



Salungano

GROUP



UNAUDITED
CONDENSED
CONSOLIDATED
INTERIM FINANCIAL
RESULTS

for the six months ended 30 September 2023

SALIENT FEATURES

Revenue down 30.84% to

R1.606 billion

(HY23: R2.322 billion)

Mining volumes of

2.1 million tonnes

(HY23: 2.7 million tonnes)

Gross profit down 25.75% to

R124 million

(HY23: R167 million)

Earnings before interest, tax, depreciation and amortisation
("EBITDA") up 78% to

R322 million

(HY23: R181 million) HY23 Normalised EBITDA is -R81 million.

Operating expense

R168 million

(HY23: R184 million)

Total net income

R34 million

(HY23: R81 million)

Headline loss per share

90 cents per share

(HY23: 19.64 cents per share)

Gearing ratio

82%

(HY23: 44%)

Cash generated from operations s

R396 million

(HY23: R262 million)

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COMMENTARY

Performance overview

The first half of FY24 was marked by significant challenges for the Salungano group of companies ("the group"). With weaker global coal prices, the prospects for continued exports without access to rail have diminished, contributing to the lower production at the Vanggatfontein Colliery. Operational disruptions across our mining assets affected production and sales volumes. Despite these obstacles, the Moabsvelden Colliery continued to perform reliably, contributing the bulk of our production and supporting our recovery efforts. However, production at the Elandspruit and Khanyisa Collieries was significantly impacted, with Khanyisa Colliery halting operations as the colliery reached its end of life in February 2023, and Elandspruit Colliery suffering from contractor-related performance issues which eventually also brought this mine to a halt.

In August 2023, Wescoal Mining Proprietary Limited ("Wescoal Mining"), a wholly owned subsidiary of Salungano, was placed under business rescue. Following the approval of the business rescue plan on 12 July 2024, the business rescue practitioners continue to attend to the implementation thereof, which will see Wescoal Mining (in business rescue) continuing its operations for the benefit of all affected parties.

Business advisors were appointed to manage the ongoing process to refinance the group's debt, which remains a top priority for Salungano to ensure our future stability.

The group also faced additional pressure due to the delay in releasing our FY23 financial results, a situation linked to the ongoing refinancing process that resulted in protracted audit requirements. This delay ultimately led to the suspension of the listing of the company's securities on the Johannesburg Stock Exchange ("JSE") on 21 August 2023, as we were unable to release the FY23 financial results within the prescribed period stipulated in the JSE Listings Requirements.

The FY23 financial results were released on SENS on 21 May 2024, but the suspension of the listing of the company's securities will continue until the FY24 financial results, which were also not released within the prescribed period, are released.

Compounding these challenges, three of our directors resigned with effect from 30 June 2023, adding strain on the leadership team. As indicated in the FY23 financial results, as well as in the integrated annual report distributed on 18 June 2024, the director vacancies were subsequently filled with effect from 1 March 2024.

A change of auditor occurred during May to July 2024. The handover process between KPMG Inc. and SNG Grant Thornton has been contributed to additional delays regarding the planned release dates of the interim financial statements, released herewith, and the FY24 audited financial statements.

Despite the aforesaid setbacks, the board of directors remained focused on navigating through these difficulties and stabilised the business in the second half of FY24.

Group financial overview

Net debt decreased to R520 million (HY23: R584 million) and the gearing ratio increased to 87% (FY23: 44%), due to lower earnings. The net debt includes a term loan of R35 million (HY23: R105 million) and a refinanced revolving credit facility ("RCF") of R361 million (HY23: R450 million). R86 million was paid towards capital and R22 million towards interest in the six months ended 30 September 2023. As at 30 September 2023, refinancing of the outstanding debt of R396 million had not been concluded.

Salungano has invested R82 million into its operations as capital expenditure for the six months ended 30 September 2023, compared to R69 million in the prior reporting period. Most of this investment has been at Vanggatfontein Colliery.

Net asset value per share decreased to 37 cents per share (HY23: 178 cents per share).

The main financial focus for the group, after cash generation, has been the repayment of outstanding interest and capital.

Performance during the first half of FY24 remained challenging for the group. While Neosho Trading 86 Proprietary Limited ("Neosho") (with reference to the Moabsvelden Colliery) contributed significantly towards the group's profitability, the Elandspruit Colliery opencast operations ceased from July 2023 and the Vanggatfontein Colliery operated below capacity. As previously reported, the Khanyisa Colliery has reached its end of life of mine.

The group still operated with only one Eskom contract, with the Elandspruit and Vanggatfontein Collieries continuing to supply Eskom through rectification into the Neosho contract. Revenue declined by 31% to R1.6 billion (HY23: R2.3 billion).

Gross profit reduced by 26% to R124 million (HY23: R167 million). The gross profit percentage is 7.7% (HY23: 7.5%). The increase is due to the high proportion of crushed and screened coal compared to processed coal being sold, slightly reducing the cost of sales in HY24.

The operating profit was R167 million (HY23: R16 million loss). The operating profit includes a non-recurring accounting gain of R403 million, accounted for as a deemed loss of control in terms of IFRS® Accounting Standards, given that the group no longer met the requirements for control over Wescoal Mining at the end of the interim period. Excluding this non-recurring transaction, the adjusted operating loss amounted to R236 million, compared to a loss of R16 million in the comparative period. The adjusted loss includes depreciation and amortisation of R151 million (HY23: R191 million). EBITDA generated was R322 million (HY23: R181 million) an increase of 78%. The normalised EBITDA is -R81 million after adjusting the gain on deconsolidation of R403 million.

Commentary continued

Finance costs were R156 million (HY23: R98 million) and included high lending finance costs and unwinding of discount on provisions and other liabilities of R115 million (HY23: R65 million) which is an increase of 77%, mainly due to a significant increase in the unwinding of the rehabilitation provision.

The decline in performance has resulted in a headline loss of 90 cents per share (HY23: headline loss of 19.64 cents).

Production and operational performance

Mining production has been impacted by the reduced contribution from our Wescoal Mining collieries, Elandspruit and Khanyisa, while Khanyisa Colliery stopped production in February 2023, life extension projects are being pursued at the mine. Elandspruit Colliery was impacted by contractor underperformance issues, which ultimately led to Wescoal Mining being placed under business rescue in August 2023, as previously reported. In the first half of FY24, the group produced over 2 million tonnes of run of mine. Wescoal Mining contributed just under 20% to the total production, Vanggatfontein Colliery approximately 10%, while Moabsvelden Colliery, the group's main revenue-generating operating asset, contributed more than 70% to production. The decline in production at Vanggatfontein is due to the reduction in export demand and the inconsistent performance at the mine since it was taken out of care and maintenance in September 2022. Performance at the Moabsvelden Colliery has been stable, with production averaging above 240 000 tonnes per month in the first half of the year, as the mine transitions out of its box cut phase. The operation continues to focus on efficiency and improving production from the mine.

