

REVIEWED CONDENSED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL AND OTHER SALIENT FEATURES



"The outstanding financial and operational achievements speak for themselves. Most importantly they say to the market: 'Wescoal is well positioned for sustainable growth off a robust platform' and to shareholders: 'The confidence you have placed in the transformation process and the team is now paying dividends'. – **Waheed Sulaiman, CEO.**

HEPS of 27.1 cps
increased by 76.1%
[FY15: 15.4]

EPS of 26.2 cps
up 66.6%
[FY15: 15.7]

PAT
increased by 78.8% to R51.8 million
[FY15: R29.0 million]

OPERATIONAL EBITDA
increased by 42.1% to R152.1 million
[FY15: R107.0 million]

THE GROUP MARGIN
improved to 15.9%
[FY15: 13.1%]

MINING ROM PRODUCTION
increased 22% to 1851.0kt
[FY15: 1519.0kt]

REVIEWED CONDENSED CONSOLIDATED

RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The reviewed results for the year ended 31 March 2016 with comparative audited results for the year ended 31 March 2015 are presented.

Consolidated income statement

| | Reviewed results for the year ended 31 March 2016 R'000 | Audited results for the year ended 31 March 2015 R'000 |
|---|--|---|
| Turnover | 1 589 870 | 1 674 372 |
| Cost of sales | (1 338 150) | (1 454 728) |
| Gross profit | 251 720 | 219 644 |
| Other income | 1 511 | 1 557 |
| Profit/(loss) on sale of assets | (154) | 696 |
| Operating costs | (152 154) | (175 659) |
| Operating profit | 100 924 | 46 238 |
| Net finance costs | (20 920) | (9 154) |
| Net profit before taxation | 80 004 | 37 084 |
| Taxation | (28 239) | (8 129) |
| Net profit/loss for the period | 51 765 | 28 955 |
| Other comprehensive income | - | - |
| Total comprehensive income | 51 765 | 28 955 |
| Attributable to: | | |
| Owners of the parent | 51 765 | 28 955 |
| Non-controlling interest | - | - |
| | 51 765 | 28 955 |
| EBITDA | | |
| Headline earnings reconciliation: | | |
| Net profit for the year | 51 765 | 28 955 |
| Net loss/(profit) on sale of assets | 1 640 | (696) |
| Headline earnings for the year | 53 405 | 28 259 |
| Ordinary shares in issue (R'000) | | |
| - Total at period end | 224 804 | 183 527 |
| - Weighted average shares in issue | 197 361 | 183 929 |
| - Fully diluted weighted average shares in issue | 197 399 | 185 810 |
| Basic earnings per ordinary share (cents) | 26.2 | 15.7 |
| Fully diluted basic earnings per ordinary share | 26.2 | 15.6 |
| Headline earnings per ordinary share (cents) | 27.1 | 15.4 |
| Fully diluted headline earnings per ordinary share (cents) | 27.1 | 15.2 |

Consolidated balance sheet

| | Reviewed results for the year ended 31 March 2016 R'000 | Audited results for the year ended 31 March 2015 R'000 |
|--|--|---|
| ASSETS | 1 025 768 | 823 243 |
| Non-current assets | 631 120 | 474 673 |
| Property, plant and equipment | 496 350 | 324 740 |
| Investment property | 709 | 709 |
| Investments | 22 023 | 14 218 |
| Goodwill and intangibles | 96 300 | 104 539 |
| Other receivables | 11 366 | 12 909 |
| Deferred taxation | 4 372 | 17 558 |
| Current assets | 390 248 | 348 570 |
| Inventories and work in progress | 57 668 | 82 852 |
| Trade and other receivables | 231 401 | 238 741 |
| Cash and cash equivalents | 101 179 | 26 977 |
| Non-current Assets Held for Sale | 4 400 | - |
| EQUITY AND LIABILITIES | (1 025 768) | (823 243) |
| Capital and reserves | (385 061) | (279 821) |
| Share capital | (213 156) | (161 465) |
| Share-based payment reserve | (7 263) | (5 479) |
| Minority interest | - | - |
| Retained income | (164 642) | (112 877) |
| Non-current liabilities | (86 932) | (97 137) |
| Interest-bearing debt – long term | (21 441) | (53 473) |
| Deferred tax | (19 306) | (5 101) |
| Provision for rehabilitation | (46 186) | (38 563) |
| Current liabilities | (553 774) | (446 284) |
| Trade and other payables | (278 377) | (218 946) |
| Provision for rehabilitation | (13 890) | - |
| Bank overdraft | (15 781) | (16 827) |
| Taxation payable | (27 585) | (39 899) |
| Interest-bearing debt – short term | (218 141) | (170 612) |
| | - | - |
| Net asset value per share (cents) | 171.29 | 152.43 |
| Tangible net asset value per share (cents) | 128.45 | 95.48 |

