

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 update and executive management changes

Wescoal wishes to voluntarily update shareholders on its operational performance for Q3’FY21 ended December 2020, as well as changes to the executive management.

1. Continued COVID-19 impact on sales volumes

Wescoal is managing a challenging economic climate as the country navigates its way around the second wave of COVID-19 with sales to its major customer, Eskom Holdings SOC Limited (“Eskom”) continuing to be at reduced levels pursuant to lower demand. This downside risk to sales volumes continued to place a significant pressure on cashflows and as a result, the Company has had to explore other opportunities to supply into the domestic market as part of inventory build-up management across operations.

The Company was able to strategically use inventory stockpiles during the December 2020 closure period and the early rainy spells to reduce the impact on sales volumes during Q3’FY21. This strategic stock will continue to assist in maintaining sales throughout the rainy season.

Wescoal continues to adhere to strict protocols to ensure that employees are protected at work. The Company has to date recorded 64 confirmed cases, with 48 full recoveries and 16 active cases.

2. Operational update

Quarterly production and sales report

The table below compares the Q3’FY21 ended December 2020 to comparable Q3’FY20 ended December 2019, as well as to the immediately preceding quarter Q2’FY21 ended September 2020.

Summary production and sales

| | Q3’FY21 | Q2’FY21 | Variance | Q3’FY20 | Variance |
|----------------------------------|--------------|--------------|-------------|-------------|-----------|
| | t’000 | t’000 | % | t’000 | % |
| Production tonnages (ROM) | | | | | |
| Vanggatfontein | 692 | 1,196 | -42% | 621 | 11% |
| Elandspruit | 544 | 775 | -30% | 621 | -12% |
| Khanyisa | 233 | 240 | -3% | 219 | 6% |
| | 1,469 | 2,211 | -34% | 1461 | 1% |
| Sales tonnages | | | | | |
| Vanggatfontein | 629 | 726 | -13% | 665 | -5% |
| Elandspruit | 536 | 530 | 1% | 443 | 21% |
| Khanyisa | 287 | 319 | -10% | 324 | -11% |

| | | | | | |
|-------------|--------------|--------------|-------------|--------------|------------|
| Moabsvelden | 312 | 303 | 3% | 0 | 100% |
| Trading | 155 | 259 | -40% | 140 | 11% |
| | 1,919 | 2,137 | -10% | 1,572 | 22% |

Mining Production: Group mining production was 34% lower than the previous quarter due to strategic initiatives that were implemented to cut down production during Q3'FY21 in order to manage stockpile build-up across the operations. Despite the significant reduction from the previous quarter, production was in line with the comparable period of December 2019. Vanggatfontein's contribution was 11% more than the comparable period, while Elandspruit contributed 12% less than the quarter that ended in December 2019.

Sales: Mining sales were 10% lower than the preceding quarter due to lower Eskom demand over the December 2020 holiday period. Compared to the comparable quarter of December 2019, mining sales were 22% higher. The main reason for this increase is due to sales in terms of the Moabsvelden rectification plan which only commenced in FY21.

Trading sales remained in line with expectations and the difficult market environment.

EBITDA: The Group was able to maintain positive cash generation for the quarter and expects EBITDA to be in a range of between R120m and R130m for Q3'FY21.

3. Projects

Moabsvelden: Box-cut development is currently underway, despite adopting a slow ramp-up approach as part of cash flow management. The early-works auxiliary infrastructure projects have been completed and the construction of the pollution control dam is currently underway. Optimisation work to reduce and/or reschedule CAPEX spend is ongoing as the Company continues to manage cashflows prudently. First coal from Moabsvelden is anticipated in Q4'FY21.

Vanggatfontein (VG5 pit): The primary development phase was completed in Q3'FY21 and mining activities will now be integrated with existing Vanggatfontein operations, replacing production from VG3 pit.

Arnot: The mine management continues to engage Eskom on coal supply discussions, including rehabilitation cost settlement discussions with the Department of Minerals and Energy. The underground mine restart is expected to be in calendar Q1 2021 targeting steady state production of 1 - 1.2mtpa by Q3 2021. The opencast mine is planned to reach steady state in Q4 2021 at 2 - 2.4mtpa. It is the strategy of Arnot management to sell coal into the other markets once the mine has restarted.

4. Restructuring and cost-saving measures

The Company concluded the previously announced section 189 process in December 2020, which process was triggered by reduced sales driven by lower demand from key customers, a lower selling price and above inflation cost increases, coupled with the negative impact of the COVID-19 pandemic.