Mining sales for the group in the first half of the year totalled 2 million tonnes. While the solid production performance from the Moabsvelden Colliery was the main driver of sales for the group, buy-ins from external party suppliers also contributed to the overall group sales. The Moabsvelden Colliery accounted for more than 70% of the group's sales in HY24, while the Vanggatfontein and Elandspruit Collieries contributed just under 30%, with no sales from the Khanyisa Colliery.

Salungano Trading sales were significantly impacted by the loss of its major customer, while sales to other customers remained in line with expectations in a difficult trading environment.

Resources and reserves statement

The most recent SAMREC-compliant resources and reserves statements of the group are available on the Salungano website www.salunganogroup.com. The respective resources and reserves statements contain details of all the 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 2023.

Safety, health, the environment and sustainability

During the period ended 30 September 2023, Salungano progressed sustainability by reviewing mining impacts on communities, renewing water use licences and revising rehabilitation strategies. The company also explored diversification opportunities and embedded environmental, social and governance ("ESG") policies strategically.

Salungano has developed key performance indicators and made progress in setting ESG targets to track performance and hold the company accountable against these targets. The Veriport ESG and carbon management platform guided this process with a technology framework that reads ESG impacts to track and report on performance against objectives, including direct and indirect greenhouse gas emissions.

We recognise our employees as meaningful and important contributors to our core business. It is the company's policy to use our health and safety management system to do all that is reasonably practical to prevent occupational diseases, personal injury, damage to property and to protect all employees, visitors, contractors, members of the public and interested and affected parties from any foreseeable work hazards, insofar as they come into contact with the operations or are exposed to potential health and safety risks.

We follow a proactive and participative approach towards health and safety management, which means that we will endeavour to proactively identify and resolve potential health and safety risks before they manifest such as accidents, incidents, or compliance non-conformance.

Safety statistics

During the six months ended 30 September 2023, the group had no fatalities, and only two reportable occupational disease cases were reported during this period (at the Vanggatfontein and Moabsvelden Collieries).

No lost-time injuries ("LTIs") were reported during the period, and LTI-free days were as follows at the different mining operations:

- Vanggatfontein – 105 LTI-free days;
- Elandspruit – 165 LTI-free days;
- Moabsvelden – 66 LTI-free days; and
- Khanyisa – 372 LTI-free days.

Internal and external audits, surveys and legal inspections are continuously conducted to identify any safety hazards and their risks and control measures are implemented to enforce compliance controls.

Commentary continued

Entry, periodic and exit medical surveillance is done to ensure employees are fit for duty. Wider health and wellness programmes are conducted on sites on a quarterly and annual basis that include screening for chronic disease management such as hypertension, voluntary HIV testing and counselling, tuberculosis screening (at the respective clinics per operation), diabetes, cholesterol, and body mass index.

As such, the company's vision, mission, values and strategic objectives are integrated into policies, procedures, decision-making processes and operations, with sustainability as the ultimate objective.

Dividend

After careful consideration of the financial position, performance of the group and macroeconomic conditions, the board resolved not to declare a dividend for the six months ended 30 September 2023.

Outlook

Despite the challenges faced in the first half of the year, we believe that the company is on a path to sustainable recovery, driven by our Moabsvelden Colliery operation which continues to perform in line with expectations. The company remains focused on cost-saving and profit-improvement initiatives. Supply to Eskom has been increasing over the past few months as we continue to strive to maintain supply at the contractually committed levels, from a combination of own coal and third-party buy-ins.

The company continues to support the business rescue practitioners of Wescoal Mining in their efforts to implement the approved business rescue plan, which includes a return to operations at the Elandspruit Colliery.

The creditors of Keaton Mining Proprietary Limited ("Keaton Mining"), a wholly owned subsidiary of Keaton Energy Holdings Limited, which is in turn a wholly owned subsidiary of Salungano, adopted a creditors compromise proposal in terms of section 155 of the Companies Act of South Africa, 71 of 2008 ("Companies Act") on 22 August 2024. The creditors compromise proposal

entails the continuance of operations at the Vanggatfontein Colliery and has been sanctioned by the Gauteng Division of the High Court on 25 September 2024. The provisional liquidation of Keaton Mining was lifted on 11 October 2024.

The company remains focused on optimising production at the Moabsvelden Colliery to responsibly and sustainably increase production at the mine.

We also continue to pursue opportunities to increase supply to Eskom in respect of those operations that currently do not have their own coal supply agreements ("CSAs") in an effort to advance our mines to full production and return the group to profitability.

Preparation of the unaudited and unreviewed results announcement

The unaudited condensed consolidated interim financial statements have been prepared by Ms Khodani Luvhengo on behalf of the company, under the supervision of the chief financial officer, Kabela Maroga, CA(SA). The information contained in this report has neither been audited nor reviewed by the group's external auditors.

Dr Humphrey Mathe

Independent non-executive chairman

Robinson Ramaite

Chief executive officer ("CEO")

29 October 2024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2023

	Notes	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Assets				
Non-current assets				
Property, plant and equipment*	3	2 488 539	2 658 514	2 856 228
Right-of-use assets		6 461	9 146	7 803
Investment property		709	709	709
Goodwill		49 660	49 660	49 660
Intangible assets		4 223	13 175	11 101
Investment in joint venture		-	-	-
Loan to joint venture		-	23 751	-
Restricted investments		93 729	122 877	148 335
Other receivables		76 566	66 910	71 323
Deferred tax asset		208 289	143 949	316 941
Prepaid royalty		-	1 661	1 187
Restricted cash		9 089	8 352	8 979
		2 937 265	3 098 704	3 472 265
Current assets				
Inventories	4	378 777	637 884	426 420
Trade and other receivables		390 700	677 502	639 445
Prepaid royalty		-	1 161	1 253
Current tax receivable		2 271	3 896	6 321
Cash and cash equivalents		124 465	224 726	24 078
Loans to group companies		-	-	-
		896 213	1 545 169	1 097 516
Total assets		3 833 478	4 643 874	4 569 781

* Salungano Group Limited (hereinafter "the group") lost control of Wescoal Mining Proprietary Limited (in business rescue) (hereinafter "Wescoal Mining") and its subsidiary on 24 August 2023 – see note 12. Subsequently, Wescoal Mining and its subsidiary were deconsolidated.

