Salungano

GROUP

# Condensed consolidated interim financial statements

for the period ended

30 September 2022

# Salient features

**Revenue of**
**R2.322 billion**
(HY22: R2.666 billion)

**Total net loss**
**R81 million**
(HY22: R81 million – profit)

**Mining volumes of**
**2.7 million tonnes**
(HY22: 4.8 million tonnes)

**Headline loss per share**
**19.64 cents**
(HY22: 20.69 cents earnings per share)

**Gross profit**
**R167 million**
(HY22: R342 million)

**Gearing ratio**
**44%**
(HY22: 49%)

**EBITDA down 56%**
**R181 million**
(HY22: R416 million)

**Cash generated from operations**
**R262 million**
(HY22: R288 million)

**Operating expense**
**R184 million**
(HY22: R165 million)

The first half of FY23 was not business as usual as we started the financial year with Vanggatfontein ("VGF") on care and maintenance. We continued to diversify our sales mix by increasing our exposure to the volatile coal export market in response to lower Eskom demand and record seaborne coal prices while managing various challenges at our operations. As a result, the group's overall financial performance was disappointing in HY23, impacting cash flow generation and temporarily affecting our ability to realise our diversification aspirations. We remain committed to the successful turnaround of our operations including Arnot OpCo, which was placed into business rescue in October 2022, following a few challenging months of financial distress and boardroom deadlocks.

**Robinson Ramaite** *Chief executive officer*

# Chairman's and chief executive officer's review

Driven by historically high global coal prices and intermittent coal demand from Eskom, Salungano, like many other South African coal producers, was forced to adapt to the changing environment and diversify into the export market. Being a traditionally Eskom supply-focused business, the seaborne coal market was unchartered waters for the group and came with its own challenges. Despite this, the group was able to capitalise on the window of opportunity that the high seaborne coal prices have created, and ship a total of six coal vessels out of Durban and Maputo in FY23. It brought some relief for the group, and helped us gain the necessary experience and skills required to continue supplying some of our coal into the export market should the high seaborne coal prices prevail.

With chronic load shedding affecting the country and sustained high coal prices driven by renewed coal demand from Europe, we are now, however, starting to see an increase in demand from Eskom and other local customers. Eskom is looking to stabilise its coal supply, and we continue to engage with them to increase supply to the power utility. In September 2022, the VGF colliery was brought back online, and the restart of the mine is now complete. The group welcomes the significant production boost from VGF, and we look forward to recovering from a difficult first half of the year tainted by various operational challenges at our mines.

The excellent performance from Moabsvelden for the FY23 period was nullified by the drop in production volumes as a result of placing VGF on care and maintenance towards the end of FY22, operational difficulties at Elandspruit and Khanyisa nearing its end of life. In the second half of FY23, we will be looking to take advantage of the continued high coal demand by ramping up production at VGF, stabilising Elandspruit and maintaining our excellent performance record at Moabsvelden.

We will also look to continue to draw on the experience we have gained from our diversification into the export market and build on this by growing our export business. However, coal prices have decreased significantly in the past few weeks, but longer-term price forecasts indicate that there will still be an opportunity to continue making good margins in the export market for the next few years. In response, we have also decided to do further drilling exploration at other coal assets within our portfolio and in this regard, we will make further announcements in due course.

To preserve future employment opportunities at the mine and to protect our return on investment, we applied to the courts for Arnot OpCo to be placed under business rescue in HY23. We firmly believe that a business rescue plan facilitated by an independent practitioner could facilitate a successful turnaround at Arnot. Arnot continues to operate and is focused on delivering coal to Eskom per their coal supply agreement ("CSA") obligations and is working hard to ramp up production to a steady state.

Salungano plays a vital role in the livelihoods of our employees, our host communities and the national economy in which we operate. We strive to deliver social and labour benefits at all our operations. We are happy to have launched phase 2 of the Phola Housing Project.

We look forward to handing the completed houses to the community in December 2022.

## Capital structure

Net debt decreased to R578 million (FY22: R878 million), which in turn decreased the gearing ratio to 44% (FY22: 45%). The net debt includes a refinanced maturing term loan of R105 million (FY22: R177 million) and a refinanced revolving credit facility ("RCF") of R450 million (FY22: R500 million).

In June 2021, the quarterly capital repayments for the term loan resumed and have been met for both quarters in the period ended September 2022. All debt payment obligations were met for the six months.

As at 30 September 2022, Salungano comfortably met all its financial covenants and the third amendment was successfully concluded on 20 May 2022.

Salungano has invested R69 million into its operations as capital expenditure for the six months. This is in line with the prior year's R131 million investment (full 12 months). Most of the current year's investment has been at Moabsvelden to complete its box cut. The net asset value per share decreased by 8% to 178 cents per share (HY: 227 cents per share).

The main financial focus for the group after cash generation has been to ensure that the group meets all its debt commitments and returns VGF to operations from care and maintenance.

## Strategic update

Since the company finalised its name change in March 2022 and announced its intention to become a diversified investment company, the group has experienced challenging operational and financial performance which has impacted the group's cash flow position. This has affected the group's ability to execute its stated diversification strategy.

As we look forward to recovering from this temporary setback and getting our operational performance back on track in response to renewed Eskom demand for coal, our diversification strategy will be accelerated in a responsible way. The group, therefore, remains committed to its stated strategy of diversifying the business into complementary sectors, agriculture and renewables, as we mine the reserves at our existing coal mines.

## Environmental, social, governance ("ESG") and sustainability

Salungano published its inaugural sustainability report at the end of the last reporting cycle. In the report we highlighted that we had undertaken a gap analysis for assurance and explicit action was needed to improve our ESG verification reporting. A number of internal working groups have been convened to develop processes, procedures and templates to ensure that all reported information is standardised and auditable.

Salungano is undergoing intensive group-wide training on ESG and sustainability. The courses include materiality, carbon management, introductions to ESG and ESG target setting, which aim to provide all decision-makers with a thorough understanding of the topic. The objective is to ensure that all internal company ESG stakeholders operate from the same foundation.

Collaboration is one of the critical principles to achieving sustainable development goals. As such, Salungano is investigating established working teams it can join and develop industry knowledge for developing and implementing ESG in the investment space. These proposed partnerships should be concluded before the end of the financial year.

The critical activities for the remainder of the financial year are maturing the collection, standardisation and verification of all ESG-related non-financial data, key performance indicator tracking used for sustainability reporting and integration of the ESG strategy, developing science-based targets and an ESG project plan for FY24 for the upcoming budget season.

## Health, safety and the environment ("HSE")

Salungano Group cares for the well-being of all its employees, contractor employees, stakeholders and communities . We recognise our employees as meaningful and essential contributors towards our core business. Our health and safety management system prevents occupational diseases, personal injuries and property damage. We do this to protect all employees, visitors, contractors, the public and interested and affected parties from foreseeable dangers.

We follow a proactive and participative approach towards health and safety management and proactively identify and resolve potential health and safety risks before they manifest as accidents, incidents, or compliance non-conformance.

## Safety statistics

Salungano Group had no fatalities nor reportable occupational disease cases reported during FY22/23 to date.

The following mining operations currently have no reportable injuries (lost time injuries ("LTI")) to date:

- Vanggatfontein – 282 LTI-free days;
- Elandspruit – 302 LTI-free days; and
- Moabsvelden – 198 LTI-free days.

## Health and safety management

Salungano operations continue to conduct health and safety audits, surveys and legal inspections in line with legislation, best practice guidelines and organisational policies to identify hazards and risks, place control measures and enforce the controls to prevent incidents and accidents at all operations.