5. ESG update

Investor and stakeholder requirements have presented Wescoal with an opportunity to target long-term value creation through an ESG-led industry leadership strategy.

A secure and reliable energy supply is a catalyst for economic development and growth, and coal remains the most important and dominant energy source in the world. Wescoal has articulated its commitment to delivering a reliable energy source responsibly, and in a manner that meets the needs of investors and key stakeholders while creating employment opportunities in support of the South African economy.

The board of directors prioritised the development and implementation of the ESG strategy as reported in the FY20 Integrated Annual Report. The focus in FY21 is on the integration of the principles and objectives adopted into the comprehensively developed Environmental, Social and Governance programme and to hone in on the revision of current policies, processes and organisational structures supporting sustainability objectives and ESG targets. This process of consolidation and repositioning is being implemented by the leadership team.

The Company's long-term business strategy is guided by the integration of ESG as a principal pillar of sustainability. By remaining accountable for the successful delivery of the ESG strategy programme, Wescoal aims to become an exemplary leader in South Africa's low carbon economy. The Company is driven to act as a steward of the natural environment and to uplift employees and communities impacted by the Company's business activities.

Wescoal is using the Integrated Reporting process as both a lens and a framework for the ESG strategy and has set targets for the 2021 reporting period that will demonstrate a progressive and responsible corporate 'mindset' and is committed to playing a leadership role in South Africa's mining sector.

6. Executive management updates

Resignation of Group Chief Executive Officer and Executive Director

Shareholders are advised, in accordance with paragraph 3.59 of the JSE Listings Requirements, that Reginald Demana, the Group's Chief Executive Officer (CEO) and Executive Director, has resigned, for personal reasons, and will leave the Company by the end of June 2021.

Reginald has led the development of the current Wescoal strategy, anchored on the three pillars of Stability, Sustainability and Scalability, which resulted in Wescoal achieving various strategic objectives such as annualised production of 8 (eight) million tonnes of coal per annum, restructuring of debt funding facilities and the commencement of development of the Moabsvelden and Arnot growth projects, which are core to the future of Wescoal. He has also successfully led the Company through the COVID-19 pandemic and to date, the Company has been able to effectively operate continuously without any COVID-19 related loss of life and/or major operational closure at any of its sites.

The Board will commence with the process to appoint a new Group CEO and shareholders will be advised once such an appointment has been made. Reginald has committed to assist the Board in an orderly handover of duties.

The Board and management team would like to thank Reginald for his valued service, considerable contribution and dedication to the Company, and wish him well in his future endeavours.

Appointment of Group Chief Financial Officer and Executive Director

With reference to the SENS announcement dated 24 August 2020, informing shareholders that Jubilant Speckman had been appointed as Acting Group Chief Financial Officer (CFO) with effect from 1 September 2020, the Board is pleased to announce Jubilant's permanent appointment as Group CFO and Executive Director with effect from 1 February 2021.

Jubilant is a Chartered Accountant and member of SAICA. Following the completion of her article training at PricewaterhouseCoopers, she has held various positions at mining entities such as BHP Billiton, Wesizwe Platinum Limited and Merafe Resources Limited, before joining Wescoal in October 2018. Since her appointment as Acting Group CFO, she has successfully overseen Wescoal's positive interim results, published on 4 December 2020. The Board is satisfied that she will add significant value to the Group in the positions of Group CFO and Executive Director, through her wealth of experience and knowledge.

7. Outlook

All mining operations produced at levels in line with inventory build-up management initiative aimed at addressing the impact of lower offtake from Eskom and other key Trading clients. The Company remains focused on its strategy for long term sustainable growth, to be achieved in a measured and responsibly managed way. In the short to medium term, the Company will not be pursuing any major acquisitions and will instead focus on cost savings, profit improvement initiatives and sustainable debt management.

Local coal prices have experienced a significant recovery in the past few months driven largely by increased demand for South African coal from the seaborne market. Coal exports have also been boosted by imports from Chinese customers who have returned to the South African market after many years. Although Wescoal currently has limited exposure to the export market, the recent developments in the local coal market may create opportunities to reduce stockpiles that the Company has built-up over the past few months. Management will continue to explore these opportunities that may allow the Company to diversify its revenue base by selling coal to a broad range of customers.

8. General Guidance

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

25 January 2021

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