WESCOAL HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration number 2005/006913/06)
Share code: WSL
ISIN: ZAE000069639
("Wescoal" or "the Company" or "the Group")

VOLUNTARY STRATEGIC AND OPERATIONAL UPDATE AND TRADING STATEMENT

Wescoal, a junior coal mining company and trader, wishes to voluntarily update shareholders on its operations, strategic projects and milestones as well as its quarterly production/sales figures from its operating assets.

1. **COVID-19 Update**

Wescoal has developed a very comprehensive COVID-19 response plan that was started in March 2020 before the National Lockdown commenced, overseen by anEXCO Steering Committee. All operations have developed COVID-19 Standard Operating Procedures (SOP's) and have approved a Code of Practice (COPs) in line with national legislation.

All Business Units have developed business continuity plans and are in a state of readiness for any eventuality. Whilst the COVID-19 risk remains, Wescoal is continuously reviewing and revising its plans to safeguard its staff, contractors and its operations. The Company have also secured facilities for quarantine in cases where our employees do not have facilities to self-isolate. To date there are no reported and no confirmed cases at any of Wescoal's sites. Health and safety of all our employees and the communities adjacent to our operations, remain our top priority.

2. **Strategic Update:**

Wescoal's primary objective is to play a leading role in delivering a reliable energy source in a manner which adds transformational value to society. The current strategic priorities remain to optimise our operations following ramp-up and stabilisation during 2H FY20 and ultimately to scale-up primarily through the development of organic opportunities.

Expansion and extension growth projects:

<u>Moabsvelden</u>

Wescoal is pleased to inform shareholders that is has appointed Trollope Mining Services (Pty) Ltd, as the Moabsvelden box cut contract miner. The contractor mobilisation and site establishment commenced during the month of June 2020, including early-works infrastructure construction activities involving access road, perimeter fencing, mine entrance and offices. Accordingly, box cut construction will commence on 1 July 2020. The first coal and delivery to Eskom is scheduled for early calendar H1 2021 (previously H2 2020), ramping up to full target production volume of 200 000 tons per month of run-of-mine (ROM) over 18 months. Moabsvelden is the Mining Division's key ‘greenfield' development that will supply Kusile power station for a period of around 10 years, ultimately with around 3 million tons of coal per annum. The capital expenditure ("capex") for the first phase of mine development, being the box cut development and auxiliary infrastructure to start mining operations and produce a ROM product in early calendar H1 2021 (“phase 1”), is between R250 million and R290 million. The capex for the second phase to take the project to steady state of 200 000 tons per month of ROM production in early calendar H1 2022, inclusive of a coal handling and processing plant (“phase 2”), is expected to be similar to that of phase 1, with a significant portion of this funded by third party plant contractors for the crush and screen (C&S) as well as coal handling and preparation plant (CHPP). Thus, at the conclusion of phases 1 and 2 in 18 months, Moabsvelden will be able to supply 2.0 - 2.1 million tons of coal per annum to Eskom. In order to reach the full Eskom contractual supply of 3.0 million tons of coal sales per annum, the third and final phase of the project will be required, and this will involve the development of VG6 underground project (“phase 3”). Timing and incremental capex for phase 3 will be confirmed in due course. The gross profitability of the Moabsvelden project per ton of saleable coal product is expected as a minimum to match that of current operations on a normalised basis. In addition, the project promises attractive returns well above the average cost of capital which would enhance shareholder value. Further optimisation work is in progress to reduce the capex spend by revising development schedules and assessing infrastructure sharing opportunities with neighbouring operations.

Arnot Mine

The mine is on track to commence production activities during H2 2020 (previously expected H1 2020). Eskom's response on the coal supply tender for Arnot power station submitted in April 2019 is still pending. Management continues to engage Eskom and the Department of Mineral Resources and Energy on rehabilitation cost settlement terms. Arnot Mine has resources of c.190m tons of coal and the operation is well positioned to supply coal directly to Eskom's Arnot power station primarily via a conveyor belt. However, other markets for coal are also being considered.

Extension projects

Both Vanggatfontein and Khanyisa mines are being extended to replace current mining pits.

As previously reported Khanyisa Triangle, acquired during 2019, was extended with the opening of a new box-cut on the Triangle 2 area, a low strip ratio area where the first coal was reached in March 2020 within four weeks from the start, ahead of schedule and within capex budget range. Triangle 2 will soon replace both Triangle 1 and Catwalk pits as the single producing pit in Khanyisa towards the end of this financial year.