## HSE activities

The HSE department conducts strata control inspections, occupational hygiene surveys, contractor management audits, workplace and trackless mobile machines inspections, and visible field leadership and work area safety declarations per shift. Medical surveillance (entry, periodic and exit) for mine-related diseases and broader health and wellness programmes are also conducted on-site every quarter. We screen for chronic disease management such as hypertension, voluntary HIV testing and counselling, TB screening , diabetes, cholesterol and high BMI at the respective clinics per operation. Furthermore, we arranged free on-site and off-site voluntary COVID-19 vaccinations through each mine-appointed occupational medical practitioner.

Externally appointed hygienists conduct quarterly occupational hygiene surveys to ensure employees' and contractors' work areas are safe and continuously monitored.

## Training and awareness

Salungano Group mining employees received HSE training internally and externally. The courses attended include ISO 14001, drug and alcohol testing, COMSOC 1 and 2, ICAM, SAMTRAC, HIRA, first aid, firefighting, competent A, health and safety representative, ISO 45001, drug and alcohol testing and legal liability and other job-specific training.

For Salungano to maintain the group's high safety and health standards, ongoing training is an operational imperative at all mines. The company integrates its vision, mission, values and strategic objectives into policies, procedures, decision-making processes and operations, with sustainability as the ultimate objective.

## COVID-19

The total number of positive cases was 204 with no fatalities from the start of the pandemic to date. We continue to monitor national statistics as well as any changes to directives and legislation in this regard and respond accordingly.

## Production and operational performance

The group's production performance in HY23 was weaker than anticipated and negatively impacted Salungano's overall performance. The placing of VGF on care and maintenance in response to lower Eskom demand, poor operational performance at Elandspruit and low volumes from Khanyisa, which is approaching its end of life, were the main factors that led to the disappointing production performance.

### Elandspruit

Elandspruit's operational performance was impacted by various mining contractor challenges, which resulted in the mine producing 1.1mt of run of mine ("ROM") in HY23, 19% lower than HY22 ROM production. This translated into average monthly ROM production of just below 190kt, which was also lower than the average monthly output of 200kt in FY22. However, the Q2 FY23 performance of the mine was considerably better than the Q1 FY23 performance, with ROM production up more than 50%, pointing towards recovery at a mine that has been a consistent performer for the group over the past few years.

### Khanyisa

The mine is nearing its end of life, and as expected, its contribution to the group's overall production has declined. The 231kt of ROM produced in HY23 was more than a 50% decrease in output compared to HY22. Opportunities to extend Khanyisa's life of mine continue to be explored.

### Vanggatfontein

Since deciding to place VGF on care and maintenance in February 2022, due to Eskom not renewing the CSA at the mine, the local and seaborne coal markets have been boosted by the global energy crisis. While placing the mine on care and maintenance was deemed prudent in order to manage overhead costs and capital expenditure at the time, the current demand environment and renewed interest from Eskom to secure coal supply prompted Salungano to bring the mine back online in Q2 FY23.

With the mine being offline for most of HY23, minimal production occurred at VGF, and less than 200kt was produced during this period. Compared to the 1.6mt of ROM production at VGF in HY22, the impact of the lower output from this operation in HY23 had a significant impact on the group's overall production performance for HY23.

Now that the mine is back in operation and through the implementation of a hybrid mining model consisting of a combination of mining contractor and owner mining involvement, we expect a positive contribution from the mine in the second half of FY23.

### Moabsvelden

The mine continues to be the star performer for the group, achieving 1.2mt of ROM production in HY23, which was 2% higher than HY22's production. The Q2 FY23 performance was particularly pleasing with the mine averaging well above 200kt a month of ROM production.

### Arnot

Arnot OpCo has been in financial distress for a prolonged period. Due to its inability to timeously secure funding for its operations, Arnot Mine could not reach a steady state as quickly as anticipated, putting further pressure on the company's cash flows. Therefore, on 11 August 2022, Salungano, through its subsidiary Wescoal Mining, as an "affected person" lodged an application with the High Court requesting it to place Arnot OpCo into business rescue to ensure that the mine continues to operate and supply coal to Eskom in terms of the 10-year CSA that is in place with the power utility. On 10 October 2022, the Court handed down a judgment to place Arnot OpCo under supervision and business rescue in terms of section 131(4) of the Companies Act of South Africa, 71 of 2008 ("Companies Act").

In terms of the business rescue court judgment, Mr Phahlani Lincoln Mkhombo was appointed as the interim business rescue practitioner ("BRP") and his appointment was ratified by creditors on 24 October 2022. By the BRP being appointed, he is vested with the powers of the board of Arnot OpCo and will be able to consider governance and business issues, develop the business rescue plan for the turnaround of the business and pass decisions to ensure the proper management of Arnot OpCo. Salungano's investment in Arnot HoldCo Proprietary Limited was fully impaired in the annual financial statements for the year ended 31 March 2022 due to the uncertainties around the funding of the operation. However, the business operations at Arnot OpCo continue as usual, including the supply of coal to the Arnot Power Station.

## Wescoal Trading

Sales volumes for HY23 reduced by 32% to 229kt compared to 338kt sales in HY22. While sales volumes for Q1 FY23 decreased by 46%, mainly due to a reduction in sales to the company's primary customer, sales have increased since then. The FY23 sales were 20% lower than Q2 HY22 due to coal availability challenges. The impact of lower sales volumes was not as significant on HY23 revenue compared to HY22 because of higher coal prices. Revenue decreased by 14.5% to R339 million compared to HY22.

## Financial overview

The first half of FY23 was extremely challenging for the group's financial performance mainly due to the VGF restart commencing later than anticipated and the decline in sales from other operations. Even though the group operated with only one Eskom contract resulting in lower production and Eskom sales volumes, Elandspruit and VGF continued to supply Eskom through rectification into the Moabsvelden contract.

Although export sales volumes were 5.8% of the total sales volume of 4.1mt, the commencement of the export market at favourable prices contributed R609 million to revenue generation. The considerable export revenue minimised the overall reduction of revenue being contained at only 15% to R2.3 billion (HY22: R2.6 billion). Gross profit reduced by 46% to R166 million (HY22: R342 million) resulting in a gross profit percentage of 7.1% (HY22: 12.8%) due to low production volumes exacerbated by a significant increase in fuel costs.

Regrettably, the group incurred an operating loss of R16.2 million (HY22: R189.8 million profit) which includes depreciation and amortisation of R196.7 million (HY22: R226 million) and a movement of credit loss allowance of R6.8 million. The investment in Arnot was fully impaired in the prior year. EBITDA generated was R181 million (HY22: R418 million), a reduction of 57% due to high export-related costs. Export cash flows contributed to positive cash generated from operations of R262 million (HY22: R288 million) and the group was able to meet all its debt covenants.

Finance costs were R99 million (HY22: R89 million) and include lending finance costs and unwinding of discount on provisions and other liabilities of R64.6 million (FY22: R42 million) which is an increase of 52% due to a significant increase in the unwinding of the rehabilitation provision.

The current year performance has resulted in a headline loss of 20.18 cents per share (HY22: 20.69 cents profit per share), a reduction of 201%.

## Resource and reserves statement

The most recent SAMREC-compliant resource and reserves statements of the group are available on the Salungano website at www.salunganogroup.com. The respective resource and reserve statements contain details of all the competent persons, their professional memberships, qualifications and experience. There have been no material changes to the resource and reserves since the year ended 31 March 2022.

## Dividends

After careful consideration of the group's financial position, performance and macroeconomic conditions, the board resolved not to declare a dividend for the six months ended 30 September 2022 (HY22: Rnil) .

