

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2014

FINANCIAL AND OTHER HIGHLIGHTS

- Revenue up 92,8% to R897,8 million (2013: R465,7 million)
- HEPS up 33,3% to 15,2 cents (2013: 11,4 cents)
- Operational EBITDA up 73,2% to R84,3 million (2013: R48,7 million)
- Muhanga coal processing plant acquisition unconditional
- Acquired mining right for Intibane phase 2
- Funding secured for the Elandspruit project

The unaudited interim results for the six months ended 30 September 2014, with comparative unaudited results for the six months ended 30 September 2013 and the audited results for the year ended 31 March 2014 are presented below:

Condensed consolidated statement of comprehensive income

	Unaudited results for six months ended 30 September 2014 R'000	Unaudited results for six months ended 30 September 2013 R'000	Audited results for the year ended 31 March 2014 R'000
Continuing operations			
Revenue	897 791	465 679	1 147 444
Gross profit	120 356	53 867	125 529
Other operating income	412	419	(1 174)
Profit on sale of assets	64	71 273	75 773
Operating costs	(72 418)	(27 577)	(81 259)
Operating profit	48 414	97 982	118 869
Investment income	1 470	202	265
Finance costs	(9 927)	(3 175)	(9 615)
Profit before taxation	39 957	95 009	109 519
Taxation	(11 892)	(18 301)	(22 839)
Profit for the year from continuing operations	28 065	76 708	86 680
Total comprehensive income	28 065	76 708	86 680
Attributable to:			
Owners of the parent	28 065	58 806	69 764
Non-controlling interest	-	17 902	16 916
Profit for the period/year	28 065	76 708	86 680
Headline earnings reconciliation:			
Net profit for the period/year	28 065	76 708	86 680
Less: Profit on sale of assets	(64)	(58 651)	(60 030)
Headline earnings for the period/year	28 001	18 057	26 650
Ordinary shares in issue (000's)			
- Total at period/year end	183 571	157 931	184 771
- Weighted average shares in issue	184 287	157 931	170 067
- Fully diluted weighted average shares in issue (Note 1)	186 443	160 638	173 484
Basic earnings per ordinary share (cents):	15.2	37.2	41.0
Fully diluted basic earnings per ordinary share (cents):	15.1	36.6	40.2
Headline earnings per ordinary share (cents):	15.2	11.4	15.7
Fully diluted headline earnings per ordinary share (cents):	15.0	11.2	15.4
Note:			
(1) Fully diluted earnings per share information reflected shows the potential effect of dilution for 14,8 million options held in terms of the share incentive trust by the directors and employees of the Group.			
Reconciliation of EBITDA:			
Operating profit	48 414	97 982	118 869
Depreciation - included in cost of sales	29 733	11 159	41 483
Depreciation and amortisation - included in operating costs	6 208	10 791	4 729
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	84 356	119 932	165 081
Profit on sale of assets	(64)	(71 273)	(75 773)
Operational EBITDA	84 292	48 659	89 308

Condensed consolidated statement of financial position

	Unaudited results for six months ended 30 September 2014 R'000	Unaudited results for six months ended 30 September 2013 R'000	Audited results for the year ended 31 March 2014 R'000
<b>ASSETS</b>			
Non-current assets	386 204	239 341	355 752
Property, plant and equipment	135 314	69 246	116 004
Investment property	709	709	709
Investments	9 714	3 199	6 664
Investment in associates	-	-	19 365
Goodwill and intangible assets	107 882	51 209	111 722
Mineral rights and coal reserves	118 644	113 744	101 118
Other receivables	13 772	-	-
Deferred taxation	169	1 234	170
Current assets	397 450	300 114	368 391
Inventories and work in progress	65 662	47 175	60 839
Trade and other receivables	237 088	158 932	255 389
Cash and cash equivalents	94 700	94 007	52 163
Total assets	783 654	539 455	724 143
<b>EQUITY AND LIABILITIES</b>			
Total shareholders' funds	288 823	239 196	273 225
Stated capital	161 338	137 092	166 715
Retained earnings	123 676	82 669	103 627
Employee share option reserve	3 809	1 710	3 059
Non-controlling interest	-	17 725	(176)
Non-current liabilities	97 337	33 552	96 471
Interest bearing debt	44 923	3 311	57 113
Deferred tax	27 815	7 859	15 076
Rehabilitation provision	24 599	22 382	24 282
Current liabilities	397 494	266 707	354 447
Trade and other payables	209 458	196 536	220 211
Bank overdraft	14 779	4 942	176
Taxation payable	13 232	-	10 268
Interest bearing debt	160 025	65 229	123 792
Total equity and liabilities	783 654	539 455	724 143
Net asset value per share (cents)	156.72	151.46	147.87
Tangible net asset value per share (cents)	98.57	119.03	87.41