Condensed consolidated statement of financial position continued

	Notes	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital		630 372	630 372	630 372
Other reserves		(12 322)	(12 272)	(12 322)
Retained earnings		(463 870)	113 568	(497 472)
		154 180	731 670	120 579
Liabilities				
Non-current liabilities				
Financial liabilities at amortised cost		16 838	-	50 164
Lease liabilities		4 748	98 369	6 586
Deferred tax		160 294	203 514	138 364
Environmental rehabilitation provision*	6	1 806 767	1 552 969	2 390 813
		1 988 647	1 854 852	2 585 925
Current liabilities				
Trade and other payables		858 730	1 320 556	1 151 179
Interest-bearing borrowings	5	395 859	555 261	481 547
Financial liabilities at amortised cost		73 214	-	73 888
Loan from investee*		187 131	-	-
Lease liabilities		3 200	70 307	3 138
Current tax payable		21 733	25 973	51 021
Loan from shareholder*	7	65 368	-	17 118
Bank overdraft		85 416	85 255	85 385
		1 690 651	2 057 352	1 863 277
Total liabilities		3 679 298	3 912 204	4 449 202
Total equity and liabilities		3 833 478	4 643 874	4 569 781

* The group lost control of Wescoal Mining and its subsidiary on 24 August 2023 – see note 12. Subsequently, Wescoal Mining and its subsidiary were deconsolidated.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 30 September 2023

	Notes	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Revenue	9	1 606 322	2 321 871	4 789 450
Cost of sales	10	(1 482 802)	(2 155 068)	(4 660 509)
Gross profit		123 520	166 803	128 941
Operating income		18 195	7 627	30 068
Gain on loss of control*	12	402 950		
Movement in credit loss allowances		(209 281)	(6 817)	(46 124)
Impairment of property, plant and equipment		-	-	(450 941)
Operating expenses		(168 033)	(183 555)	(406 538)
Operating profit/(loss)		167 351	(15 942)	(744 594)
Interest income		5 913	5 913	23 737
Finance costs	11	(155 763)	(97 732)	(210 336)
Profit/(loss) before taxation		17 501	(107 761)	(931 193)
Taxation		16 100	27 166	239 558
Profit/(loss) for the period		33 601	(80 595)	(691 635)
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the period		33 601	(80 595)	(691 635)
Earnings per share				
Basic earnings/(loss) per share (cents)	13	8.19	(19.64)	(168.52)
Diluted earnings/(loss) per share (cents)	13	8.19	(19.64)	(58.65)

* The group lost control of Wescoal Mining and its subsidiary on 24 August 2023 – see note 12. Subsequently, Wescoal Mining and its subsidiary were deconsolidated.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 September 2023

	Notes	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Cash flows from operating activities				
Cash generated from operations	8	395 675	262 174	260 200
Interest income received		670	2 108	13 265
Finance costs paid		(41 144)	(34 338)	(53 675)
Tax paid		(62 893)	(22 685)	(25 752)
Net cash from operating activities		292 308	207 258	194 038
Cash flows from investing activities				
Purchase of property, plant and equipment	3	(82 621)	(69 460)	(146 025)
Purchase of other intangible assets		-	(5 664)	(1 791)
Lease payments received		-	9 192	12 824
Purchase of rehabilitation investment		(30 153)	(14 186)	(29 347)
Net cash from investing activities		(112 774)	(80 118)	(164 339)
Cash flows from financing activities				
Proceeds of loan from shareholder		50 000	-	17 118
Repayment of long-term borrowings		(85 688)	(122 346)	(207 842)
Repayment of financial liabilities at amortised cost		(35 777)	-	(68 993)
Repayment of lease liabilities		-	(37 759)	(3 726)
Net cash from financing activities		(71 465)	(160 105)	(263 443)
Total cash and cash equivalents movement for the period				
Cash and cash equivalents at the beginning of the period		(61 307)	172 436	172 436
Deconsolidation of Wescoal Mining*		(7 713)		
Total cash and cash equivalents at the end of the period		39 049	139 471	(61 308)

* The group lost control of Wescoal Mining and its subsidiary on 24 August 2023 – see note 12. Subsequently, Wescoal Mining and its subsidiary were deconsolidated.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2023

	Share capital R'000	Share-based payment reserve R'000	Other non-distributable reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
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
Loss for the period	-	-	-	-	(611 040)	(611 040)
Employee share option scheme	-	(50)	-	(50)	-	(50)
Audited balance as at 31 March 2023	630 372	14 791	(27 113)	(12 322)	(497 472)	120 578
Profit for the period	-	-	-	-	33 601	33 601
Employee share option scheme	-	-	-	-	-	-
Unreviewed balance as at 30 September 2023	630 372	14 791	(27 113)	(12 322)	(463 871)	154 179

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the period ended 30 September 2023

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 2023 comprise the company and its subsidiaries (together referred to as "the group"). The group is primarily 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 the requirements of 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 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 2023, which have been prepared in accordance with IFRS Accounting Standards.

The condensed consolidated interim financial statements were prepared by Ms Khodani Luvhengo 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 Accounting Standards and consistent with those applied in the previous period. There were no new standards that were effective from 1 April 2023 that significantly affected the group.

2. Change in accounting policies

2.1 Standards issued but 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 2023, have not been early adopted. The group continuously evaluates the impact of these standards and amendments.

Classification of Liabilities as Current or Non-Current: Amendment to IAS 1

Narrow scope amendment to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

The amendment is not expected to have a material impact.

Non-current Liabilities with Covenants: Amendment to IAS 1

The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within 12 months.

The amendment is not expected to have a material impact.

Lease Liability in a Sale and Leaseback: Amendment to IFRS 16

The narrow scope amendment requires a seller-lessee in a sale and leaseback transaction to determine "lease payments" or "revised lease payments" in a way that the seller-lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller-lessee. The new requirement does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendment is not expected to have a material impact.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

2. Change in accounting policies continued

2.1 Standards issued but not yet effective continued

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments require a company to disclose the impact of the supplier finance arrangements on liabilities, cash flows and liquidity risk.

The amendments are not expected to have a material impact.

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures

The new standards aim to provide a global baseline on information that needs to be reported in the sustainability report, ensuring consistency on how companies report in the areas of governance, strategy, risk management and metrics and targets.

The amendments are not expected to have a material impact.

2.2 Standards and interpretations effective from 1 April 2023

Disclosure of Accounting Policies: Amendments to IAS 1 and IFRS Practice Statement 2

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

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

Definition of Accounting Estimate: Amendments to IAS 8

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

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

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction: Amendment to IAS 12: Income Taxes

The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendment is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.

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

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

3. Property, plant and equipment

Property, plant and equipment – composition and analysis

	Unreviewed 30 September 2023			
	Cost R'000	Accumulated depreciation and impairment R'000	Decon- solidation at carrying amount* R'000	Carrying amount R'000
Land	115 113	–	–	115 113
Buildings	8 124	(5 268)	(454)	2 401
Furniture and fixtures	3 429	(2 744)	(177)	507
Motor vehicles	28 002	(24 070)	(725)	3 207
Information technology ("IT") equipment	16 074	(15 245)	(88)	742
Mining properties, plant and machinery	5 023 686	(2 346 221)	(310 897)	2 366 568
Assets under construction	2 037	–	(2 037)	–
	5 196 465	(2 393 548)	(314 378)	2 488 539

* The group lost control of Wescoal Mining and its subsidiary on 24 August 2023 – see note 12. Subsequently, Wescoal Mining and its subsidiary were deconsolidated.