## Outlook statement

Salungano aims to turn around the disappointing performance of the first six months of the financial year by focusing on stabilising operations, ramping up production and supply at VGF, concluding supply contracts with Eskom and ramping up supply to Eskom from Arnot. These efforts should translate into predictable and consistent cash flow generation. We will aim to maintain the sales mix flexibility that has enabled us to diversify into the export market.

The stability that comes with Eskom supply will enable us to increase production at VGF and ultimately improve profitability. As demand continues to increase in the short to medium term, this will allow Salungano to unwind the working capital that is currently tied up in higher levels of inventory.

Although the pace of our transition has slowed down due to operational challenges, Salungano's strategic intent to become a diversified investment company with interests in mining, renewables and agriculture remains our guiding compass. Supported by a stronger balance sheet and healthier cash generation, Salungano will continue to evaluate various growth opportunities in line with our strategy. Salungano is committed to playing its part in the shift to cleaner energy, as the country undergoes a just transition. The transition strategy remains anchored on ESG principles, wherein investment decisions are assessed against the group's investment philosophy and criteria.

## Basis of preparation

The condensed consolidated financial information for the period ended 30 September 2022 has been summarised from the reviewed interim financial statements, which have been prepared following International Financial Reporting Standard IAS 34: *Interim Financial Reporting* as issued by the International Accounting Standards Board, the International Financial Reporting Interpretations Committee, the requirements of the Companies Act, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Limited ("JSE") Listings Requirements and Financial Reporting Pronouncements as published 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 were prepared by Ms Thembi Kganane CA(SA) under the supervision of Ms Kabela Maroga 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 the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and interpretations and the requirements of the Companies Act. The reviewed condensed consolidated interim financial statements and the independent reviewer's report are available for inspection at the company's registered office and on Salungano's website: www.salunganogroup.com. 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**
*Chief executive officer*

9 December 2022

# Condensed consolidated statement of financial position

as at 30 September 2022

| | Notes | Reviewed as at 30 September 2022 R'000 | Reviewed as at 30 September 2021 R'000 | Audited as at 31 March 2022 R'000 |
|---|---|---|---|---|
| **Asset** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 3 | **2 658 514** | 2 480 295 | 2 504 013 |
| Right-of-use assets | | **9 146** | 5 319 | 4 291 |
| Investment property | | **709** | 709 | 709 |
| Goodwill | | **49 660** | 52 611 | 49 660 |
| Intangible assets | | **13 175** | 13 719 | 13 248 |
| Investment in joint venture | 16.1 | **–** | 76 365 | – |
| Loan to joint venture | | **23 751** | – | 23 751 |
| Restricted investments | | **122 877** | 94 085 | 115 983 |
| Other receivables | | **66 910** | – | 63 105 |
| Lease receivables* | | **–** | 150 104 | 176 363 |
| Deferred tax** | | **143 949** | 34 331 | 86 241 |
| Prepaid royalty | | **1 661** | 2 674 | 2 559 |
| Restricted cash | | **8 352** | 8 133 | 8 315 |
| | | **3 098 704** | 2 918 345 | 3 048 238 |
| **Current assets** | | | | |
| Inventories | 4 | **637 884** | 315 323 | 421 380 |
| Trade and other receivables | | **677 502** | 1 013 787 | 679 803 |
| Other receivables | | **–** | 58 391 | – |
| Lease receivables* | | **–** | 64 276 | 9 192 |
| Prepaid royalty | | **1 161** | 1 310 | 1 281 |
| Current tax receivable | | **3 896** | – | 267 |
| Cash and cash equivalents | | **224 726** | 183 599 | 270 854 |
| | | **1 545 170** | 1 636 686 | 1 382 777 |
| **Total assets** | | **4 643 874** | 4 555 031 | 4 431 015 |

| | Notes | Reviewed as at 30 September 2022 R'000 | Reviewed as at 30 September 2021 R'000 | Audited as at 31 March 2022 R'000 |
|---|---|---|---|---|
| **Equity and liabilities** | | | | |
| **Equity attributable to equity holders of the parent** | | | | |
| Share capital | | **630 372** | 629 838 | 630 372 |
| Other reserves | | **(12 272)** | (12 337) | (12 263) |
| Retained earnings | | **113 568** | 312 200 | 194 163 |
| | | **731 670** | 929 701 | 812 272 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Lease liabilities | | **98 369** | 158 705 | 124 606 |
| Deferred tax** | | **203 514** | 220 155 | 205 377 |
| Environmental rehabilitation provision | 6 | **1 552 969** | 1 174 433 | 1 389 740 |
| | | **1 854 852** | 1 553 293 | 1 719 723 |
| **Current liabilities** | | | | |
| Trade and other payables*** | | **1 320 556** | 1 105 216 | 1 033 652 |
| Interest-bearing borrowings | 5 | **555 261** | 829 919 | 678 873 |
| Financial liabilities at amortised cost | | **–** | 1 090 | – |
| Lease liabilities | | **70 307** | 70 255 | 75 454 |
| Current tax payable | | **25 973** | 34 954 | 12 623 |
| Environmental rehabilitation provision | | **–** | 947 | – |
| Bank overdraft | | **85 255** | 29 656 | 98 418 |
| | | **2 057 352** | 2 072 037 | 1 899 020 |
| **Total liabilities** | | **3 912 204** | 3 625 330 | 3 618 743 |
| **Total equity and liabilities** | | **4 643 874** | 4 555 031 | 4 431 015 |

* *In February 2022, Salungano gave the mining contractor at VGF notice of termination of its mining contract due to the mine being placed on temporary care and maintenance due to discussions with Eskom on the CSA renewal not materialising post expiry of the existing CSA. The effective date of cancellation of the mining contractor agreement and the back-to-back finance lease agreement, post the notice period, was May 2022. On this date, the carrying value of the finance lease receivables of R179 million (HY21: R214 million) was derecognised and the equipment was capitalised as property, plant and equipment at a fair value of R176 million in the records of VGF (refer to note 3). VGF is slowly returning to production and at this point, no mining contractor has been appointed but a hybrid mining model has been implemented.*

** *Effective from 1 April 2022, the effective tax rate has changed from 28% to 27%. The deferred tax assets and liabilities have been recognised at the new tax rate.*

*** *Trade and other payables have increased from FY22 to HY22 due to the slow movement in sale of inventory.*

# Condensed consolidated statement of profit or loss and other comprehensive income

for the period ended 30 September 2022

| | Notes | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|---|
| Revenue | 8 | **2 321 871** | 2 666 314 | 5 138 882 |
| Cost of sales | 9 | **(2 155 068)** | (2 324 020) | (4 587 856) |
| **Gross profit** | | **166 803** | 342 294 | 551 026 |
| Operating income | | **7 627** | 12 586 | 29 182 |
| Movement in credit loss allowances | | **(6 817)** | – | (54 873) |
| Operating expenses | | **(183 555)** | (165 070) | (324 868) |
| Impairment of goodwill | | **–** | – | (2 951) |
| Impairment of investments in joint ventures | | **–** | – | (59 390) |
| **Operating (loss)/profit** | | **(15 942)** | 189 810 | 138 126 |
| Interest income | | **5 913** | 10 948 | 22 790 |
| Finance costs | 10 | **(97 732)** | (89 990) | (180 983) |
| Share of losses from equity-accounted investment | | **–** | (483) | (17 458) |
| **(Loss)/profit before taxation** | | **(107 761)** | 110 285 | (37 525) |
| Taxation | | **27 166** | (29 419) | 354 |
| **(Loss)/profit for the period** | | **(80 595)** | 80 866 | (37 171) |
| Other comprehensive income | | **–** | – | – |
| **Total comprehensive (loss)/income for the period** | | **(80 595)** | 80 866 | (37 171) |
| **Earnings per share** | | | | |
| Basic (loss)/earnings per share (cents) | 11 | **(19.64)** | 19.72 | (9.06) |
| Diluted (loss)/earnings per share (cents) | 11 | **(19.64)** | 19.72 | (9.06) |