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: W Sulaiman, I van der Walt,
T Tshithavhane
Registration number: 2005/006913/06
Registered address: Corner of Gewel and Hulley
Road, Isando, 1600

Postal address: PO Box 1962, Edenvale, 1610
Company secretary: Computershare
Telephone: 011 570 5800, Facsimile: 011 570 5848
Transfer secretaries: Computershare Investor
Services Proprietary Limited
Sponsor: Nedbank Corporate and Investment Banking
Website: www.wescoal.com

Condensed Consolidated Statement of Cash Flows

| | Reviewed results for the year ended 31 March 2016 R'000 | Audited results for the year ended 31 March 2015 R'000 |
|---|--|---|
| Cash flows from operating activities | 207 729 | 76 099 |
| Cash generated in operations | 239 589 | 94 505 |
| Finance costs – net | (18 698) | (6 811) |
| Income tax paid | (13 162) | (4 180) |
| Dividends paid | - | (7 415) |
| Cash flows from investing activities | (176 060) | (125 459) |
| Purchase of property, plant and equipment | (170 729) | (98 865) |
| Proceeds from sale of property, plant and equipment | 2 109 | 4 655 |
| Purchase of business | - | (24 445) |
| Purchase of investment in associate | - | - |
| Purchase of financial assets | (7 440) | (6 805) |
| Cash flows from financing activities | 43 579 | 7 523 |
| Movements in interest-bearing borrowings | (8 112) | 4 673 |
| Shares issued | 51 691 | 2 850 |
| Net increase in cash and cash equivalents | 75 248 | (41 837) |
| Cash and cash equivalents at beginning of year | 10 150 | 51 987 |
| Cash and cash equivalents at end of year | 85 398 | 10 150 |

Introduction

The main business of the Wesco Group is the mining, processing and the sale and supply of coal. Coal products are mined, sourced and supplied to end users including the power generation, manufacturing and petrochemical sectors. The key strategic thrust of Wesco is to be a leading coal miner with a sustainable resource base and a coal trading operation. Our business aims to deliver value to stakeholders throughout the business cycle in the context of our natural, socio and political and economic environment.

The 2016 financial year reflects the best results to date for Wesco. The Company is pleased to report some exceptional financial and non-financial achievements over the past 12 months.

Strategic and operational achievements

In our safety, performance and compliance we have had no reportable injuries during FY16.

The Elandspruit Colliery was fully operationalised in a short period of time, under an adverse economic environment. This flagship project, was launched using internal funding mechanisms, ramped up to its target of 165kt of production within three months and secured uninterrupted sales contracts from the outset. Overall the project reversed the trend in the resources sector during 2015. The mine contains five potentially minable coal seams, which are mined selectively to ensure optimal product recovery during the beneficiation process. Elandspruit has a mine life of approximately 15 years and will continue to be a key contributor to Wesco's performance for many years. Negotiations with Eskom to conclude a long-term Elandspruit coal supply contract are at an advanced stage.

ROM production for the Group was 1851kt during the reporting period.

Additionally, the Company has completed optimisation and quality management projects at the processing plant, contributing to the value of Elandspruit. Wesco now has the capacity to treat more than 200kt ROM.

Water use licences were obtained at both Intibane and Khanyisa Collieries which completes the stable for all Wesco's operations. Significant progress has been made increasing the Khanyisa resource base and consequently, the life of mine (started in 2010) to around 2020.

Wesco implemented productivity and cost saving initiatives in the trading business, significantly reducing operating cost by 10.5% while largely maintaining sales volumes.

The Company's BEE shareholding increased to well over 40% and is on track strategically, to reach the target of above 50% ownership by the calendar year-end.

The executive and management team was further strengthened in crucial disciplines such as finance, legal and compliance, human capital and transformation. Key skills and experience have been retained and deployed across the organisation and operations.