	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
	4 486 698	(1 828 183)	2 658 514

	Audited 31 March 2023		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying amount R'000
Land	115 113	–	115 113
Buildings	8 124	(5 207)	2 917
Furniture and fixtures	4 249	(3 491)	758
Motor vehicles	27 298	(23 292)	4 006
IT equipment	15 280	(14 222)	1 058
Mining properties, plant and machinery	4 926 699	(2 196 360)	2 730 339
Assets under construction	2 037	–	2 037
	5 098 800	(2 242 572)	2 856 228

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

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	Impair- ment R'000	Depre- ciation R'000	Deconso- lidation at carrying amount R'000	Total R'000
30 September 2023								
Land	115 114	-	-	-	-	-	-	115 114
Buildings	2 917	-	-	-	-	(61)	(454)	2 402
Furniture and fixtures	757	-	-	-	-	(73)	(177)	507
Motor vehicles	4 005	703	-	-	-	(778)	(725)	3 205
IT equipment	1 058	33	-	-	-	(262)	(88)	742
Mining properties, plant and machinery*	2 730 340	96 987	-	-	-	(149 861)	(310 897)	2 366 569
Assets under construction	2 037	-	-	-	-	-	(2 037)	-
	2 856 228	97 723	-	-	-	(151 035)	(314 378)	2 488 539
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
31 March 2023								
Land	115 114	-	-	-	-	-	-	115 114
Buildings	3 071	-	-	-	-	(154)	-	2 917
Furniture and fixtures	840	54	-	-	-	(137)	-	757
Motor vehicles	3 077	2 607	-	-	-	(1 679)	-	4 005
IT equipment	558	977	(18)	-	-	(459)	-	1 058
Mining properties, plant and machinery	2 379 149	1 161 615	-	167	(450 941)	(359 650)	-	2 730 340
Assets under construction	2 204	-	-	(167)	-	-	-	2 037
	2 504 013	1 165 253	(18)	-	(450 941)	(362 079)	-	2 856 228

* The group lost control of Wescoal Mining and its subsidiary on 24 August 2023 – see note 12. Subsequently, Wescoal Mining and its subsidiary were deconsolidated.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

4. Inventories

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Raw materials, components	354 649	298 547	359 017
Finished goods	73 513	393 374	195 188
Production supplies	3 197	3 516	3 209
	431 359	695 437	557 414
Inventories (write-downs)	(52 582)	(57 553)	-
Inventories (write-off)	-	-	(130 994)
	378 777	637 884	426 420

Inventory write-downs during the current period relate to provisions for obsolete and slow-moving stock of R52.6 million (HY22: R57.6 million).

5. Interest-bearing borrowings excluding leases

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Held at amortised cost			
Secured			
Refinanced term loan	34 526	105 258	71 193
Revolving credit facility	361 332	450 000	410 479
Fair value of interest rate swap*	1	3	(125)
	395 859	555 261	481 547
Split between non-current and current portions			
Current liabilities	395 859	555 261	481 547
	395 859	555 261	481 547

* Interest rate swaps are at Level 1 fair value.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

5. Interest-bearing borrowings excluding leases continued

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Reconciliation of interest-bearing borrowings			
At the beginning of the year	481 547	678 873	678 873
Cash advances received	-	-	-
Unwinding of transaction cost incurred	-	-	-
Finance costs	22 323	24 532	50 701
Payments			
Capital	(85 947)	(121 894)	(207 842)
Interest	(22 064)	(24 984)	(38 339)
Interest rate swap repayments	-	(1 266)	(1 846)
	395 859	555 261	481 547

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 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 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. 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.

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.

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.

Although the facility expired on 21 June 2023, discussions are well underway with the lenders to refinance the RCF and the general banking facility to maintain adequate liquidity in the group.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

5. Interest-bearing borrowings excluding leases continued

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 were just below the ruling three-month JIBAR 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 transactions, 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 rate increases in future.

Fair value interest rate risk

	Increase R'000	Decrease R'000
September 2023		
Pay variable three-month JIBAR plus 3.5% received fixed 9.83%, five years, payable quarterly	-	-
September 2022		
Pay variable three-month JIBAR plus 3.5% received fixed 9.83%, five years, payable quarterly	(577)	(577)
March 2023		
Pay variable three-month JIBAR plus 3.5% received fixed 9.83%, five years, payable quarterly	-	-

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

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 2023	(3 959)	3 959
30 September 2022	(2 776)	2 776
31 March 2023	(4 815)	4 815

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6. Environmental rehabilitation provision

Environmental rehabilitation

	Opening balance R'000	Additions R'000	Rehabilitation work performed during the year R'000	Time value of money and inflation component of rehabilitation R'000	Deconsolidation at carrying amount*	Total R'000
Six months ended 30 September 2023	2 390 813	15 102	(2 443)	114 619	(711 324)	1 806 767
Six months ended 30 September 2022	1 389 740	99 758	(1 188)	64 659	-	1 552 969
Year ended 31 March 2023	1 389 740	860 243	(5 314)	146 145	-	2 390 813

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Non-current liabilities	1 806 767	1 552 969	2 390 813
Current liabilities	-	-	-
	1 806 767	1 552 969	2 390 813
The breakdown of the liability per site is as follows:			
Khanyisa	134 048	116 844	138 380
Elandspruit	559 290	464 428	577 205
Blesboklaagte	-	1 029	-
Vanggatfontein	1 320 953	803 107	1 226 715
Intibane	17 986	17 245	17 960
Moabsvelden	485 814	150 316	430 552
Deconsolidation at carrying amount*	(711 324)		
Total discounted obligation	1 806 767	1 552 969	2 390 813

* The group lost control of Wescoal Mining and its subsidiary on 24 August 2023 – see note 12. Subsequently, Wescoal Mining and its subsidiary were deconsolidated.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

7. Loan from shareholder

Accounting policies relating to financial liabilities at amortised cost

Classification

The loan from shareholder is classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

The loan from shareholder is recognised when the group becomes a party to the contractual provisions of the loan. The borrowings are measured at initial recognition at fair value plus transaction costs if any. The loan from shareholder is subsequently measured at amortised cost using the effective interest method.

Interest expense calculated on the effective interest method is included in profit or loss in finance costs paid. Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 14 for details of risk exposure and the management thereof.

