

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 and strategic update

1. Trading statement

Wescoal wishes to advise its shareholders (“Shareholders”) that it is in the process of finalising its interim results for the six months ended 30 September 2021 (“HY22”). The Group 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 between 19.3 and 21.5 cents, being an increase of between 485% and 552% to the prior comparable period of 30 September 2020 (“HY21” or “the comparable period”) of 3.3 cents; and
- EPS will be between 18.3 and 20.2 cents per share, being an increase of between 604% and 677% to the comparable period of 2.6 cents.

The improved Group profitability was driven by the contribution from Moabsvelden and a consistent operational performance from the other mining operations as reported in detail below. The Group was able to maintain a positive cash generation from operations with EBITDA expected to be between R400 million and R425 million (30 September 2020: R315 million).

2. Voluntary operational and strategic update

Wescoal wishes to voluntarily update Shareholders on its operational performance as well as production and sales figures from its operating assets for HY22.

Production and sales update

	HY22	HY21	% change
	Kt	Kt	
Production tonnages (ROM)			
Vanggatfontein	1,671	2,327	-28%
Elandspruit	1,404	1,552	-10%
Khanyisa	523	548	-5%
Moabsvelden	1,160	-	
	4,758	4,427	7%
Sales tonnages			
Vanggatfontein	1,109	1,451	-24%
Elandspruit	1,097	1,069	3%
Khanyisa	559	588	-5%
Moabsvelden*	1,779	728	144%
	4,544	3,836	19%

*Moabsvelden sales consisted of buy-ins only in HY21 and a combination of own sales and buy-ins in HY22.

Production

Group mining production for HY22 was in total 7% higher than the comparable period, with production from Moabsvelden offsetting the lower production from the other operations.

Vanggatfontein's production was lower than the comparable period due to the contribution from the VG5 common box cut in the year ended 31 March 2021 ("FY 2021") which boosted the output from the operation in HY21. ROM production at Vanggatfontein has also been closely managed to avoid stock build-up due to lower than planned sales to Eskom in HY22.

Elandspruit remains a consistent performer for the Group although production in HY22 was also lower than the comparable period. Production was steady throughout HY22 except for a decline in output during September 2021 due to violent protests in certain parts of Mpumalanga resulting in increased operator absenteeism, affecting production in that month. Coupled with a mine plan strategy to manage production in line with Eskom demand this resulted in a reduction of 10% compared to the comparable period. Production at Elandspruit is expected to increase in the coming months with the recent restart of the underground section at the operation.

Production from Khanyisa has been steady in HY22 and in line with the production plan.

Production has been steadily increasing at Moabsvelden since first coal was blasted at the greenfield project in January 2021. While still in the box cut construction phase which is edging closer to completion, the project contributed almost 24% of the Group's total ROM production for HY22.

Sales

Mining sales volumes relative to the comparable period were 19% higher than the record first half sales performance recorded in HY21. The main reason for this improvement was the significant increase in sales from Neosho to Eskom consisting of a combination of Moabsvelden's own sales and third-party buy-ins. While the Group is satisfied with the significant increase in sales volumes in HY22, Wescoal plans to sweat its operations further by maximising production to increase supply to Eskom in line with the power utility's coal requirements.

Trading sales

The Trading business saw sales volumes increase by more than 27% in HY22 compared to the comparable period which was significantly impacted by COVID-19. However, HY22 revenue was just 8% higher than the comparable period due to pricing pressure in the domestic market. This has also impacted margins which the business is trying to improve by enhancing operational flexibility and pricing optimisation through the ongoing working relationship with our Mining business.

General production guidance

The steady production performance that was recorded in HY22 across the different operations within the Group is expected to continue throughout the year ending 30 September 2021 ("FY22"). However, production performance will likely be impacted by the rainy season and December festive period, which have historically been difficult for the Group and resulted in reduced sales and lower profitability.

The healthy build-up of ROM stockpiles across all the operations in HY22 will however assist in maintaining stable sales levels through these periods. Moabsvelden is also expected to increase its contribution to the Group as it approaches steady state production.

3. Projects

Arnot Mine

Arnot Opco recently announced that it had secured a long-term CSA with Eskom, allowing it to supply the full coal requirement for the life of Arnot Power Station via conveyor belt. Supply to Eskom from the underground shafts is expected to commence in the first half of the calendar year 2022.

4. Outlook summary

The profitability of the Group continues to improve driven by steady production from the mining operations, and Wescoal is looking to build on this momentum in the second half of the financial year. This is despite demand from Eskom still not recovering to pre-Covid levels. The Group has also been looking to mitigate against the risk of reducing Eskom coal offtake by taking advantage of opportunities in the export market where prices recently reached historic highs.

Wescoal is also currently exploring various opportunities in the renewable space, in line with its strategy to transition into a diversified energy Group anchored on its environmental, social and governance strategy. Wescoal understands the growing need for South Africa to move to less carbon-emitting energy technologies, and the Group is setting itself up to play a key role in helping the country achieve this objective without leaving workers and communities in affected areas, as far as possible, in a worse off position.

Wescoal will release its interim financial results for the six months ended 30 September 2021 on or about 10 December 2021. Shareholders who wish to join the interim results Q&A call should contact Jacques de Bie on IR@Singular.co.za

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

08 December 2021

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

IR Advisor

Singular IR