# Condensed consolidated statement of cash flows

for the period ended 30 September 2022

| | Notes | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 7 | **262 174** | 287 590 | 671 655 |
| Interest income received | 8 | **2 108** | 7 646 | 14 575 |
| Finance costs paid | | **(34 338)** | (50 789) | (96 633) |
| Tax paid | | **(22 685)** | (13 856) | (73 368) |
| **Net cash from operating activities** | | **207 258** | 230 591 | 516 229 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | 3 | **(69 460)** | (81 767) | (150 087) |
| Proceeds on sale of property, plant and equipment | | **–** | – | 42 |
| Purchase of other intangible assets | | **(5 664)** | (4 862) | (4 114) |
| Lease payments received | | **9 192** | 30 647 | 60 960 |
| Purchase of investment in joint venture | | **–** | (49 300) | (49 300) |
| Loan advanced to joint venture | | **–** | – | (32 012) |
| Purchase of rehabilitation investment | | **(14 186)** | (11 699) | (32 586) |
| **Net cash from investing activities** | | **(80 118)** | (116 981) | (207 097) |
| **Cash flows from financing activities** | | | | |
| Proceeds on share options exercised | | **–** | – | 534 |
| Repayment of long-term borrowings | | **(122 346)** | (93 828) | (242 491) |
| Repayment of lease liabilities | | **(37 759)** | (31 340) | (60 240) |
| **Net cash from financing activities** | | **(160 105)** | (125 168) | (302 197) |
| **Total cash and cash equivalents movement for the period** | | **(32 965)** | (11 558) | 6 935 |
| Cash and cash equivalents at the beginning of the period | | **172 436** | 165 501 | 165 501 |
| **Total cash and cash equivalents at the end of the period** | | **139 471** | 153 943 | 172 436 |

# Condensed consolidated statement of changes in equity

for the period ended 30 September 2022

| | 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 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) | (27 337) | 312 200 | 929 701 |
| Loss for the period | – | – | – | – | (118 037) | (118 037) |
| Shares exercised (employee share option scheme) | 534 | (534) | – | (534) | – | – |
| Employee share option scheme | – | 608 | – | 608 | – | 608 |
| **Audited balance as at 31 March 2022** | **630 372** | **14 850** | **(27 113)** | **(12 263)** | **194 163** | **812 272** |
| Loss for the period | **–** | **–** | **–** | **–** | **(80 595)** | **(80 595)** |
| Employee share option scheme | **–** | **(9)** | **–** | **(9)** | **–** | **(9)** |
| **Reviewed balance as at 30 September 2022** | **630 372** | **14 841** | **(27 113)** | **(12 272)** | **113 568** | **731 668** |

# Notes to the condensed consolidated financial statements

for the period ended 30 September 2022

## 1. Presentation of the condensed consolidated interim financial statements

### 1.1 Reporting entity

Salungano Group Limited is a company domiciled in South Africa. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 30 September 2022 comprise the company and its subsidiaries (together referred to as "the group"). The group is primary involved in the mining, processing and trading of coal (see notes 8 and 18).

### 1.2 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 Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and Interpretations issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act.

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 31 March 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial statements were prepared by Ms Thembi Kganane CA(SA) under the supervision of the chief financial officer, Ms Kabela Maroga CA(SA).

### 1.3 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 are consistent with those applied in the previous period.

### 1.4 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. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information.

## 2. Change 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 2022, have not been early adopted. The group continuously evaluates the impact of these standards and amendments.

### 2.2 Standards and interpretations effective from 1 April 2022

**Reference to the Conceptual Framework: Amendment to IFRS 3**

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the International Accounting Standards Committee Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37: *Provisions, Continent Liabilities and Contingent Assets* or IFRIC 21: *Levies*. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the acquisition date. The amendment further clarifies that contingent assets of acquirees should not be recognised as part of the business combination.

The amendment had no material impact on the group's condensed consolidated interim financial statements.

**Property, Plant and Equipment: Proceeds before Intended Use: Amendment to IAS 16**

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The amendment had no material impact on the group's condensed consolidated interim financial statements.

**Annual Improvement to IFRS Standards 2018 – 2020: Amendment to IFRS 1**

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The amendment had no material impact on the group's condensed consolidated interim financial statements.

**Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IFRS 9, IFRS 1, IFRS 16 and IAS 41**

The amendment concerns fees in the "10 percent" test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The amendment had no material impact on the group's condensed consolidated interim financial statements.

**Onerous Contracts – Cost of Fulfilling a Contract: Amendment to IAS 37**

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example, depreciation allocation).

The amendment had no material impact on the group's condensed consolidated interim financial statements.

## 3. Property, plant and equipment

| | Reviewed 30 September 2022 | | |
|---|---|---|---|
| | Cost R'000 | Accumulated depreciation and impairment R'000 | Carrying amount R'000 |
| Land | **115 114** | **–** | **115 114** |
| Buildings | **8 124** | **(5 110)** | **3 014** |
| Furniture and fixtures | **4 526** | **(3 419)** | **1 107** |
| Motor vehicles | **26 150** | **(22 409)** | **3 741** |
| IT equipment | **14 908** | **(14 014)** | **894** |
| Mining properties, plant and machinery* | **4 315 672** | **(1 783 231)** | **2 532 440** |
| Assets under construction | **2 204** | **–** | **2 204** |
| **Total** | **4 486 698** | **(1 828 183)** | **2 658 514** |

| | Reviewed 30 September 2021 | | |
|---|---|---|---|
| | Cost R'000 | Accumulated depreciation and impairment R'000 | Carrying amount R'000 |
| Land | 115 114 | – | 115 114 |
| Buildings | 8 123 | (4 873) | 3 250 |
| 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 |
| Mining properties, plant and machinery* | 3 714 310 | (1 377 659) | 2 336 651 |
| Assets under construction | 18 643 | – | 18 643 |
| **Total** | 5 489 070 | (3 008 775) | 2 480 295 |

| | Audited 31 March 2022 | | |
|---|---|---|---|
| | Cost R'000 | Accumulated depreciation and impairment R'000 | Carrying amount R'000 |
| Land | 115 114 | – | 115 114 |
| Buildings | 8 124 | (5 053) | 3 071 |
| Furniture and fixtures | 4 196 | (3 356) | 840 |
| Motor vehicles | 24 691 | (21 614) | 3 077 |
| IT equipment | 14 551 | (13 993) | 558 |
| Mining properties, plant and machinery* | 3 971 931 | (1 592 782) | 2 379 149 |
| Assets under construction | 2 204 | – | 2 204 |
| **Total** | 4 140 811 | (1 636 798) | 2 504 013 |

* *In the current period, an adjustment of R1.588 million was processed against the cost and accumulated depreciation of mining properties, plant and machinery to derecognise fully amortised deferred stripping assets.*