Loan from shareholder – composition and analysis

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Held at amortised cost			
Unsecured			
RBFT Investments Proprietary Limited	65 368	-	17 118
	65 368	-	17 118
Split between non-current and current portions			
Current liabilities	65 368	-	17 118
Reconciliation of loan from shareholder			
At the beginning of the period	17 118	-	-
Cash advances received	50 000	-	17 118
Deconsolidation at carrying value	(1 750)	-	-
Closing balance	65 368	-	17 118

During March and April 2023, the group received a loan from RBFT Investments Proprietary Limited. The loan bears interest at prime plus 2% and has no fixed repayment terms.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

8. Cash generated from operations

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Profit/(loss) before taxation	17 501	(107 761)	(931 194)
Adjusted for:			
Depreciation on property, plant and equipment	151 035	191 077	362 079
Amortisation of intangible assets	2 415	5 737	3 940
Amortisation of right-of-use asset	1 342	1 522	2 865
Loss/gain on sale of assets	-	4	(2)
Impairment of property, plant and equipment	-	-	450 941
Gain on deconsolidation	(402 950)	-	-
Impairment of loan to joint venture	-	-	23 751
Share-based payment expenses	-	(9)	(59)
Interest income	(5 913)	(5 913)	(23 737)
Finance costs	155 763	97 732	210 336
Fair value gains	(1 042)	7 256	(3 670)
Prepaid royalty	132	1 018	1 400
Rehabilitation cost incurred	(2 443)	(1 188)	(5 314)
Other non-cash items	-	-	18 596
Impairment of goodwill	-	-	-
Inventory write-down	52 582	54 146	130 994
Expected credit loss	209 281	-	(2 573)
Changes in working capital:			
Inventories	(153 898)	(270 650)	(136 034)
Trade and other receivables	89 095	2 301	40 359
Trade and other payables	282 774	286 904	117 527
	395 675	262 174	260 200

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

9. Revenue

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Revenue from contracts with customers			
Sale of goods	1 270 996	1 980 847	3 983 703
Rendering of services	335 326	341 024	805 747
	1 606 322	2 321 871	4 789 450
Disaggregation of revenue from contracts with customers			
Revenue from contracts with customers is disaggregated as follows:			
Sale of goods			
Local sales	252 105	305 643	649 179
Eskom sales	1 018 892	1 066 150	2 045 318
Export sales	–	609 054	1 289 206
	1 270 996	1 980 847	3 983 703
Rendering of services			
Transport services (recognised on coal delivery)	334 613	340 911	805 521
Rental income (recognised over time)	713	113	226
	335 326	341 024	805 747
Total revenue from contracts with customers	1 606 322	2 321 871	4 789 450

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

10. Cost of sales

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Sale of goods	1 331 527	1 960 043	4 293 818
Depreciation and amortisation	151 275	194 954	366 691
	1 482 802	2 154 997	4 660 509
Sale of goods			
Direct purchases	534 504	942 816	2 270 364
Royalty expenses	27 779	18 914	22 809
Mining contractor cost	521 045	708 871	1 368 127
Consumables and maintenance cost	54 100	8 226	91 834
Staff cost	47 679	10 983	48 049
Fuel	146 376	270 090	492 426
Mining overhead and other cost	44	142	207
	1 331 527	1 960 043	4 293 818
Coal processing – depreciation			
Property, plant and equipment	149 933	194 070	365 005
Right-of-use assets	1 343	884	1 686
	151 275	194 954	366 691
Total cost of sales	1 482 802	2 154 997	4 660 509

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

11. Finance costs

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Interest-bearing borrowings	22 323	24 984	50 701
Capitalised borrowing costs	-	-	-
Lease liabilities	6 066	4 598	521
Financial liabilities at amortised cost		-	3 828
Bank overdraft	6 394	3 347	8 137
Unwinding of discount on provisions and other liabilities	114 619	64 659	146 145
Other interest paid	6 361	143	1 004
	155 763	97 732	210 336

12. Loss of control over subsidiaries

On 10 August 2023, IPP Mining and Materials Handling Proprietary Limited, a mining contractor of Wescoal Mining, initiated a provisional winding-up application against Wescoal Mining. Subsequently, Wescoal Mining contested the liquidation application. On 24 August 2023, a settlement was reached between Wescoal Mining and IPP, formalised through a court order reflecting the agreed-upon terms. Consequently, the liquidation application was withdrawn. In line with a board resolution pursuant to section 129(1) of the Companies Act, Wescoal Mining opted to initiate a voluntary business rescue process, commencing on 25 August 2023.

Three senior business rescue practitioners were successfully appointed at the Companies Intellectual Property Commission ("CIPC") on 28 August 2023, and the initial creditors' meeting for Wescoal Mining (in business rescue) took place on 11 September 2023.

Having considered the requirements of IFRS 10 and the relevant provisions in the Companies Act, the directors have determined that the group no longer meets the requirements for "control" over Wescoal Mining and its subsidiary (Proudafrique Trading 147 Proprietary Limited) effective from 28 August 2023. In terms of section 140 of the Companies Act, the business rescue practitioners have taken full management and control over the company since their official appointment at the CIPC on 28 August 2023 ("date of loss of control"). The impact on the group's financial results between 28 August 2023 and 30 September 2023 was considered insignificant due to operations being on stoppage during that time. Wescoal Mining has been deconsolidated as from 30 September 2023 ("effective date of deconsolidation").

The loss of control over the subsidiary was recognised in accordance with the requirements of IFRS 10 as it was not due to the disposal of Wescoal Mining. For the interim period, Wescoal Mining contributed R428 million towards the group's revenue before the deconsolidation.

The group retains 100% of the equity in Wescoal Mining, however, the equity value is deemed to be at nil value due to the equity position of Wescoal Mining being - R189 million on the effective date of deconsolidation. The investment in Wescoal Mining as a subsidiary was fully impaired in FY23 due to the recoverable amount being less than the carrying amount of all cash-generating units.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

12. Loss of control over subsidiaries continued

The carrying amount of assets and liabilities on the date when control was lost over subsidiaries:

	Wescoal Mining R'000	Proudafrique R'000	Total R'000
Non-current assets			
Property, plant and equipment	314 378	-	314 378
Deferred tax	187 508	-	187 508
Intangible assets	4 464	-	4 464
Restricted investments	85 691	-	85 691
Prepayments	1 054	-	1 054
Current assets			
Cash and cash equivalents	7 713	-	7 713
Inventories	148 959	-	148 959
Loans to/from group companies	7 808	(1 016)	6 792
Prepayments	1 254	-	1 254
Trade and other receivables	130 708	-	130 708
Total assets	889 536	(1 016)	888 520
Current liabilities			
Current tax payable	(3 173)	-	(3 173)
Loan from shareholder	(1 750)	-	(1 750)
Trade and other payables	(575 223)	-	(575 223)
Non-current liabilities			
Environmental rehabilitation provision	(711 324)	-	(711 324)
Total liabilities	(1 291 470)	-	(1 291 470)
Carrying amount of net assets deconsolidated	(401 935)	(1 016)	(402 950)
Total consideration – cash/debt set-off	-	-	-
Gain on deconsolidation	401 935	1 016	402 950
Net cash			
Cash received	-	-	-
Less: Cash and cash equivalents balance of deconsolidated subsidiaries	(7 713)	-	(7 713)
Net cash received on sale	(7 713)	-	(7 713)

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the period ended 30 September 2023

12. Loss of control over subsidiaries continued

Loans with related parties

Relates to the inter-company loans between Salungano group companies and Wescoal Mining and its subsidiary, Proudafrique Trading 147 Proprietary Limited. As a result of the loss of control over the subsidiaries, the outstanding loans as at the date of deconsolidation have been recognised in the Salungano Group results as a payable.