Condensed consolidated statement of changes in equity

Attributable to owners of the parent

	Share-based Stated capital R'000	Share-based payment reserve R'000	Retained earnings R'000
Balance as at 31 March 2013	137 092	1 355	39 050
Shares issued	29 623	-	-
Total comprehensive income for the year	-	-	69 764
Dividends declared	-	-	(5 187)
Employees share option scheme	-	1 704	-
Balance as at 31 March 2014	166 715	3 059	103 627
Shares issued	21 623	-	-
Shares cancelled	(27 000)	-	-
Change in ownership	-	-	(177)
Total comprehensive income for the year	-	-	28 064
Dividends declared	-	-	(7 839)
Employees share option scheme	-	750	-
Balance at 30 September 2014	161 338	3 809	123 675

Attributable to owners of the parent

	Total R'000	Non- controlling interests	Total Equity
Balance as at 31 March 2013	177 498	(177)	177 321
Shares issued	29 623	-	29 623
Total comprehensive income for the year	69 764	16 916	86 680
Dividends declared	(5 187)	(16 916)	(22 103)
Employees share option scheme	1 704	-	1 704
Balance as at 31 March 2014	273 402	(177)	273 225
Shares issued	21 623	-	21 623
Shares cancelled	(27 000)	-	(27 000)
Change in ownership	(177)	177	-
Total comprehensive income for the year	28 064	-	28 064
Dividends declared	(7 839)	-	(7 839)
Employees share option scheme	750	-	750
Balance at 30 September 2014	288 823	-	288 823

Condensed consolidated statement of cash flows

	Unaudited results for six months ended 30 September 2014 R'000	Unaudited results for six months ended 30 September 2013 R'000	Audited results for the year ended 31 March 2014 R'000
Cash flow from operating activities:			
Cash generated by operations	88 301	84 746	47 134
Finance income	1 470	202	265
Finance costs	(8 903)	(3 175)	(7 715)
Tax paid	852	(3 500)	(4 687)
Dividends paid	(7 839)	(15 187)	(5 187)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(51 342)	(5 151)	(103 542)
Proceeds from the sale of property, plant and equipment	68	59	8 049
Purchase of a business	-	-	(70 784)
Purchase of investment in associate	-	-	(5 000)
Purchase of mineral asset and capitalised development costs	(17 526)	(128 637)	-
Proceeds on disposal of mineral asset	-	81 120	-
Purchase of financial asset	(3 913)	(838)	(4 149)
Cash flows from financing activities	26 766	58 056	176 233
Movements in interest bearing debt	24 043	58 610	170 975
Investment in acquisition activities	-	(554)	-
Shares issued	2 723	-	5 258
Total cash, cash equivalents and bank overdrafts movement for the period/year	27 934	67 695	30 617
Total cash, cash equivalents and bank overdrafts at beginning of the period/ year	51 987	21 370	21 370
Total cash, cash equivalents and bank overdrafts at end of the period/year	79 921	89 065	51 987

Operations, market and financial review

Wescoal produced an excellent set of results clearly indicating the contribution from MacPhail that was acquired in November 2013. This acquisition has breathed new life into the trading division and places the Wescoal group in the unique position of having a sophisticated trading division servicing the domestic market together with a mining division.

Highlights for the period include the finalisation of the Intibane phase 2 transaction and the acquisition of the Muhanga coal processing plant near Middelburg.

Group revenues increased by 92,8% to R897,8 million (2013: R465,7 million), operational EBITDA of R84,3 million is a significant increase of 73,2% over the corresponding period (2013: R48,7 million) and headline earnings increased by 55,1% to R28,0 million (2013: R18,1 million) which in addition, exceeds headline earnings the full financial year to March 2014.

Mining division

The acquisition of the Intibane phase 2 mining right is a significant achievement in that it extends the life of this highly profitable operation to the end of 2016 and negotiations are taking place for a similar acquisition at the Khanyisa mining operation.