## 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 | Depre-ciation R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **30 September 2022** | | | | | | |
| Land | **115 114** | **–** | **–** | **–** | **–** | **115 114** |
| Buildings | **3 071** | **–** | **–** | **–** | **(57)** | **3 014** |
| Furniture and fixtures | **840** | **332** | **–** | **–** | **(65)** | **1 107** |
| Motor vehicles | **3 077** | **1 460** | **–** | **–** | **(796)** | **3 741** |
| IT equipment | **558** | **533** | **(1)** | **–** | **(196)** | **894** |
| Mining properties, plant and machinery* | **2 379 149** | **343 254** | **–** | **–** | **(189 963)** | **2 532 440** |
| Assets under construction | **2 204** | **–** | **–** | **–** | **–** | **2 204** |
| | **2 504 013** | **345 579** | **(1)** | **–** | **(191 077)** | **2 658 514** |
| **30 September 2021** | | | | | | |
| Land | 115 114 | – | – | – | – | 115 114 |
| Buildings | 3 337 | 132 | – | – | (219) | 3 250 |
| Furniture and fixtures | 539 | 716 | – | – | (58) | 1 197 |
| Motor vehicles | 2 825 | 541 | – | – | (622) | 2 744 |
| IT equipment | 2 795 | 94 | – | – | (193) | 2 696 |
| Mining properties, plant and machinery | 2 096 482 | 230 287 | – | 233 101 | (223 219) | 2 336 651 |
| Assets under construction | 228 846 | 22 898 | – | (233 101) | – | 18 643 |
| | 2 449 938 | 254 668 | – | – | (224 311) | 2 480 295 |
| **31 March 2022** | | | | | | |
| Land | 115 114 | – | – | – | – | 115 114 |
| Buildings | 3 337 | 133 | – | – | (399) | 3 071 |
| Furniture and fixtures | 539 | 427 | – | – | (126) | 840 |
| Motor vehicles | 2 825 | 1 634 | – | – | (1 382) | 3 077 |
| IT equipment | 2 795 | 395 | – | (2 275) | (363) | 558 |
| Mining properties, plant and machinery | 2 096 482 | 481 831 | – | 239 176 | (438 341) | 2 379 149 |
| Assets under construction | 228 846 | 12 534 | – | (239 176) | – | 2 204 |
| | 2 449 938 | 496 954 | – | (2 275) | (440 611) | 2 504 013 |

* *The mining equipment that was previously under a finance lease was capitalised under mining properties, plant and machinery with a fair value of R176 million.*

## 4. Inventories

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| Raw materials, components | **298 547** | 245 822 | 303 562 |
| Finished goods | **393 374** | 61 873 | 111 188 |
| Production supplies | **3 516** | 7 628 | 10 037 |
| | **695 437** | 315 323 | 424 787 |
| Inventories (write-downs) | **(57 553)** | – | (3 407) |
| | **637 884** | 315 323 | 421 380 |

Inventory write-downs during the current period relate to provisions for obsolete and slow-moving stock of R57.6 million (FY22: R3.4 million).

## 5. Interest-bearing borrowings excluding leases

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| **Held at amortised cost** | | | |
| **Secured** | | | |
| Refinanced term loan | **105 258** | 324 555 | 177 084 |
| Revolving credit facility | **450 000** | 500 011 | 500 003 |
| Fair value of interest rate swap* | **3** | 5 353 | 1 786 |
| | **555 261** | 829 919 | 678 873 |
| **Split between non-current and current** | | | |
| Current liabilities | **555 261** | 829 919 | 678 873 |
| | **555 261** | 829 919 | 678 873 |

## 5. Interest-bearing borrowings excluding leases continued

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| **Reconciliation of interest-bearing borrowings** | | | |
| At the beginning of the year | **678 873** | 926 606 | 926 606 |
| Cash advances received | **–** | – | – |
| Unwinding of transaction cost incurred | **–** | 1 061 | 2 122 |
| Finance costs | **24 532** | 32 368 | 60 398 |
| **Payments** | | | |
| Capital | **(121 894)** | (93 828) | (242 491) |
| Interest | **(24 984)** | (33 429) | (60 398) |
| Interest rate swap repayments | **(1 266)** | (2 859) | (7 364) |
| | **555 261** | 829 919 | 678 873 |

* *Interest rate swaps are at Level 1 fair value.*

### Borrowings – composition and analysis

The group has used the refinanced debt packages to determine its weighted average cost of capital ("WACC") by combining the forward-looking Johannesburg Interbank Agreed Rate ("JIBAR") plus 3.5% at a gearing ratio of 50% with the cost of equity calculated using the risk-free rate adjusted for market-related risk premiums and specific asset-related and company-related risk premiums. The cost of debt included in the WACC calculation is 9.89%.

### Refinanced RCF term loan

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 (acting through its Corporate and Investment Banking Division) and Standard Bank (acting through its Corporate and Investment Banking Division). The new credit-approved comprehensive long-term refinance facilities are for a combined R1.1 billion with a provision that also allows the group access to an additional R500 million and 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 and a RCF of R500 million. The term loan and the RCF bear interest of between JIBAR plus 2.75% and JIBAR plus 3.50% depending on contractual obligations and criteria. 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 with the first payment due on 30 June 2020. Interest is payable on a quarterly basis.



## 5. Interest-bearing borrowings excluding leases continued

### Refinanced RCF term loan continued

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

The facilities are subject to the following dependent 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 2022, the financial covenants as disclosed have been met.

Transaction fees for the refinanced loan package were paid by Wescoal Mining and 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.

### 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, Salungano entered into interest rate swap transactions with Nedbank and Standard Bank to fix interest rates for the full duration of the term loans 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 Salungano's revenue streams are at fixed pricing. Subsequent to entering into the swap transaction, the Reserve Bank reduced its lending rate by 200 basis points to stimulate the economy. Salungano has reviewed options to revise the swap transactions but the reduced rate is limited to 10 basis points and results in new caps being introduced should the interest rates increase in future.

#### Fair value interest rate risk

| | Increase R'000 | Decrease R'000 |
|---|---|---|
| **September 2022** | | |
| Pay variable three-month JIBAR plus 3.5%, receive fixed 9.83%. Five years, payable quarterly. | **(577)** | **(577)** |
| **September 2021** | | |
| Pay variable three-month JIBAR plus 3.5%, receive fixed 9.83%. Five years, payable quarterly. | (2 692) | 2 692 |
| **March 2022** | | |
| Pay variable three-month JIBAR plus 3.5%, receive fixed 9.83%. Five years, payable quarterly. | (1 749) | 1 749 |

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 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.

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

| | Increase R'000 | Decrease R'000 |
|---|---|---|
| **Impact on profit or loss:** | | |
| **30 September 2022** | **(2 776)** | **2 776** |
| 30 September 2021 | (3 007) | 3 007 |
| 31 March 2022 | (11 788) | 11 788 |

## 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 2022** | **1 389 740** | **99 758** | **(1 188)** | **64 659** | **1 552 969** |
| Six months ended 30 September 2021 | 999 753 | 172 902 | (39 335) | 42 060 | 1 175 380 |
| Year ended 31 March 2022 | 999 753 | 345 023 | (46 479) | 91 443 | 1 389 740 |

## 6. Environmental rehabilitation provision continued

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| Non-current liabilities | **1 552 969** | 1 174 433 | 1 389 740 |
| Current liabilities | **–** | 947 | – |
| | **1 552 969** | 1 175 380 | 1 389 740 |
| The breakdown of the liability per site is as follows: | | | |
| Khanyisa | **116 844** | 97 805 | 112 505 |
| Elandspruit | **464 428** | 361 349 | 422 911 |
| Blesboklaagte | **1 029** | 947 | 1 093 |
| Vanggatfontein | **803 107** | 585 365 | 708 923 |
| Intibane | **17 245** | 14 945 | 17 245 |
| Moabsvelden | **150 316** | 114 969 | 127 063 |
| **Total discounted obligation** | **1 552 969** | 1 175 380 | 1 389 740 |