Sales and production performance/profitability charts

The sales volumes of the combined business was 2,788kt. Trading Division sales were reduced by 9% to 1057kt [FY15: 1153kt] due to increased focus on managing business risk and shareholder returns. The reduced Trading Division sales were more than offset by a strong performance from the Mining Division during the second half of the year.

Mining sales of 1 734kt closely matched the previous year [FY15: 1 731kt]. ESKOM sales were 27% lower at 1 095kt compared with [FY15: 1 505kt].

On a segmented basis this is reflected in the table below:

| | Kt FY16 | FY15 |
|-------------|---------|-------|
| Elandspruit | 816 | - |
| Intibane | 179 | 1 144 |
| Khanyisa | 100 | 360 |

Mining ROM Production increased to over 2 million tons per annum on an annualised basis.

On a segmented basis this is reflected in the table below:

| | Kt FY16 | FY15 |
|-------------|---------|-------|
| Elandspruit | 1 214 | - |
| Intibane | 561 | 1 118 |
| Khanyisa | 76 | 401 |

Mining Beneficiated Production (Saleable) which shows an increase in the percentage of ROM sales from Intibane are reflected in the table below:

| | Kt FY16 | FY15 |
|-------------|---------|-------|
| Elandspruit | 1 017 | - |
| Intibane | 205 | 1 261 |
| Khanyisa | 100 | 390 |

Financial overview

Group revenue of R1,6 billion was relatively flat compared to 2015, reflecting a resilient sales performance under challenging conditions. Relative contributions from the Mining and Trading Divisions mirrored that of their sales performance. The Mining Division's contribution increased by 5.3% (R31.6 million), and the Trading Division's revenue decrease of 11.5% (R128.8 million).

The Groups total comprehensive income (profit after tax) increased by 78.8% to R51.8 million. The significant profit after tax increase is noteworthy in light of the relatively flat revenue stream. This achievement is mainly as a result of a better quality debtor book, increased productivity and cost savings across the Group.

HEPS of 27.1 cps increased by 76.1% delivering value from expanding the business.

EPS of 26.2 cps up 66.6% [FY15: 15.7].

Gross profit of R251.7 million demonstrates a robust 14.6% increase of R32.1 million [FY15: R219.6 million] Mining's contribution was 45.5% greater or R44.4 million higher than last year with the Trading business contributing 10.7% or R13 million lower.

The gross profit margin improved to 15.9% [FY15: 13.1%] with Mining's margin at 22.6% reflecting an increase of 38.0%.

Operational EBITDA increased by 42.1% to R152.1 million [FY15: R107.0 million]. Mining Division's 31.2% or R30.0 million higher than last year whilst Trading Division maintained its FY15 performance.

Nett financing cost increases were contained to R11.8 million, having funded much of development capex operationally.

Balance sheet (debt equity gearing)

The Group improved its gearing and funding structures through various initiatives, including the raising of capital and through delivery of strong operational cash flow. Cash flow pressure has largely dissipated. Balance sheet gearing consistently improved over the last 18 months reflected in respective gearing ratios comparisons of FY16: 0,29 and FY15: 0,43.

Working capital management

By improving credit risk on receivables the Company is pleased to report a 63% reduction in bad debts. Various payment processes have been optimised to maximise working capital and reduce interest expenses.

Capital expenditure

Wesco invested R170.7 million during the year on capital projects and development, mainly on Elandspruit. Capex spending will be focused on developments which maximise shareholder value.

Prospects

Wesco seeks to build on this robust operational performance and to continue delivering solid, predictable and sustainable operational and financial performances. The Group is on its way to achieving its short term strategic objective of BEE ownership in excess of 50% which may include employee participation. In response to Eskom's RFP process, management is developing a detailed business plan for Eskom sales. A key strategic objective is to diversify revenue streams, which includes increasing exports to 1Mtpa, over the next three-years. The Group's short-term focus is the operationalisation of Intibane and Khanyisa Collieries, while increasing the overall resource base through corporate activity and resource acquisitions. Additionally, over the long term, to increase production to 8Mtpa. Management will continue to re-align the Trading Division's business model to reduce business risk and increase shareholder returns.

Dividends

Wesco's Board in considering the Company's financial position and strong annual performance, has agreed to distribute R10 million to shareholders as a dividend for the period. The full dividend declaration will be announced on SENS in due course.