	Wescoal Mining R'000	Proudafrique R'000	Total R'000
Opening balance at 1 April 2023	-	-	-
Loans receivable from Wescoal Mining Proprietary Limited and its subsidiary	180 307	1 016	181 323
Loss allowance recognised against outstanding balance	(160 816)	(1 016)	(161 832)
Loans payable to Wescoal Mining Proprietary Limited and its subsidiary	(206 622)	-	(206 622)
Closing balance as at 30 September 2023	(187 131)	-	(187 131)

13. 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.

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Basic earnings/(loss) per share (cents)			
Net profit/(loss) attributable to owners of equity	33 601	(80 595)	(691 635)
Weighted average number of ordinary shares in issue ('000)	410 408	410 234	410 408
Basic earnings/(loss) per share (cents)	8.19	(19.64)	(168.52)

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13. Earnings/(loss) 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.

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
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)	410 408	410 234	410 408

* Diluted earnings reflected have no potential effect of dilution due to the fact that all options held in terms of the Wescoal Share Incentive Trust have expired. For the year ended 31 March 2023, 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 2023, 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 1/2023.

Headline earnings and diluted headline earnings are presented after tax.

	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Headline earnings/(loss) per share (cents)	(90.00)	(19.64)	(58.65)
Diluted headline earnings/(loss) per share (cents)	8.19	(19.64)	(58.65)
Reconciliation between basic/diluted loss and headline/diluted headline loss			
Net profit/(loss) attributable to owners of equity ('000)	33 601	(80 595)	(691 635)
Adjusted for:			
Net profit/(loss) on disposal of property, plant and equipment (net of taxes)	-	4	(2)
Impairment of property, plant and equipment	-	-	450 941
Gain on loss of control	(402 950)		
Goodwill impairment	-	-	-
Receivable impairment (net of taxes)	-	-	-
Headline loss and diluted headline loss	(369 349)	(80 591)	(240 695)

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the period ended 30 September 2023

14. 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.

	Notes	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 2023						
Trade and other payables		858 730	-	-	858 730	858 730
Interest-bearing borrowings	5	395 859	-	-	395 859	395 859
Loan from shareholder	7	65 368	-	-	65 368	65 368
Financial liabilities at amortised cost		73 214	16 838	-	73 214	73 214
Lease liabilities		3 200	4 748	-	7 948	7 948
Bank overdraft		85 416	-	-	85 416	85 416
		1 481 786	21 586	-	1 486 534	1 559 749
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	555 621
Financial liabilities at amortised cost		-	-	-	-	-
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 31 March 2023						
Trade and other payables		1 117 935	-	-	1 117 935	1 117 935
Interest-bearing borrowings	5	481 547	-	-	481 547	481 547
Loan from shareholder	7	17 118	-	-	17 118	17 118
Financial liabilities at amortised cost		73 888	50 164	-	124 052	124 052
Lease liabilities		4 072	7 374	-	11 446	9 724
Bank overdraft		85 385	-	-	85 385	85 385
		1 779 945	57 538	-	1 837 483	1 835 761

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15. 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	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Recurring fair value measurements				
Liabilities				
Financial assets mandatorily at fair value through profit or loss				
Interest-bearing borrowings	5	1	3	(125)
Total		1	3	(125)

The interest-bearing borrowings that expired on 21 June 2023 contained a swap through which Salungano has swapped its variable commitment from three-month JIBAR less 0.5%, to pay fixed at 9.83%. The interest rate swap agreement also expired on 21 June 2023.

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.

Level 2	Unreviewed for the 6 months ended 30 September 2023 R'000	Reviewed for the 6 months ended 30 September 2022 R'000	Audited year ended 31 March 2023 R'000
Recurring fair value measurements			
Assets			
Financial assets mandatorily at fair value through profit or loss			
Restricted investments in rehabilitation portfolio	93 729	122 877	148 335
Total	93 729	122 877	148 335

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15. Fair value information continued

Valuation processes applied by the group continued

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.

16. Commitments

Capital commitments for the period ended 30 September 2023 comprised R33 million, of which mainly relates to capital expenditure authorised by directors but not yet contracted for.

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

Capital commitments for the year ended 31 March 2023 comprised R307million, of which R256 million mainly relates to capital expenditure authorised by directors but not yet contracted for and R51 million related to contracted capital expenditure but no provision has been recognised yet.

17. Contingent liabilities and assets

17.1 South African Revenue Service ("SARS")

In July 2020, SARS initiated a diesel audit process on Keaton Mining 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 Mining disputed the audit outcome based on factual reasons that SARS did not take into consideration in arriving at their conclusion. Keaton Mining is of the view that SARS' basis of seeking to claim diesel refunds previously paid to Keaton Mining during the audit period is misdirected.

Keaton performed an analysis of the merits of SARS' claim and is of the view that such a claim will be limited to R13 million. SARS considered the Keaton Mining dispute filed and paid the diesel refunds in the amount of R33 million in December 2022. Keaton Mining was of the view that SARS had not considered all the facts when deciding to partly refund and applied for the Alternative Dispute Resolution ("ADR") on the basis that 70% of the remaining disallowed diesel refund of R44 million can still be refunded. Keaton Mining filed an ADR to SARS and ADR meetings were held without resolution. Keaton Mining continues to pursue the matter and has lodged a section 96 notice with SARS. The letter acknowledging the receipt and notification of allocation of the matter was sent by SARS on 24 June 2024.

18. Events after the reporting period

Keaton Mining section 155 creditors compromise

In October 2023, creditors holding a cumulative claim of R75 million submitted a liquidation application against Keaton Mining. This claim encompassed services related to contractor mining operations, advance payments received for coal delivery and maintenance and servicing of mining equipment. Keaton Mining responded by filing notices to defend and commenced negotiations to enter into a creditor compromise proposal in terms of section 155 ("section 155 compromise proposal") of the Companies Act.). Keaton Mining was placed under provisional liquidation on 27 February 2024, and Natasha Mary Darnell and Pollock Richard Keay were appointed as provisional liquidators. The creditors compromise proposal was presented to concurrent, secured and preferential creditors at respective meetings held on 22 August 2024 and the compromise proposal was adopted by creditors representing 100% in value of each of the aforementioned class of creditors. The section 155 compromise proposal was sanctioned by the Court on 25 September 2024 and creditors will be settled as per an agreed payment plan contained in the creditors compromise, through cash generated from operating the mine for the remaining life of the reserves. The provisional liquidation was withdrawn on 11 October 2024.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

19. Going concern

Current year profitability

As at the interim period ended 30 September 2023, the group generated a net profit of R34 million compared to a net loss of R81 million in the same comparative period. The EBITDA for the period is -R81 million (HY23: R181 million).

