

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

FINANCIAL AND OTHER SALIENT FEATURES



Waheed Sulaiman, CEO of Wescoalg says the mining division performed well driven primarily by strong production and sales from operations at the flagship Elandspruit mine. "We are pleased with cash generated from operations and to be in a stronger position for paying dividends to shareholders. Wescoalg remains an active participant in the consolidation of the domestic junior coal mining sector with respect to reviewing value enhancing opportunities and we have largely de-risked the cash flows and funding for further projects by securing Eskom off-take agreements and export contracts. Our immediate priority, however, is to progress the BEE transaction which has been proposed to shareholders."

"These results reflect the way the management team has handled quality assets acquired. We remain focused on our top priorities, namely to strive for safe production, solid, predictable operational and financial performances, the re-alignment of the trading business to Wescoalg's needs and to maximise the utilisation and asset base values at Intibane and Khanyisa Collieries," Sulaiman concluded.

WESCOAL DELIVERED A solid performance on the back of **strong sales** and operational efficiencies from its flagship Elandspruit colliery*

REVENUE INCREASED BY 37.1% or R281.3 million to R1 039.4 million (2015: R758.1 million)

EBITDA IS UP 254% to R139.3 million (2015: R39.4 million)

HEPS INCREASED 445% to 27.8 cents (2015: 5.1 cents)

SPECIAL DIVIDEND OF R10 million was declared during September 2016

* Elandspruit was not fully operational in the comparative 2015 period as reflected in comparison metrics.

The unaudited interim results for the six months ended 30 September 2016 ('the Period'), with comparative unaudited results for the six months ended 30 September 2015 ('the Prior Period') and the audited results for the year ended 31 March 2016 are presented below.

Consolidated income statement

For the six months ended 30 September 2016

	Unaudited interim results for the six months ended 30 September 2016 (R'000)	Unaudited interim results for the six months ended 30 September 2015 (R'000)	Audited results for the year ended 31 March 2016 (R'000)
Turnover	1,039,442	758,138	1,589,870
Cost of sales	(851,438)	(660,838)	(1,338,150)
Gross profit	188,004	97,300	251,720
Other income	1,509	672	1,512
Profit/(loss) on sale of assets	456	682	(154)
Operating costs	(88,996)	(80,103)	(152,155)
Operating profit	100,973	18,551	100,923
Net finance expense	(13,083)	(7,287)	(20,919)
Net profit before taxation	87,890	11,264	80,004
Taxation	(25,907)	(1,478)	(28,239)
Total comprehensive income	61,983	9,786	51,765
Attributable to:			
Owners of the parent	61,983	9,786	51,765
Headline earnings reconciliation			
Net profit for the period	61,983	9,786	51,765
Net (profit)/loss on sale of assets	(456)	(491)	154
Impairment of assets	1,077	-	1,486
Headline earnings for the period	62,604	9,295	53,405
Ordinary shares in issue (R'000)			
Total at period end	225,030	183,571	224,804
Weighted average shares in issue	224,913	183,571	197,361
Fully diluted weighted average shares in issue	225,084	185,770	197,399
Basic earnings per ordinary share (cents)	27.6	5.3	26.2
Fully diluted basic earnings per ordinary share	27.5	5.3	26.2
Headline earnings per ordinary share (cents)	27.8	5.1	27.1
Fully diluted headline earnings per ordinary share (cents)	27.8	5.0	27.1
Earnings before interest, taxation, depreciation and amortisation (EBITDA) reconciliation			
Operating profit	100,973	18,551	100,923
Depreciation and amortisation	38,348	20,810	51,029
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	139,321	39,361	151,952

Consolidated balance sheet

As at 30 September 2016

	Unaudited interim results for the six months ended 30 September 2016 (R'000)	Unaudited interim results for the six months ended 30 September 2015 (R'000)	Audited results for the year ended 31 March 2016 (R'000)
ASSETS			
Non-current assets	625,893	615,189	631,121
Property, plant and equipment	504,108	458,531	496,350
Investment property	709	709	709
Investments	14,266	17,602	22,023
Goodwill and intangibles	92,387	100,435	96,301
Prepaid royalty	10,238	12,837	11,366
Deferred taxation	4,185	25,075	4,372
Current assets	437,364	336,855	384,448
Inventories and work in progress	72,159	73,007	57,668
Prepaid royalty	1,262	-	874
Trade and other receivables	259,291	211,126	224,727
Cash and cash equivalents	104,652	52,722	101,179
Non-current assets held for sale	3,323	-	4,400
Total assets	1,066,580	952,044	1,019,969
EQUITY AND LIABILITIES			
Capital and reserves	(428,459)	(290,419)	(385,061)
Share capital	(213,441)	(161,465)	(213,156)
Share-based payment reserve	(7,498)	(6,254)	(7,263)
Retained earnings	(207,520)	(122,700)	(164,642)
Non-current liabilities	(166,037)	(90,685)	(86,932)
Interest-bearing debt	(75,554)	(32,906)	(18,533)
Instalment sale agreements	(1,485)	(3,940)	(2,907)
Deferred tax	(40,673)	(7,154)	(19,306)
Provision for rehabilitation	(48,235)	(46,685)	(46,186)
Current liabilities	(472,084)	(570,940)	(547,976)
Trade and other payables	(296,776)	(271,126)	(272,578)
Provision for rehabilitation	(5,299)	-	(13,890)
Bank overdraft	(16,664)	(16,391)	(15,781)
Taxation payable	(23,762)	(43,731)	(27,585)
Instalment sale agreements	(2,304)	(4,035)	(2,856)
Interest-bearing debt	(127,279)	(235,657)	(215,286)
Total equity and liabilities	(1,066,580)	(952,044)	(1,019,969)
Net asset value per share (cents)	190.40	158.20	171.29
Tangible net asset value per share (cents)	149.35	103.49	128.45