Extension of Vanggatfontein and the opening of pit 5 box-cut is well advanced, the first coal was extracted during February 2020 within capex budget range. The project is being pursued as a joint development with a neighboring mining right holder, which will further enable extraction of some 450 000 tons boundary pillar coal that would otherwise have been sterilised. This pit will replace VG3 pit, which is nearing the end of its life, to maintain current production levels at Vanggatfontein.

3. Operational update

Quarterly production and sales report

The tables below compare the fourth quarter ending March 2020 ("Q4FY20") to the comparable fourth quarter ending March 2019 ("Q4'FY19"), and to the immediately preceding third quarter ending December 2019 ("Q3'FY20").

OPERATION	Q4FY20	Q3FY20	Variance		Q4FY20	Q4FY19	Variance	
	t'000	*t'000*	*t'000*	*%*	*t'000*	*t'000*	*t'000*	*%*
Production	**1 808**	**1 475**	**333**	**23%**	**1 808**	**1 428**	**380**	**21%**
Elandspruit	785	621	**164**	26%	785	565	220	28%
Khanyisa	195	233	**-38**	-16%	195	293	-98	-50%
Vanggatfontein	828	621	**207**	33%	828	570	258	31%

Sales	**1 591**	**1 606**	**-14**	**-1%**	**1 591**	**1 635**	**-44**	**-3%**
Elandspruit	505	439	66	15%	505	513	-8	-2%
Khanyisa	213	324	-111	-34%	213	347	-134	-63%
Vanggatfontein	591	703	-112	-16%	591	508	83	14%
Neosho	179	-	179	-	179	-	345	-
Mining	**1 488**	**1 466**	**22**	**1%**	**1 488**	**1 368**	**120**	**8%**
Trading	**103**	**140**	**-37**	**-27%**	**103**	**267**	**-164**	**-159 %**

OPERATION	Year ended Mar20	Year ended Mar19	Variance	
	t'000	*t'000*	*t'000*	*%*
Production	**6 015**	**5 881**	**134**	**2%**
Elandspruit	2 693	2 665	28	1%
Khanyisa	1 124	395	705	65%
Vanggatfontein	2 198	2 688	-490	-22%

Sales	**6 313**	**5 967**	**346**	**5%**
Elandspruit	1 813	2 154	-341	-19%
Khanyisa	1 202	505	697	58%
Intibane		180	-180	-
Vanggatfontein	2 360	2 056	304	13%
Neosho	345	-	345	-
Mining	**5 554**	**4 895**	**659**	**12%**
Trading	**759**	**1 072**	**-313**	**-41%**

Production:

Group coal production of 1 808 000 tons is 27% higher than the comparable quarter ending March 2019 and 23% higher when compared to the immediately preceding quarter which had been affected by unprecedented rainfall interrupting production.

Various initiatives at Vanggatfontein resulted in attaining 80% of target production rate by March 2020. These included a new fleet of primary earth-moving equipment and access to multiple and increased coal face lengths. The production of 828 000 tons ROM during Q4FY20 was an improvement of 33% on the preceding quarter and production of 2HFY20 (1 449 000 tons) and more than double that of 1H FY20 (749 000 tons). The Vanggatfontein mine pit reconfiguration is largely completed and development of the new Vanggatfontein pit 5 is well advanced, delivering 92 000 tons during development phase in the quarter.

The Elandspruit open cast production increased 39% on the comparable quarter ending March 2019 and 26% on the immediately preceding quarter. This was due to optimization of the mine pit configuration by increasing the coal face length and through the deployment of additional equipment to increase the production rate. The Underground section of Elandspruit mine is expected to resume production during 2HFY21.

Khanyisa operation after downtime in December due to flooding, achieved full capacity production in March 2020. However, the quarter was 16% lower than the preceding quarter and 33% lower than comparable quarter ending March 2019.

Mining segment sales:

Mining segment coal sales volume for FY20 at 5 554 000 tons was an increase of 13% or 659 000 tons (FY19: 4 895 000 tons). Sales volume for the Q4FY20 at 1 488 000 tons increased by 9% or 120 000 tons on the comparable quarter Q4FY19 and 1% on the preceding quarter. On a Group level the additional sales were offset by lower volumes from Khanyisa mine during the ramp-up period following excessive rains during December 2019 having resulted in the flooding of mining pits.