The operating profit is R167 million and includes a non-recurring accounting gain of R403 million, resulting from the deemed loss of control in terms of IFRS 10 given that the group no longer met the requirements for control over Wescoal Mining as at the end of the interim period. Excluding this non-recurring transaction, the adjusted operating loss amounted to R236 million compared to a loss of R16 million in the comparative period. The loss from operations is mainly due to the following:

- High fixed costs that were not diluted due to low production at Vanggatfontein and Elandspruit. High fixed costs were absorbed by low units of production, resulting in the high cost of sales per unit at Vanggatfontein and Elandspruit;
- The Elandspruit Mine opencast section was on stoppage from July 2023 and Wescoal Mining was placed in business rescue from 25 August 2023;
- Eskom CSAs were still not concluded for Vanggatfontein and Elandspruit; and
- Lower sales volumes as a result of the Eskom CSA not being extended and transport challenges to the ports for export sales.

Liquidity

As at 30 September 2023, the group had a cash and cash equivalents balance of R39 million (HY23: R139 million) and the available facilities on the general banking facility amounted to R15 million (FY23: R15 million). As reflected in the cash flow statement, there were repayments of R86 million (capital) and R22 million (interest) towards the term loan and the RCF, which have been made from internally generated funds in the period.

The cash generated from operations of R396 million (HY22: R262 million) includes R218 million positive cash generation from working capital movement.

The ratio is currently 0.5 (FY22: 0.7) as the current liabilities include a full repayment of all the borrowings of R396 million due to the borrowings being due and payable.

As at 30 September 2023, the group was in breach of its lending facilities due to the outstanding debt not being repaid or refinanced. Negotiations are still ongoing to refinance the outstanding debt and it is expected that negotiations with lenders will be concluded before the end of December 2024.

Subsequent to the period ended 30 September 2023 to the reporting date, R119 million was paid towards the interest-bearing debt (R58 million capital and R61 million interest). Following and up to the loss of control of Wescoal Mining, its creditors' claims are subject to the business rescue plan as adopted and will not form part of the group's liquidity requirements. Based on the group's cash flow forecast for the next 18 months and current lending arrangements with the lenders, Moabsvelden's cash generation will be sufficient to pay the remaining group debts when they fall due.

Solvency

As at 30 September 2023, the total assets exceeded the total liabilities of the group by R154 million (HY23: R732 million) which reflects a significant decline in the group's solvency position.

Based on the above and despite the decline in solvency, 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.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

20. Segment report

For management purposes, the group is organised into business units based on its 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	Invest- ment holding R'000	Inter- segment eliminations R'000	Consoli- dated R'000
30 September 2023						
Local	15 037	235 077	1 990	-	-	252 104
Eskom sales	1 502 027	-	-	-	(483 135)	1 018 892
Export sales	-	-	-	-	-	-
Rental income	-	-	713	-	-	713
Transport	395 283	39 837	-	-	(100 508)	334 613
External customers	1 912 347	274 914	2 704	-	(583 643)	1 606 322
Inter-segment	-	-	-	-	-	-
Total revenue	1 912 347	274 914	2 704	-	(583 643)	1 606 322
Cost of sales	(1 814 083)	(243 658)	(6)	(16)	574 962	(1 482 802)
Gross profit/(loss)	98 264	31 256	2 698	(17)	(8 682)	123 520
Other income/(expenses)	18 191	3	-	1	-	18 195
Gain on loss of control	404 634	-	3 842	-	(5 526)	402 950
Operating expenses	(155 958)	(32 127)	(2 247)	(362 930)	175 947	(377 314)
Operating profit/(loss)	365 131	(867)	4 293	(362 946)	161 739	167 351
Interest received	288	2	-	55 344	(49 721)	5 914
Interest paid	(155 091)	(408)	-	(49 984)	49 721	(155 763)
Share of net loss of joint venture accounted for using the equity method	-	-	-	-	-	-
Profit/(loss) before income tax	210 328	(1 273)	4 293	(357 586)	161 739	17 501
Depreciation and amortisation	(142 632)	(1 985)	(6)	(1 487)	(8 681)	(154 791)
Gain/(loss) on sale of assets	-	-	-	-	-	-
Total assets	2 940 882	150 635	14 084	1 434 167	(706 289)	3 833 480
Total liabilities	(3 605 918)	(69 631)	(35 350)	(786 533)	818 134	(3 679 299)

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

20. Segment report continued

	Mining R'000	Trading R'000	Property rental and other R'000	Investment holding R'000	Inter- segment eliminations R'000	Consoli- dated R'000
30 September 2022						
Local	17 199	288 464	-	-	-	305 662
Eskom sales	1 936 397	-	-	-	(870 266)	1 066 131
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	20 329	(905 330)	(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)

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

20. Segment report continued

	Mining R'000	Trading R'000	Property rental and other R'000	Investment holding R'000	Inter- segment eliminations R'000	Consoli- dated R'000
31 March 2023						
Local	15 034	634 165	-	-	-	649 197
Eskom sales	3 603 809	103	-	-	(1 558 613)	2 045 299
Export sales	1 289 206	-	-	-	-	1 289 206
Rental income	-	-	226	-	-	226
Transport	686 444	119 077	-	-	-	805 521
External customers	5 594 492	753 345	226	-	(1 558 613)	4 789 450
Inter-segment	-	-	-	-	-	-
Total revenue	5 594 492	753 345	226	-	(1 558 613)	4 789 450
Cost of sales	(5 588 655)	(704 646)	(12)	(24 463)	1 657 267	(4 660 509)
Gross profit/(loss)	5 837	48 698	214	(24 463)	98 654	128 941
Other income/(expenses)	26 955	3 123	-	(9)	-	30 068
Operating expenses	(415 106)	(76 835)	(3 358)	(755 520)	798 159	(452 660)
Operating profit/(loss)	(382 315)	(25 014)	(3 144)	(779 992)	896 813	(293 651)
Interest received	15 032	-	-	175 134	(167 815)	22 352
Interest paid	(277 124)	(901)	-	(98 743)	167 815	(210 336)
Impairment	(450 941)	-	-	-	-	(450 941)
Profit/(loss) before income tax	(1 095 348)	(25 915)	(3 144)	(703 602)	896 813	(931 194)
Depreciation and amortisation	(343 183)	(4 076)	(12)	(3 053)	(18 559)	(368 883)
Gain/(loss) on sale of assets	-	2	-	-	-	2
Total assets	3 727 129	196 872	46 376	1 615 466	(1 016 110)	4 569 783
Total liabilities	(4 628 489)	(103 707)	(32 631)	(623 277)	938 901	(4 449 203)
EBITDA	(15 384)	(20 940)	(3 132)	(776 939)	915 372	98 979

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

21. Reportable irregularities

The reportable irregularities listed below were included in the consolidated annual financial statements for the period ended 31 March 2023, published on 21 May 2024.