## 7. Cash generated from operations

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| (Loss)/profit before taxation | **(107 761)** | 110 285 | (37 525) |
| **Adjustments for:** | | | |
| Depreciation on property, plant and equipment | **191 077** | 224 311 | 440 611 |
| Amortisation of intangible assets | **5 737** | 594 | 2 592 |
| Amortisation of right-of-use asset | **1 522** | 1 354 | 2 381 |
| Loss/(gain) on sale of assets | **4** | – | (42) |
| Impairment of investment in joint venture | **–** | – | 59 390 |
| Loss from equity-accounted investments | **–** | 483 | 17 458 |
| Share-based payment expenses | **(9)** | 84 | 158 |
| Interest income | **(5 913)** | (10 948) | (22 790) |
| Finance costs | **97 732** | 89 990 | 180 983 |
| Fair value loss/(gains) | **7 256** | (2 246) | (3 439) |
| Prepaid royalty | **1 018** | 840 | 984 |
| Rehabilitation cost incurred | **(1 188)** | (39 335) | (46 479) |
| Other non-cash items | **–** | – | (1 090) |
| Impairment of goodwill | **–** | – | 2 951 |
| Inventory write down | **54 146** | – | – |
| Expected credit loss | **–** | 1 695 | 22 305 |
| **Changes in working capital:** | | | |
| Inventories | **(270 650)** | (49 623) | (155 680) |
| Trade and other receivables | **2 301** | (455 229) | (144 996) |
| Trade and other payables | **286 904** | 415 335 | 343 770 |
| | **262 174** | 287 590 | 671 655 |

## 8. Revenue

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| **Revenue from contracts with customers** | | | |
| Sale of goods | **1 980 847** | 2 031 458 | 3 907 008 |
| Rendering of services | **341 024** | 634 856 | 1 231 874 |
| | **2 321 871** | 2 666 314 | 5 138 882 |
| **Disaggregation of revenue from contracts with customers** | | | |
| Revenue from contracts with customers is disaggregated as follows: | | | |
| **Sale of goods** | | | |
| Local sales | **305 643** | 889 343 | 753 881 |
| Eskom sales | **1 066 150** | 1 121 382 | 3 000 144 |
| Export sales | **609 054** | 20 733 | 152 983 |
| | **1 980 847** | 2 031 458 | 3 907 008 |
| **Rendering of services** | | | |
| Transport services (recognised on coal delivery) | **340 911** | 634 696 | 1 231 553 |
| Rental income (recognised over time) | **113** | 160 | 321 |
| | **341 024** | 634 856 | 1 231 874 |
| **Total revenue from contracts with customers** | **2 321 871** | 2 666 314 | 5 138 882 |

## 9. Cost of sales

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| Sale of goods | **1 960 043** | 2 100 799 | 4 146 875 |
| Depreciation and amortisation | **194 954** | 223 221 | 440 981 |
| | **2 154 997** | 2 324 020 | 4 587 856 |
| **Sale of goods** | | | |
| Direct purchases | **942 816** | 932 889 | 1 973 972 |
| Royalty expenses | **18 914** | 28 061 | 51 780 |
| Mining contractor cost | **708 871** | 943 161 | 1 687 773 |
| Consumables and maintenance cost | **8 226** | 5 130 | 10 176 |
| Staff cost | **10 983** | 9 760 | 22 560 |
| Fuel | **270 090** | 181 768 | 400 224 |
| Mining overhead and other cost | **142** | 30 | 390 |
| | **1 960 043** | 2 100 799 | 4 146 875 |
| **Coal processing – depreciation** | | | |
| Property, plant and equipment | **194 070** | 223 221 | 438 705 |
| Right-of-use assets | **884** | – | 2 276 |
| | **194 954** | 223 221 | 440 981 |
| **Total cost of sales** | **2 154 997** | 2 324 020 | 4 587 856 |

## 10. Finance cost

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| Interest-bearing borrowings | **24 984** | 33 429 | 60 398 |
| Capitalised borrowing costs | **–** | (1 851) | (1 851) |
| Lease liabilities | **4 598** | 8 192 | 14 592 |
| Bank overdraft | **3 347** | 3 420 | 5 311 |
| Unwinding of discount on provisions and other liabilities | **64 659** | 42 060 | 91 443 |
| Other interest paid | **143** | 4 740 | 11 090 |
| | **97 732** | 89 990 | 180 983 |

## 11. Earnings/(loss) per share

### Basic earnings/(loss) 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 2022 | Reviewed for the six months ended 30 September 2021 | Audited year ended 31 March 2022 |
|---|---|---|---|
| **Basic earnings/(loss) per share (cents)** | | | |
| Net profit/(loss) attributable to owners of equity | **(80 595)** | 80 866 | (37 171) |
| Weighted average number of ordinary shares in issue ('000) | **410 234** | 410 058 | 410 058 |
| Basic earnings/(loss) per share (cents) | **(19.64)** | 19.72 | (9.06) |

## 11. Earnings per share continued

### 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.

| | Reviewed for the six months ended 30 September 2022 | Reviewed for the six months ended 30 September 2021 | Audited year ended 31 March 2022 |
|---|---|---|---|
| **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) | **410 234** | 410 058 | 410 058 |
| **Adjusted for:** | | | |
| Share options in terms of the Wescoal Share Incentive Trust* ('000) | **–** | 1 107 | 1 |

* *Diluted earnings reflected show the potential effect of dilution for 1.06 million (HY21: 1.65 million and FY22: 1.08 million) options held in terms of the Wescoal Share Incentive Trust by the directors and employees to subscribe to new shares in Salungano Group Limited. For the year ended 31 March 2022, 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 2022, none of these options were in the money and therefore they have been excluded from diluted earnings per share and diluted headline earnings per share.*

### Headline earnings/(loss) and diluted headline earnings/(loss) 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 2022 | Reviewed for the six months ended 30 September 2021 | Audited year ended 31 March 2022 |
|---|---|---|---|
| Headline earnings/(loss) per share (cents) | **(19.64)** | 20.69 | 6.13 |
| Diluted headline earnings/(loss) per share (cents) | **(19.64)** | 20.63 | 6.13 |

## 11. Earnings per share continued

| | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| **Reconciliation between basic/diluted earnings/(loss) and headline/diluted headline earnings/(loss)** | | | |
| Net (loss)/profit attributable to owners of equity ('000) | **(80 595)** | 80 866 | (37 171) |
| **Adjusted for:** | | | |
| Net profit/(loss) on disposal of property, plant and equipment (net of taxes) | **4** | – | (30) |
| Goodwill impairment | **–** | – | 2 951 |
| Receivable impairment (net of taxes) | **–** | 3 966 | 59 390 |
| **Headline (loss)/earnings and diluted headline (loss)/earnings** | **(80 591)** | 84 832 | 25 140 |

## 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 2022** | | | | | | |
| Trade and other payables | | **1 320 556** | **–** | **–** | **1 320 485** | **1 320 485** |
| Interest-bearing borrowings | 5 | **600 580** | **–** | **–** | **600 580** | **555 261** |
| Lease liabilities | | **80 495** | **100 431** | **–** | **180 976** | **168 677** |
| Bank overdraft | | **85 255** | **–** | **–** | **85 255** | **85 255** |
| | | **2 086 884** | **100 431** | **–** | **2 187 316** | **2 129 749** |
| **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 31 March 2022** | | | | | | |
| Trade and other payables | | 1 003 928 | – | – | 1 003 928 | 1 003 928 |
| Interest-bearing borrowings | 5 | 678 873 | – | – | 678 873 | 678 873 |
| Lease liabilities | | 84 841 | 134 120 | – | 218 961 | 200 060 |
| Bank overdraft | | 98 418 | – | – | 98 418 | 98 418 |
| | | 1 866 060 | 134 120 | – | 2 000 180 | 1 981 279 |

## 13. Fair value information

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 1 | Note | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| **Liabilities** | | | | |
| **Financial assets mandatorily at fair value through profit or loss** | | | | |
| Interest-bearing borrowings | 5 | **3** | 3 759 | 1 719 |
| **Total** | | **3** | 3 759 | 1 719 |

The interest-bearing borrowings contain a swap through which Salungano has swapped its variable commitment from 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.

