

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”)

Trading statement and voluntary operational update

1. Trading statement

Wescoal wishes to advise its shareholders that it is in the process of finalising its results for the financial year ended 31 March 2021 (“2021 Financial Results”). The Company expects, with reasonable certainty, that headline earnings per share (“HEPS”) and earnings per share (“EPS”) will vary by the amounts set out below:

- HEPS will be a loss of between 2.5 and 3.2 cents (31 March 2020: 32.67 cents loss) being an improvement of between 92% and 90%; and
- EPS will be a loss of between 8.9 and 8.1 cents (31 March 2020: 32.57 cents loss) being an improvement of between 73% and 75%.

The improvement in the 2021 Financial Results was driven by an improved performance from the mining operations as reported in detail below. The Company was able to maintain a positive cash generation from operations with EBITDA expected to be between R550 million and R590 million.

2. Production and sales update

	Q4'FY21	Q3'FY21	Variance	Q4'FY20
	t'000	t'000	%	t'000
Production tonnages (ROM)				
Vanggatfontein	685	692	-1%	828
Elandspruit	715	544	32%	785
Khanyisa	241	233	4%	195
Moabsvelden	187	0	0	
	1 828	1 469	24%	1 808
Sales tonnages				
Vanggatfontein	533	629	-15%	591
Elandspruit	522	536	-3%	505
Khanyisa	297	287	3%	213
Moabsvelden*	276	312	-12%	345
	1 627	1 764	-8%	1 654

*Moabsvelden sales consists mainly of buy-ins.

Production

Group mining production for the quarter ended 31 March 2021 (Q4'FY21) is in total 1% higher than the comparable quarter ended March 2020 (Q4'FY20) (the "comparable quarter").

Vanggatfontein has been a solid performer for the Group throughout FY21, and although run-of-mine ("ROM") production was down 17% from the comparable quarter, production was up 68% for FY21 compared to FY20.

Elandspruit ended its solid FY21 production performance with a strong performance in Q4'FY21. ROM production was up 32% from the previous quarter but slightly down from the comparable quarter. The restart of the underground mining section will commence during Q1'FY22.

Khanyisa managed to end FY21 with a solid performance, with production up 24% from the previous quarter, and 4% higher than the comparable quarter in FY20. Despite the good performance in Q4'FY21, overall production for FY21 at Khanyisa was 9% lower than the previous financial year.

Moabsvelden project development is now well underway, contributing just over 10% of the Group's Q4'FY21 ROM production. Ongoing developmental workstreams are in progress and will support the ramp-up planned to 160 000 tonnes a month of saleable product by July 2021.

Mining segment sales

Mining sales volumes relative to the comparable quarter were 2% lower. A major contributing factor for this decrease was Neosho Trading 86 (Pty) Ltd ("Neosho") sales in terms of the Eskom Holdings SOC Ltd ("Eskom") rectification plan for Moabsvelden which was 20% lower than the comparable quarter. Besides the buy-ins for the Moabsvelden contract, no coal had to be bought from third parties to supplement Wescoal's production during FY21. A solid performance on the production side enabled Wescoal to sell more than 1.5 million tonnes of its own production in Q4'FY21.

Trading segment sales

Trading sales volumes remain under pressure, but in-line with expectations given the tough trading environment and the impact of COVID-19 during the initial lockdown. Despite this, sales volumes for Q4'FY21 ended 31 March 2021 were 45% higher than sales in the comparative quarter. However, the business saw its total sales volumes decrease by 12% from 759 000 tonnes in FY20 to 668 000 tonnes in FY21. In the second half of FY21 a structural operational review was undertaken and a S189 process was followed resulting in head-count reductions and operational efficiencies.

3. Voluntary update

Sales for FY21 were 25% higher than FY20 signalling an improvement in coal offtake from Eskom but the increase has also been due to sales being recorded for the full year to Eskom in terms of the Neosho contract sales agreement for the first time in FY21. The coal offtake by Eskom remains lower than pre-national lockdown levels.

All lenders' financial covenants for FY21 have been met. The Company continues to focus on cost savings, profit improvement initiatives and sustainable debt management.

The Group recently completed the onboarding of a new processing plant operator for Wescoal's Vanggatfontein and Elandspruit processing plants. The transition was seamlessly completed with minimal disruption to operations and is expected to yield significant savings for the Group.

4. General Guidance

While the South African economy is starting to show signs of recovery, concerns remain as the country navigates through the third wave of the Covid-19 pandemic. This coupled with the operational problems being faced by Wescoal's major customer Eskom as it continues to implement rolling blackouts to manage grid pressure, will continue to impact domestic coal demand. The seaborne market on the other hand presents a great opportunity for miners with export capability, as prices have surpassed the highs last seen in 2018. The current environment therefore remains challenging but can present opportunities for companies like Wescoal, as export demand starts to drive-up local prices.

5. Results announcement and closed period

Wescoal will release its financial results for the year ended 31 March 2021 on or about 25 June 2021.

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

17 June 2021

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

IR Advisor

Singular IR