue	2 133 122	194 981	2 865	78 142	(319 900)	2 089 210
Cost of sales	(1 747 002)	(334 948)	(6)	(662)	245 286	(1 837 332)
Gross profit/(loss)	386 120	(139 967)	2 859	77 480	(74 614)	251 878
Other income/(expenses)	13 670	1 490	–	–	(1 200)	13 960
Operating expenses	(115 642)	(33 932)	(640)	(85 568)	75 823	(159 959)
Operating profit/(loss)	280 470	(172 409)	2 219	(8 088)	9	102 201
Interest received	13 449	227	2	63 782	(60 562)	16 898
Interest paid	(80 828)	(3 480)	–	(78 297)	60 562	(102 043)
Share of net loss of joint venture accounted for using the equity method	(71)	–	–	–	–	(71)
Profit/(loss) before income tax	213 020	(175 662)	2 221	(22 603)	9	16 985
Depreciation and amortisation	(210 149)	(1 071)	(6)	(2 072)	–	(213 298)
Gain/(loss) on sale of assets	(3 678)	–	–	–	–	(3 678)
Total assets	2 375 584	245 057	145 607	2 589 800	(1 280 594)	4 075 454
Total liabilities	(1 925 998)	(123 557)	(173 504)	(1 026 195)	68 552	(3 180 702)

18. Segment report (continued)

	Mining R'000	Trading R'000	Property rental and other R'000	Investment holding R'000	Inter-segment eliminations R'000	Consolidated R'000
31 March 2021						
Local	266 677	583 569	–	–	–	850 246
Eskom sales	2 149 312	–	–	–	–	2 149 312
Export sales	101 737	–	–	–	–	101 737
Rental income	–	–	315	–	–	315
Transport	733 785	67 236	–	–	–	801 021
External customers	3 251 511	650 805	315	–	–	3 902 631
Inter-segment	522 680	47 309	5 414	121 073	(696 476)	–
Total revenue	3 774 191	698 114	5 729	121 073	(696 476)	3 902 631
Cost of sales	(3 405 609)	(636 530)	(12)	–	550 903	(3 491 248)
Gross profit/(loss)	368 582	61 584	5 717	121 073	(145 573)	411 383
Other income/(expenses)	78 746	308	22	41	(47 402)	31 715
Operating expenses	(215 952)	(78 322)	(1 197)	(159 041)	146 473	(308 039)
Operating profit/(loss)	231 376	(16 430)	4 542	(37 927)	(46 502)	135 059
Interest received	19 789	248	–	43 732	(37 344)	26 425
Interest paid	(156 039)	(7 764)	(177)	(136 413)	119 454	(180 939)
Share of net loss of joint venture accounted for using the equity method	(307)	–	–	–	–	(307)
Profit/(loss) before income tax	94 819	(23 946)	4 365	(130 608)	35 608	(19 762)
Depreciation and amortisation	(391 667)	(2 071)	(12)	(4 128)	(16 683)	(414 561)
Gain/(loss) on sale of assets	(3 862)	(24)	–	2	–	(3 884)
Total assets	2 399 720	200 902	2 759	2 576 515	(1 141 349)	4 038 547
Total liabilities	(1 907 317)	(97 839)	(2 673)	(1 028 221)	(153 746)	(3 189 796)

General information

Wescoal Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 2005/006913/06)
Share code: WSL
ISIN: ZAE000069639
("Wescoal" or "the company" or "the group")

Registered address
1st Floor, Building 10
142 Western Service Road
Woodmead
2191

Postal address
PO Box 1962, Edenvale 1610

Independent non-executive chairman
Dr HLM Mathe

Lead independent non-executive director
N Siyotula

Independent non-executive directors
N Siyotula
A Mabizela
N Mnxasana

Non-executive directors
KM Maroga
C Maswanganyi
ET Mzimela

Executive directors
MR Ramaite *(Interim chief executive officer)*
T Tshithavhane
JM Speckman *(Chief financial officer)*

Company secretary
FluidRock Co Sec Proprietary Limited
Telephone: 011 049 8611
Facsimile: 011 570 5848

Transfer secretaries
Computershare Investor Services
Proprietary Limited

Sponsor
Nedbank Corporate and Investment Banking,
a division of Nedbank Limited

Auditor
KPMG Inc.

IR advisor
Singular Systems IR

Website: www.wescoal.com

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