Trading segment sales:

Trading sales were significantly below customary levels due to continued adverse market conditions. International coal prices declined materially resulting in oversupply and an increasingly challenging domestic coal sales market. In addition, sales to a key private energy generation client were significantly lower than in previous years.

4. Trading statement

Shareholders are advised that Wescoal is in the process of finalising its results for the year ended 31 March 2020.

The Company expects, with reasonable certainty, that Headline Earnings Per Share ("HEPS") and Earnings Per Share ("EPS") for the year ended 31 March 2020 are to vary by the amounts set out below:

- HEPS will be a loss of between 30.0 and 36.0 cents (31 March 2019: 20.2 cents); and
- EPS will be a loss of between 30.0 and 36.0 cents per share (31 March 2019: 17.5 cents).

Group profitability for FY20 has been significantly impacted by the effect of several factors outlined in quarterly production and sales reports resulting in significant losses during FY20, in particular at Vanggatfontein.

Through various initiatives, Vanggatfontein achieved 80% of target production rate by March 2020, following several months of below break-even production levels. A number of capex projects were also undertaken during the year to improve productivity such as new equipment acquisition, and parallel and increased coal face length access development, pre-stripping and moving workshop infrastructure.

Elandspruit achieved record production rate for FY20 (during Q4) despite geological conditions having required more overburden and an increasing amount of hard material to be moved at a significant additional cost of R60 million when compared to FY19.

Each of Wescoal's operations were significantly impacted as previously reported by unprecedented rainfall resulting in lower production and sales volumes. Khanyisa volumes were most severely impacted when both mining pits were completely flooded during December 2019. This coincided with labour action resulting in production downtime of four weeks in January 2020. Production ramp-up efficiency ensured that capacity was restored to 100% by March 2020. The overall impact of much lower sales during the two-month period December 2019 to January 2020, accounted for the majority of losses suffered during the second half.

5. Liquidity and cost savings

Despite significant headwinds and the downturn in profitability, the Company was able to maintain a positive cash generation from operations with EBITDA expected to be approximately R300 million.

Long-term funding secured during June 2019 improved the capital structure and funded significant investment on the extension and improvement of Vanggatfontein and Khanyisa operations. Whilst debt covenants were under pressure as a result of operational performance, the lenders confirmed continued support and the funding facilities present sufficient headroom for operational needs and for current development projects.

Capex budget is being reviewed to defer non-essential spend and projects are being optimised to further reduce capex where possible. In addition, a cost saving exercise is being undertaken across the Group, in particular focusing on bulk procurement initiatives with mining contractors, supply chain efficiencies and a review of overhead structures at the corporate offices in Woodmead and Isando.

6. General Guidance

Economic conditions, dynamics in the mining sector in general and more recently the effects of the COVID-19 lockdown present an increasingly challenging environment. Wescoal is monitoring closely the impact of COVID-19 on sales volumes with certain offtake levels slightly lower during May and June 2020, due to low energy demand and slow economic activity startup. This is however expected to normalise as the economy increasingly opens up during July 2020.

During Q4 FY20 operations were stabilized and ROM production rates continuously increased, mainly from Vanggatfontein and Khanyisa with the production of 1 808 000 tons during Q4FY20 showing an increase of 23% on Q3FY20 (1 475 000 tons). Thus, having closed Q4 FY20 at 98% of Group target monthly production rate, sustaining production at this level is expected to deliver a ROM figure of eight (8) million tons per annum. All operations are running at target run rates, with an average of two weeks of ROM and product stockpiles.

Extending the Vanggatfontein and Khanyisa operations, the box-cut phases of both Vanggatfontein pit 5 and of Triangle pit 2 are underway with completion scheduled during 1H FY21. These extensions will see the Group maintaining its ROM figure of eight (8) million tons.

In addition, the Moabsvelden development is being initiated and the box-cut phase is expected to be completed during 1HFY22, similarly coal production during the box-cut phase will gradually ramp up during the rest of FY21.

7. Results announcement and closed period

The Company expects to release its interim results on or about Tuesday 21st July 2020. To attend the virtual presentation, please email IR@singular.co.za

The Company remains in a closed period until results are announced.

The information contained in this announcement has not been reviewed or reported on by the Company's auditors.

15 June 2020

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