The division assumed ownership of the Muhanga coal processing plant on 1 November 2014 albeit that the Elandspruit project has not yet been commissioned. The plant will begin production on 6 November 2014 for the purpose of supplying the existing customer base whom source from the operation. Excess run of mine in the market has been acquired for this purpose and management are excited about the potential contribution from this project whilst Elandspruit is being established and commissioned. The operation will be rebranded with no future reference to the Muhanga name as the vendors have retained the right to the name.

Following the securing of funding from Investec, the only outstanding issue at Elandspruit is the water used licence. However, the regulatory authorities have been sensitised as to the impact of the continued delay in the issuing of this. We have been assured of a sharp focus on the finalisation of this matter.

The division increased production by 5%, however, EBITDA contribution increased by 38,7% due to the bulk of the volume being delivered from the Intibane colliery. Wescoal Mining produced 942 291 tons of coal for the six months (2013: 895 185 tons). The division produced revenues of R296,8 million (2013: R261,7 million) an increase of 13,4%, operational EBITDA of R67,8 million (2013: R48,9 million) and profit from operations of R38,0 million (2013: R27,7 million).

Trading division

The division's results emphasise the importance of, and the contribution from the acquisition of the MacPhail operations. The division has been rebranded as one, under the banner Wescoal Trading and, with a few exceptions the integration of the operations is complete. Outstanding matters are scheduled for completion by the end of the calendar year.

Meaningful comparisons to the corresponding period are not possible due to the incorporation of the MacPhail operation, save to say that management are more than satisfied with the MacPhail contribution to overall results with an operational EBITDA contribution of R20,3 million.

The Trading division sold 625 949 tons for the six months ended 30 September 2014, a 187% increase compared to the prior period (2013: 217 831) which excludes the MacPhail acquisition. The division achieved revenues of R601,0 million (2013: R204,0 million), operational EBITDA of R20,3 million (2013: R3,7 million) and profit from operations of R14,2 million (2013: R2,9 million).

Financial overview

Revenue from all operations which includes coal mining, processing and trading reflected an increase of 92,8% to R897,8 million from the comparative financial period due primarily to the incorporation of the MacPhail acquisitions. Both divisions performed well resulting in gross profit of R120,4 million (2013: R53,9 million). Margins increased to 13,4% from 11,6%, an especially pleasing result when considering the substantial revenue increases.

Operating costs increased to R72,4 million (2013: R27,6 million) due once again primarily to the incorporation of the MacPhail acquisition and, in addition, the Intibane Colliery for the full period.

Group operational EBITDA of R84,3 million (2013: R48,7 million) is an excellent result leading to profit from operations reaching R48,4 million (2013: R26,7 million). Finance costs unfortunately showed an expected threefold increase due to the financing of the MacPhail acquisition and working capital requirements.

Headline earnings and headline earnings per share are respectively 55,7% and 32,9% up on the comparative period. HEPS has been influenced by the effect of the shares issued for Wescoal Mining acquiring the remaining 70% of the total issued share capital of Proudafrique in terms of the first Minoscape transaction as well as the cancellation of the shares issued in terms of the second Minoscape transaction.

The group's financial position strengthened during the financial period with total shareholders' funds increasing by 20,8% from the September 2013 results to R288,8 million. The debt equity ratio increased to 76,1% (2013: 30,1%) due to the MacPhail acquisition, the acquisitions of Elandspruit Properties, Proudafrique shares and the mining infrastructure at the Intibane Colliery.

Successful acquisition of remaining 70% shareholding in Proudafrique Trading 147 (Pty) Ltd

On 14 July 2014, Wescoal Mining successfully acquired the remaining 70% shareholding in Proudafrique Trading 147 (Pty) Ltd for R25,6 million and a royalty fee of R3,50 per ton of saleable coal mined at the Elandspruit Mining area.

Acquisition of Muhanga Coal Processing Plant

In June 2014, Wescoal announced the intention to acquire the Muhanga coal processing plant. The acquisition gives Wescoal immediate access to a fully-fledged beneficiation asset that is currently operational, has all the necessary regulatory approvals and extensive infrastructure to allow for a multi-product operation whilst regulatory approvals are awaited for the Elandspruit site.