## 13. Fair value information continued

| Level 2 | Reviewed for the six months ended 30 September 2022 R'000 | Reviewed for the six months ended 30 September 2021 R'000 | Audited year ended 31 March 2022 R'000 |
|---|---|---|---|
| **Recurring fair value measurements** | | | |
| **Assets** | | | |
| **Financial assets mandatorily at fair value through profit or loss** | | | |
| Restricted investments in rehabilitation portfolio | **122 877** | 94 085 | 115 983 |
| **Total** | **122 877** | 94 085 | 115 983 |

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.

## 14. Commitments

Capital commitments for the period ended 30 September 2022 comprised R28 million, which mainly relates to capital expenditure authorised by directors but not yet contracted for.

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

Capital commitments for the year ended 31 March 2022 comprised R122 million, of which R100 million mainly related to not yet contracted for and authorised by directors and R22 million related to contracted capital expenditure but not provided for.

## 15. Contingent liabilities and assets

### 15.1 Dispute – Mining contractor (Stefanutti Stocks Mining Services Proprietary Limited)

During the year ended March 2021, the group received a statement of claim pertaining to losses incurred by Stefanutti Stocks Mining Services ("SSMS") in terms of the contract mining agreement concluded on 30 November 2018 and terminated effective 31 July 2020. The group, disclaiming the liability, has submitted a comprehensive response rebutting a majority of the SSMS claims and lodged its own counterclaims which include the recoupment of historical mining costs incurred in terms of the contract mining agreement. On 10 March 2021, the parties agreed to the appointment of an arbitrator. In terms of the pre-arbitration meeting held on 27 August 2021 between the parties as well as the arbitrator, it was agreed that the matter would be set down for hearing for a period of 15 days commencing on 1 August to 19 August 2022 with clear timelines on when any further exchange of pleadings and notices would take place. However, at a meeting between the various legal representatives and the arbitrator on 14 July 2022, it was decided that for reasons culminating mainly from SSMS' failure to timeously submit their discovery documents as well as expert witness statements, the pre-trial steps would not be finalised before 1 August 2022 so the matter would have to be postponed to 24 March 2023. At this stage, it seems unlikely that there will be any settlement outcomes therefore no provision has been made in the consolidated financial statements.

### 15.2 Tokata Resources Proprietary Limited

In the March 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 the coal supply was reinstated and the 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 Mining reinstating the arbitration proceedings which were put on stay per the settlement agreement. At the date of reporting, Wescoal Mining had submitted its statement of claim in relation to the arbitration and Tokata has submitted their statement of defence and counterclaim against Wescoal Mining. This process is currently being undertaken by Wescoal Mining external counsel. The arbitration hearing was scheduled to take place between 20 to 29 April 2022. However, Tokata has been engaging in various continuous delay processes that culminated in the late withdrawal of their attorneys of record in the matter and their subsequent reappointment which included an extremely late request to amend their statement of defence and counterclaim. Though a favourable ruling was granted to Wescoal Mining (as it related to wasted costs occasioned by the postponement), the arbitrator saw it fit to grant Tokata the requested pleading amendments, the effect of which was a postponement of the proceedings sine die. As a result, Wescoal Mining has not recorded a receivable for its claim nor a provision for the possible obligation.

### 15.3 Absa Property Development Proprietary Limited

On 3 July 2018, Absa Property Development Proprietary Limited ("Absa") indicated that they were 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 Mining does not agree with the required rehabilitation and mitigation measures as set out by Absa. Although Wescoal Mining disclaims the liability, the claim by Absa against Wescoal Mining is for an amount of R27 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 ("SARS")

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.

## 15. Contingent liabilities and assets continued

### 15.4 South African Revenue Service ("SARS") continued

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 SARS' claim and is of the view that such a claim will be limited to R13 million. This amount has been recognised in the financial statements for the period ended 31 March 2022. Keaton has filed their claim with the SARS appeals committee and is awaiting the final outcome from the committee.

## 16. Events after the reporting period

### 16.1 Arnot application for business rescue

Wescoal Mining Proprietary Limited ("Wescoal Mining") launched an application for the business rescue of Arnot OpCo Proprietary Limited ("Arnot") on 11 August 2022. Wescoal Mining is also a creditor of Arnot OpCo and has launched business rescue proceedings as an "affected person", as contemplated in section 128(1)(a)(i) of the Companies Act. On 10 October 2022, Arnot was placed under supervision and business rescue proceedings in terms of section 131(4) of the Companies Act. Arnot OpCo has been in financial distress for a prolonged period and the option of business rescue is considered the most appropriate under the circumstances, noting that Wescoal Mining is of the firm belief that a business rescue plan could facilitate a successful turnaround of the business. Arnot will continue to be accounted for as a joint venture as Salungano can jointly control the outcome of the business rescue plan. The investment in Arnot has been fully impaired in the annual financial statements for the year ended 31 March 2022 due to the uncertainties around funding of the operation.

The operations at Arnot will continue as usual, including the supply of coal into the Arnot Power Station.

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 2022 or the results of its operations or cash flows for the six months then ended.

## 17. Going concern

### Current year profitability

For the period ended 30 September 2022, the group incurred a loss of R88 million (HY22: R81 million profit). The EBITDA for the year is R181 million (HY22: R416 million).

The main contributing factors to the poor performance were as a result of the following:

- High cost of sales due to low production at the VGF and Khanyisa operations. VGF was placed under care and maintenance in February 2022 as the Eskom CSA was not extended. The life of mine at Khanyisa has ended and the group is currently awaiting approval from Transnet Freight Rail to mine within 50 metres of the pipeline.
- Lower sales volumes as a result of the Eskom CSA not being extended and transport challenges to the ports for export sales.

The gross profit for the year is R166 million (HY22: R342 million); the lower margins compared to the prior year are due to higher unit costs as a result of lower sales volumes and escalating costs.

The cash generated from operations of R262 million (HY22: R288 million) allowed the group to repay R158 million of the interest-bearing borrowings over the six-month period.

### Liquidity

As at 30 September 2022, the group had a cash and cash equivalents balance of R139 million (FY22: R 172 million) and the available facilities on the general banking facility amounted to R15 million (FY22: R2 million).

The group has comfortably met its four financial covenants for the period which also indicated good headroom. As reflected in the cash flow statement, there were repayments of R72 million towards the term loan and R50 million towards the RCF which have been made from internally generated funds in the period.

The cash generated from operations of R262 million (HY22: R288 million) includes positive cash generation from working capital movement.

The third amendment was concluded during the reporting period, reflecting the lenders' continued support of the group.

The current ratio is currently 0.7 (FY22: 0.7) as the current liabilities includes a full repayment of all the borrowings of R555 million due to the borrowings being due and payable by June 2023.