The subsequent states of these reportable irregularities are included in the status column.

				Status as at the release of the consolidated interim financial statements for the period ended 30 September 2023
ID	Irregularity	Detailed description	Action	
1	Late submission of annual results resulting in non-compliance with the JSE Listings Requirements and Companies Act.	Salungano did not issue a condensed/full set of the annual financial statements for the year ended 31 March 2023 by the stipulated deadline of 30 June 2023, leading to non-compliance with paragraph 3.15 of the JSE Listings Requirements. Furthermore, Salungano did not adhere to the provisions of section 30(1) of the Companies Act, failing to have the annual financial statements prepared within the required four-month period, as specified by both the Companies Act and the JSE Listings Requirements.	The financial statements for the year ended March 2023 were published on 21 May 2024 and the results for the year ended March 2024 are now anticipated to be published on or about 31 March 2025.	<p>Resolved: The consolidated financial statements and separate financial statements for the year ended March 2023 were published on 21 May 2024 rendering this reportable irregularity moot.</p> <p>New reportable irregularity: The annual financial statements for the year ended 31 March 2024 have not been issued by the stipulated deadline of 30 June 2024, leading to non-compliance with paragraph 3.15 of the JSE Listings Requirements, as well as non-compliance with section 30(1) of the Companies Act, that requires the finalisation of these annual financial statements within the required four-month period, i.e. on or before 31 July 2024. This failure constitutes a new reportable irregularity. As indicated, under action, it is anticipated that the financial statements for the year ended March 2024 will be published on or about 31 March 2025.</p>

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

21. Reportable irregularities continued

				Status as at the release of the consolidated interim financial statements for the period ended 30 September 2023
ID	Irregularity	Detailed description	Action	
2	Non-compliance with the National Environmental Management Act ("NEMA"), the Financial Provision Regulations published in terms of NEMA and the Mineral and Petroleum Resources Development Act ("MPRDA").	Salungano fell short of the mandated cash and/or guarantees as stipulated by the NEMA, the Financial Provision Regulations outlined in accordance with NEMA and the MPRDA. These funds are essential for the rehabilitation of the land where the company conducts its coal mining operations. As part of its coal mining activities, Salungano is obligated to restore the areas affected by mining. Legislation further necessitates that the company maintain adequate cash and/or guarantees to fulfil the rehabilitation requirements for the mined areas.	Salungano has allocated a budget for savings dedicated to rehabilitation activities. Management is actively engaged in discussions with insurance providers to enhance the existing guarantees. Simultaneously, the management team is in the final stages of formalising the rehabilitation plan and initiating concurrent rehabilitation measures to mitigate and minimise the overall rehabilitation liability.	In progress: The actions continue and notable progress has been made.

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

21. Reportable irregularities continued

				Status as at the release of the consolidated interim financial statements for the period ended 30 September 2023
ID	Irregularity	Detailed description	Action	
3	Non-compliance with section 75 of the Companies Act	<p>Background: During the fiscal year ended 31 March 2023, Salungano Group Limited and its subsidiaries secured a loan from RBFT Investments Proprietary Limited ("RBFT"). Notably, the group CEO of Salungano is the sole director of RBFT, establishing a related party transaction as per section 75(1)(b) of the Companies Act, read in conjunction with sections 1 and 2.</p>	<p>The borrowing approval process adhered to all regulatory requirements. The board, after considering additional information requested from the CEO (regarding compliance with the JSE Listings Requirements and the agreement between RBFT and Salungano as allowed for in section 75 of the Companies Act) and having acknowledged the CEO's related party status and conflict of interest, passed a resolution accepting the borrowing, in which process the CEOs did not take part.</p> <p>The CEO recused himself at the end of the deliberations and did not partake in the voting. The remaining board members voted unanimously in favour of the resolution.</p> <p>Salungano Group Limited and its subsidiaries adhered to the provisions of section 75 of the Companies Act in managing the related party borrowing transaction and any potential conflict correctly during the financial year ended 31 March 2023.</p>	<p>Resolved: As KPMG had referred the matter to the Independent Regulatory Board for Auditors ("IRBA"), the IRBA in turn referred the matter to the JSE. The JSE queried the matter with Salungano. The JSE was satisfied with Salungano's explanations and closed their query in respect of the matter. The IRBA also referred the matter to the CIPC. The CIPC similarly requested more information from Salungano and was satisfied with the information and closed their query in this regard.</p>

Notes to the condensed consolidated interim financial results

the period ended 30 September 2023

21. Reportable irregularities continued

				Status as at the release of the consolidated interim financial statements for the period ended 30 September 2023
ID	Irregularity	Detailed description	Action	
3	Non-compliance with section 75 of the Companies Act continued	<p>Compliance with section 75 of the Companies Act</p> <p>Given the related party nature of the loan, section 75 of the Companies Act mandates specific actions, requiring the disclosure of the related person's interest, provision of material information and abstention from participation in the decision-making process by the concerned director. The director must also exit the meeting after disclosure and refrain from executing any relevant documents on behalf of the company unless expressly directed by the board.</p>	<p>The board is satisfied that the legal requirements of section 75 have been met.</p> <p>Audit considerations</p> <p>The auditor exercised professional judgement in evaluating compliance with section 75. However, due to the inherent limitations of their review, the auditor was unable to make a legal determination regarding any suspected unlawful acts or omissions. This determination was based on their examination of board minutes and consultations with management.</p>	<p>Resolved: As KPMG had referred the matter to the IRBA, the IRBA in turn referred the matter to the JSE. The JSE queried the matter with Salungano. The JSE was satisfied with Salungano's explanations and closed their query in respect of the matter. The IRBA also referred the matter to the CIPC. The CIPC similarly requested more information from Salungano and was satisfied with the information and closed their query in this regard.</p>

CORPORATE INFORMATION

Salungano Group Limited

Incorporated in the Republic of South Africa
(Registration number: 2005/006913/06)
Share code: SLG
ISIN: ZAE000306890
("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*)
M Malunga (*Independent non-executive*)
SN Maninjwa (*Independent non-executive*)
TT Tshikovhi (*Independent non-executive*)
C Maswanganyi (*Non-executive*)
ET Mzimela (*Non-executive*)
MR Ramaite (*Chief executive officer*)
KM Maroga (*Chief financial officer*)
T Tshithavhane (*Executive*)

Company secretary

Yolande Lemmer
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Nedbank and Standard Bank of South Africa

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