The plant comprises inter alia Portion 6 of the farm Goedenhoop 315 JS the Access Servitude, the coal washing plant situated thereon and the National Environmental Management Act ("NEMA") authorisation and those provisions of the Muhanga Water Use Licence and the assumed liabilities being inter alia the environmental liabilities and rehabilitation obligation as defined in the Sale of Asset Agreement.

The total purchase price was R42,5 million payable upon over a period of time as described in the SENS announcement dated 24 June 2014. All conditions of the purchase were met on 10 October 2014.

#### Acquisition of a Mining Right for Intibane Phase 2

In August 2014, Wescoal announced the acquisition of a mining right adjacent to the Intibane Colliery which extends the life of Intibane by a further 2,25 million tons and life of mine to the end of 2016. The current Intibane mine infrastructure will be used to mine the reserve.

"The Mining Area" comprises the area described as Portion 2 of the farm Vlakvarkfontein 213 IR measuring 170,1362 hectares in extent, situated in the Magisterial District of Delmas in the Mpumalanga province.

"The Mining Right" means the right to mine for coal in, on and under the Mining Area, held by Mintirho with reference number MP30/5/1/2/2/476MR to be registered in the Mining Titles Office in respect of coal in, on and under the Mining Area, which Mining Right is to be transferred from Mintirho to Wescoal Mining.

The mining right was acquired by Wescoal for a cash payment of R7,98 million inclusive of VAT.

#### Funding secured with Investec Bank Limited for Elandspruit

On 30 October 2014, Wescoal concluded a financing facility with Investec Bank Limited, acting through its Corporate and Institutional Banking division ("Investec"), for a R180 million five-year term loan and a R20 million five-year working capital facility subject to fulfilment of conditions precedent customary for a financing of this nature. R70 million will be used to retire the current Investec term facility and R110 million will be used for commissioning of the Elandspruit project, including the acquisition of the Muhunga plant, mine operational infrastructure, surface rights and production start-up costs. The working capital facility of R20 million is available for general purposes.

#### Prospects

There is immense excitement with regard to production starting at Elandspruit early in 2015 that secures a life of mine at this operation in excess of 15 years. Coupled with production at the Muhunga coal processing plant, Wescoal will be in a position to service existing and potential customers immediately as well as derive earnings from this acquisition.

There is a probability that Khanyisa's life of mine can be further extended into 2017 by acquiring adjacent mineral rights with far-reaching effect on results going forward. Wescoal management will inform shareholders as these negotiations progress.

With the integration of MacPhail into Wescoal Trading, we believe the division will go from strength to strength and we aim for even greater customer diversification.

Wescoal management will continue to build on the base of the trading division servicing the domestic market together with a mining division - a combination which warrants that Wescoal has sufficient product and diversity to ensure sustainability into the future. Marketing efforts have ensured brand recognition and visibility and have resulted in greater sales and this marketing drive is set to continue.

#### Segment analysis

The analysis below details the contribution of the two main divisions within the Group:

Statement of comprehensive income	Trading	R'000			Total
		30 September 2014			
		Mining	Other		
Total segment					
Revenue	601 004	297 890	-		898 894
Inter-segment revenue	-	1 103	-		1 103
External revenues	601 004	296 787	-		897 791
Profit from operations	14 019	38 095	(3 764)		48 350
Operational EBITDA	20 141	67 828	(3 677)		84 292

  

Statement of comprehensive income	Trading	R'000			Total
		30 September 2013			
		Mining	Other		
Total segment revenue	203 986	261 693	65 627		531 306
Inter-segment revenue	-	-	65 627		65 627
External revenues	203 986	261 693	-		465 679
Profit from operations	2 894	27 682	(3 925)		26 651
Operational EBITDA	3 649	48 874	(3 864)		48 659

#### Note:

- (1) Profit from operations excludes profit or losses on the sale of property, plant, equipment, mineral assets, finance income and finance costs.
- (2) Operational EBITDA excludes profit or losses on sale of assets.

#### Resources and reserves statement

The resources and reserves statement below is an extract from the full SAMREC compliant report issued by DS Coetzee (PhD Geology, Pr. Sci. Nat.: 400136/00).

