

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”)

Vanggatfontein Colliery Update

The Vanggatfontein Colliery (“VGF” or the “Mine”) located in Delmas, Mpumalanga was one of the flagship operating mining assets acquired as part of the acquisition of the entire issued share capital of Keaton Energy Limited by Wescoal in 2017. Coal produced from the Mine has been supplied to Eskom Holdings SOC Limited (“Eskom”) in terms of a 10-year coal supply agreement (“CSA”), which is due to expire on 30 April 2022. Whilst the CSA expiry date is 30 April 2022; the energy component which is prescribed in GigaJoules has been exhausted, with about 300 000 tonnes of coal currently on stockpile at the Mine.

Wescoal had several engagements with Eskom on the extension of the CSA, which required that the entire VGF resource be dedicated to the power utility. Unfortunately, discussions with Eskom on the CSA renewal, and their obligation to take up about 11 million tonnes of coal from VGF, have not materialised as at the date of this announcement.

Pursuant to the above, Wescoal has therefore deemed it prudent to place the mine on care and maintenance as it is uncertain of how long Eskom will take to make a final decision. The above solution will save both overhead costs and capital expenditure.

Wescoal will continue to engage Eskom to find an amicable solution to the impasse to save jobs and the economy of Victor-Khanye Municipality (“VKLM”) and other beneficiaries. VGF has a remaining life of mine of more than 6 years with reserves of more than 15 million tonnes.

The immediate plan regarding the run-of-mine stockpile is to process the coal and supply into the domestic and export market. Direct Wescoal employees working at the mine will be accommodated in various roles within the Group whilst management assesses alternative options and continues to engage with Eskom. The washing plants at VGF will also be utilised to process coal from Moabsvelden mine thereby saving any additional capital requirements at Moabsvelden in the short term.

Wescoal will be engaging with all affected and interested stakeholders in this regard, including *inter alia*, VKLM, the Department of Mineral Resources and Energy, the Department of Labour, community representatives and labour union formations. Engagements with lenders and all internal stakeholders will also be taking place to manage this transition.

As Wescoal manages this difficult process, management’s priorities remain to strive for safe and reliable operations, solid and predictable financial performance, and to focus on maximising value from the other operating mining assets.

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