Segmental analysis

| Statement of comprehensive income | Trading (R'000) | Mining (R'000) | Other (R'000) | Total (R'000) |
|-----------------------------------|-----------------|----------------|---------------|---------------|
| 31 March 2016 | | | | |
| Total segment revenue | 988 183 | 627 185 | 1 710 | 1 617 078 |
| Inter-segment revenue | - | (26 033) | (1 174) | (27 207) |
| External revenues | 988 183 | 601 152 | 536 | 1 589 871 |
| Operational EBITDA | 31 904 | 124 685 | (4 483) | 152 106 |
| Profit from operations | 19 223 | 88 166 | (6 312) | 101 077 |
| 31 March 2015 | | | | |
| Total segment revenue | 1 116 958 | 595 576 | 1 995 | 1 714 529 |
| Inter-segment revenue | - | (38 298) | (1 859) | (40 157) |
| External revenues | 1 116 958 | 557 278 | 136 | 1 674 372 |
| Operational EBITDA | 34 338 | 94 665 | (21 962) | 107 041 |
| Profit from operations | 22 083 | 45 591 | (22 133) | 45 541 |

Resource Summary

The Resource Summary is an extract of the SAMREC compliant, Resource Statement as compiled by DS Coetzee (PhD Geology, Pr. Sci. Nat.: 400136/00). Included in this updated resources summary is the acquisition of the Tri-Angle Area, being part of the Khanyisa Complex.

- TTIS – Total Tons In Situ
- MTIS – Movable Tons in Situ (Resource)
- All Coal resources are classified as Measured
- All Tonnages expressed in Millions of Tons

| | FY16 MTIS | FY16 TTIS | FY15 TTIS |
|---------------------------|--------------|--------------|--------------|
| Measured Resources | | | |
| Khanyisa Complex | 11.34 | 11.34 | 0.28 |
| Intibane Complex | 2.6 | 2.6 | 3.28 |
| Elandspruit | 33.08 | 33.99 | 36.33 |
| Total | 47.02 | 47.93 | 39.89 |

Basics of preparation

The condensed consolidated financial information for the year ended 31 March 2016 has been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), the preparation and disclosure requirements of IAS 34; "Interim financial reporting", SAICA Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and as per the requirements of the South African Companies Act, 2008, as amended on the basis consistent with the prior year. The preparation of these financial results was done under the supervision of the Acting Chief Financial Officer, Izak van der Walt (CA)SA.

Any reference to the future financial performance has not been reviewed or reported on by the Group Auditors.

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 financial results have been prepared on a going concern basis.

Independent audit review

The preliminary financial statements have been reviewed by the Group's independent auditors, PricewaterhouseCoopers Inc. Their unmodified review opinion is available for inspection at the company's registered office.

By order of the board

2 June 2016

MR Ramaite
Chairman

W Sulaiman
Chief Executive Officer

Statement of changes in equity

| | Stated capital R'000 | Share-based payment reserve R'000 | Retained earnings R'000 | Total R'000 | Non-controlling interests | Total equity |
|---|-------------------------|---|-------------------------------|----------------|------------------------------|----------------|
| Balance at 31 March 2014 | 166 715 | 3 059 | 91 514 | 261 289 | (177) | 261 112 |
| Shares issued | 21 750 | - | - | 21 750 | - | 21 750 |
| Shares cancelled | (27 000) | - | - | (27 000) | - | (27 000) |
| Change in ownership | - | - | (177) | (177) | 177 | - |
| Total comprehensive income for the year | - | - | 28 955 | 28 955 | - | 28 955 |
| Dividends declared | - | - | (7 415) | (7 415) | - | (7 415) |
| Employees share option scheme | - | 2 420 | - | 2 420 | - | 2 420 |
| Balance at 31 March 2015 | 161 465 | 5 479 | 112 877 | 279 821 | - | 279 821 |
| Rights share issue | 51 691 | - | - | 51 691 | - | 51 691 |
| Total comprehensive income for the year | - | - | 51 765 | 51 765 | - | 51 765 |
| Employees share option scheme | - | 1 784 | - | 1 784 | - | 1 784 |
| Balance at 31 March 2016 | 213 156 | 7 263 | 164 642 | 385 061 | - | 385 061 |