The group will commence engaging financial institutions over the next six months to secure long-term funding of between R350 million and R450 million. It has always been the intent of the group to refinance part of the RCF when the current lending arrangement expires. Due to the quantum being significantly lower than the previous financing transaction, and security held in a security special purpose vehicle, the refinancing should be a lot simpler to implement.

The current forecast cash flows reflect that the business will be able to settle all debt should it be unable to refinance the debt on a unleveraged balance sheet. To mitigate the pressure on the business, it is critical to secure the finance and for the operations to generate the forecasted cash flows.

### Solvency

As at 30 September 2022, the assets exceeded the total liabilities of the group by R732 million (FY22: R812 million) which reflects that the group is still solvent.

Based on the above, the condensed consolidated financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## 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.

## 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 2022** | | | | | | |
| Local | 17 199 | 288 464 | – | – | – | 305 643 |
| Eskom sales | 1 936 397 | – | – | – | (870 266) | 1 066 150 |
| Export sales | 609 054 | – | – | – | – | 609 054 |
| Rental income | – | – | 113 | – | – | 113 |
| Transport | 290 959 | 49 952 | – | – | – | 340 911 |
| **External customers** | 2 853 608 | 338 416 | 113 | – | (870 266) | 2 321 871 |
| Inter-segment | 307 322 | – | 3 026 | 56 652 | (1 237 267) | (870 266) |
| **Total revenue** | 3 160 931 | 338 416 | 3 139 | 56 652 | (2 107 533) | 1 451 605 |
| Cost of sales | (3 001 013) | (324 051) | (6) | (518) | 1 170 591 | (2 154 997) |
| **Gross profit/(loss)** | 159 918 | 14 365 | 3 133 | 56 134 | (936 943) | (703 392) |
| Other income/(expenses) | 7 332 | 306 | – | (11) | – | 7 627 |
| Movement in credit loss allowances | (6 817) | – | – | – | – | (6 817) |
| Operating expenses | (149 760) | (27 900) | (1 726) | (35 789) | 31 618 | (183 557) |
| **Operating profit/(loss)** | 10 674 | (13 229) | 1 407 | 20 259 | (905 320) | (886 209) |
| Interest received | 2 068 | – | – | 51 960 | (48 115) | 5 913 |
| Interest paid | (97 443) | (469) | – | (47 630) | 48 115 | (97 426) |
| Share of net loss of joint venture accounted for using the equity method | – | – | – | – | – | – |
| **Profit/(loss) before income tax** | (84 701) | (13 698) | 1 407 | 24 589 | (905 320) | (977 721) |
| Depreciation and amortisation | (191 748) | (5 088) | (6) | (855) | – | (197 697) |
| Gain/(loss) on sale of assets | – | (4) | – | – | – | (4) |
| **Total assets** | 3 561 059 | 205 707 | 44 576 | 2 255 413 | (1 423 766) | 4 642 989 |
| **Total liabilities** | (3 895 817) | (112 311) | (75) | (722 562) | 819 446 | (3 911 320) |



## 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 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) | 5 303 | (165 070) |
| **Operating profit/(loss)** | 198 075 | 7 528 | 854 | (284) | (64 363) | 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 |
|---|---|---|---|---|---|---|
| **31 March 2022** | | | | | | |
| Local | 1 040 888 | 571 788 | – | – | – | 1 612 676 |
| Eskom sales | 1 880 090 | – | – | – | – | 1 880 090 |
| Export sales | 152 983 | – | – | – | – | 152 983 |
| Rental income | – | – | 321 | – | – | 321 |
| Transport | 1 372 163 | 120 649 | – | – | – | 1 492 812 |
| **External customers** | 4 446 124 | 692 437 | 321 | – | – | 5 138 882 |
| Inter-segment | 1 262 056 | 14 169 | 5 630 | 97 494 | (1 379 349) | – |
| **Total revenue** | 5 708 180 | 706 606 | 5 951 | 97 494 | (1 379 349) | 5 138 882 |
| Cost of sales | (5 189 367) | (649 145) | (12) | (438) | 1 251 106 | (4 587 856) |
| **Gross profit/(loss)** | 518 813 | 57 461 | 5 939 | 97 056 | (128 243) | 551 026 |
| Other income/ (expenses) | 28 401 | 2 930 | 25 | 469 | (2 643) | 29 182 |
| Operating expenses | (385 684) | (55 882) | (4 150) | (101 209) | 104 843 | (442 082) |
| **Operating profit/(loss)** | 161 530 | 4 509 | 1 814 | (3 684) | (26 043) | 138 126 |
| Interest received | 14 476 | – | 1 | 38 216 | (29 903) | 22 790 |
| Interest paid | (222 512) | (3 182) | 84 | (109 298) | 153 925 | (180 983) |
| Share of net loss of joint venture accounted for using the equity method | (17 458) | – | – | – | – | (17 458) |
| **Profit/(loss) before income tax** | (63 964) | 1 327 | 1 899 | (74 766) | 97 979 | (37 525) |
| Depreciation and amortisation | (474 548) | (6 165) | (12) | (2 081) | (25 119) | (507 925) |
| Gain/(loss) on sale of assets | – | – | – | – | – | – |
| **Total assets** | 3 410 917 | 195 480 | 4 343 | 2 447 248 | (1 626 973) | 4 431 015 |
| **Total liabilities** | (3 681 838) | (92 996) | (31 493) | (804 043) | 991 627 | (3 618 743) |



# General information

## Salungano Group Limited

(formerly Wescoal Holdings Limited)
Incorporated in the Republic of South Africa
(Registration number: 2005/006913/06)
Share code: SLG
ISIN: ZAE000069639
("Salungano" 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

## Nature of business and principal activities

The mining, processing, sale and distribution of thermal coal

## Directors

Dr HLM Mathe *(Chairman, independent non-executive)*
N Siyotula *(Lead independent non-executive)*
N Mnxasana *(Independent non-executive)*
A Mabizela *(Independent non-executive)*
KM Maroga *(Chief financial officer)**
C Maswanganyi *(Non-executive)*
ET Mzimela *(Non-executive)*
T Tshithavhane *(Executive)*
MR Ramaite *(Chief executive officer)*
JM Speckman *(Chief financial officer)***

## Company secretary

FluidRock CoSec Proprietary Limited***
Telephone: +27 (0)11 049 8611
Facsimile: +27 (0)11 570 5848
Yolande Lemmer

## Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196, South Africa
PO Box 61051, Marshalltown 2107, South Africa
Telephone: +27 (0)11 370 7802

## Bankers

Nedbank and Standard Bank of South Africa

## Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited
Third Floor, Block F, Nedbank Rivonia Campus
135 Rivonia Road Sandton 2196, South Africa
PO Box 1144, Johannesburg 2000, South Africa

## Auditor

KPMG Inc.
Registered Auditor
KPMG Crescent, 85 Empire Road
Parktown 2193
Telephone: +27 (0)11 647 7111

## Investor relations advisor

Singular Systems IR
25 Scott Street
Waverley 2090, South Africa
Telephone: +27 (0)10 003 0700
Email: IR@singular.co.za

* *KM Maroga was appointed as group chief financial officer ("CFO") and executive director effective 1 October 2022.*
** *JM Speckman resigned as group CFO and executive director effective 14 April 2022. She served a six months notice period from date of resignation.*
*** *FluidRock CoSec Proprietary Limited was the company secretary until 30 June 2022 and Yolande Lemmer was appointed permanently as company secretary effective 1 July 2022.*

**Website: www.salunganogroup.com**

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Salungano

GROUP

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