The report covers the new order mining right at the following operating collieries and prospects:

- Khanyisa Colliery (including Sarie Marais) (Mining Right number MP30/5/1/2/2/107MR) covering portions 96, 97 and 103 of the farm Heuwelfontein 215 IR;
- Intibane Colliery (Mining Right number MP30/5/1/1/2/483MR) covering portion 16 of the farm Vlakvarkfontein 213 IR;
- Elandspruit Prospect (Mining Right number MP30/1/1/2/10035MR) covering portions 29, 30,32, 33, 34, 36 and 40 of the farm Elandspruit 291 JS;
- Silverbank Prospect (Mining Right number MP30/1/1/2/10037MR) covering the entire farm Silverbank 611 IR, excluding portions 1, 10, 12 and 14; and
- Verblyden Prospect (Mining Right number MP30/1/1/2/10036MR) covering the entire farm Verblyden 387 IS, excluding portions 18 and 35.

The water use licences for Khanyisa Colliery (WUL 04/B20F/ABGJ/1507) and Intibane Colliery (WUL 04/B20E/AGJ/2149) have been reviewed. A water use licence for Elandspruit has been applied for, but is still pending.

The information contained in the table below is an update to the geological information in the Competent Person's Report ("CPR") dated April 2014. The full CPR as at March 2014 will be published with the Integrated Annual Report and will be made available on the Wescoal website.

Area	Seam	GTIS	Reconnaissance	MTIS(1)	ROM(2)
Khanyisa	4 Seam	0.02		0.02	0.02
	2 Seam OC	0.09		0.09	0.08
	2 Seam UG	0.60		0.36	0.34
	2 Seam PP	0.43		0.39	0.19
Sub-total		1.15		0.86	0.63
Intibane	4 Seam	0.01		0.01	0.01
	2 Seam	0.81		0.73	0.69
Sub-total		0.82		0.74	0.70
Elandspruit	4L Seam	2.96		2.66	2.53
	3 Seam	1.28		1.15	1.09
	2U Seam	8.78		7.90	7.51
	2L Seam	11.17		10.05	9.55
	1 Seam	15.98		14.38	13.66
Sub-total		40.17		36.15	34.35
Silverbank	2 Seam	281.00	67.45		
Verblyden	4 Seam	54.30	13.03		
Total		377.44	80.48	37.75	35.67

#### Black economic empowerment

Waterberg Portion Property Investments Proprietary Limited ("WPP") headed by Mr Robinson Ramaite and other BEE shareholders hold 31,59% of the issued share capital of Wescoal Holdings Limited. WPP is a BEE company operating in the minerals and energy space.

#### Corporate governance

The Wescoal Board of Directors continues to be mindful and cognisant that corporate governance is essential to protect the interests of all stakeholders, and remains committed to compliance with legal requirements and sound corporate governance principles. The Group subscribes to and is in the process of implementing where applicable, the principal recommendations of the King III Code of Corporate Governance.

Directorate and secretary

The following changes took place during the six months:

- P Janse van Rensburg - resigned as Chief Financial Officer on 17 April 2014 with effect from the 30 June 2014;
- M du Plessis - appointed as Acting Chief Financial Officer on 6 May 2014 with effect from 1 July 2014. Morne has now been appointed as Chief Financial Officer; and
- W Khumalo - resigned as an executive director with effect from 30 November 2014.

The board wishes to thank Piet as well as Wiseman for the valuable contribution made to the company, and wishes them all the best in future endeavours.

Dividends

No dividends have been declared for the interim period.

Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2014 has been prepared in accordance with IAS 34, "Interim Financial Reporting", the Companies Act, No 71 of 2008, and the Listings Requirements of the JSE Limited.

The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 March 2014, except for these standards that became effective during the reporting period. The adoption of the standards had no effect on the results. This report was compiled under the supervision of the Acting Financial Director, Morne du Plessis CA(SA). The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 March 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The directors are of the opinion that the group has adequate resources to continue in operation for the foreseeable future and, accordingly, the condensed consolidated interim financial results have been prepared on a going-concern basis.

By order of the board

29 October 2014

MR Ramaite  
Chairman

AR Boje  
Chief Executive Officer

CORPORATE INFORMATION

Non-executive chairman:  
MR Ramaite

Lead independent director:  
DMT van Gaalen

Independent non-executive directors

JG Pansegrouw  
MH Mathe  
KM Maroga

Executive directors:

AR Boje  
W Khumalo  
M du Plessis

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Transfer secretaries:

Computershare Investor Services (Pty) Limited

Sponsor:

Exchange Sponsors (2008) (Pty) Limited

Website:

[www.wescoal.com](http://www.wescoal.com)