Corporate information	
Non-executive chairman: MR Ramaite	Postal address: PO Box 1962, Edenvalle, 1610
Lead independent director: DMT van Gaalen	Company secretary: Vikesh Danooikal
Independent non-executive directors: JG Pansegrouw, MH Mathe, KM Maroga	Telephone: 011 049 8611, Facsimile: 011 570 5848
Executive directors: W Sulaiman, B Mazarura, T Tshithavane	Transfer secretaries: Computershare Investor Services Proprietary Limited
Registration number: 2005/006913/06	Sponsor: Nedbank Corporate and Investment Banking
Registered address: 1st Floor, Cypress Place, 142 Western Service Road, Woodmead	Website: www.wescoal.com

Condensed consolidated statement of cash flows

For the six months ended 30 September 2016

	Unaudited interim results for the six months ended 30 September 2016 (R'000)	Unaudited interim results for the six months ended 30 September 2015 (R'000)	Audited results for the year ended 31 March 2016 (R'000)
Cash flows from operating activities	78,870	118,697	207,731
Cash generated from operations	98,330	129,092	239,590
Net finance expense	(11,284)	(7,287)	(18,697)
Income tax paid	(8,176)	(3,108)	(13,162)
Cash flows from investing activities	(34,053)	(144,969)	(176,061)
Purchase of property, plant and equipment	(48,890)	(138,518)	(169,644)
Proceeds from sale of property, plant and equipment	6,366	1,559	1,023
Rehabilitation	-	(4,698)	-
Proceeds from (purchase of) financial assets	8,471	(3,312)	(7,440)
Cash flows from financing activities	(42,227)	52,454	43,578
Movements in interest-bearing borrowings	(32,960)	52,454	(8,113)
Dividends paid	(9,552)	-	-
Proceeds from shares issued	285	-	51,69
Net increase in cash and cash equivalents	2,590	26,182	75,248
Cash and cash equivalents at beginning of year	85,398	10,150	10,150
Cash and cash equivalents at end of year	87,988	36,331	85,398

Segmental analysis

For the six months ended 30 September 2016

	Trading (R'000)	Mining (R'000)	Other (R'000)	Total (R'000)
30 September 2016				
Total segment revenue	557,629	496,026	2,861	1,056,516
Inter-segment revenue	-	(14,452)	(2,622)	(17,074)
External revenues	557,629	481,574	239	1,039,442
EBITDA	32,152	115,702	(8,533)	139,321
Operating Profit/(loss)	26,435	83,141	(8,603)	100,973
30 September 2015				
Total segment revenue	533,060	238,348	958	772,366
Inter-segment revenue	-	(13,530)	(698)	(14,228)
External revenues	533,060	224,818	260	758,138
EBITDA	28,908	11,692	(1,239)	39,361
Operating Profit/(loss)	22,547	(2,668)	(1,328)	18,551

Operations review

Wescoalg continues to outperform the norm amid challenging local and global market conditions. Consistency in efficient operations following the ramp-up in production at Elandspruit Colliery enabled a 167% increase in ROM production volume to 1.6 million tons (2015: 0.6 million tons).

The long-term Coal Supply Agreement with Eskom and recently secured export agreements de-risk and diversify revenue streams.

Mining division

Wescoalg regards the safety of employees and care for the environment and host communities as a significant part of its key responsibilities and operational imperatives. The mining division had no reportable accidents during the period and improved the LTIFR from 1.35 to 0.21. Wescoalg and its entire workforce strive towards zero injuries or environmental incidents. Relevant safety controls and related compliance monitoring measures have been expanded at the operations. The division's community programmes are being reviewed in consultation with stakeholders to ensure they meet the needs of our host communities.

Elandspruit Colliery produced 1.3 million ROM tons during this period, compared with 0.3 million tons during the start-up phase in 2015. The mine is now at steady state. Increased efficiencies and optimisation projects at the nearby processing plant have been completed. Additional plant capacity was brought on stream to increase total crushing capacity to 220 000 tons and beneficiation capacity to 180 000 tons per month. The recently signed long-term Eskom contract will ensure continuous sales volumes from the plant.

Intibane produced 0.3 million ROM tons during this period to meet local sales demand secured in the absence of an Eskom off-take agreement. It is ramping up production to match requirements of the recently announced off-take agreements secured by Wescoalg.

Khanyisa Colliery was granted a 20-year Water Usage Licence by the Department of Water and Sanitation. Additional regulatory consents remain pending from the Department of Mineral Resources before mining activities can commence.

The mining division revenue of R496.0 million (2015: R238.3 million) realised gross profit of R123.5 million (2015: R35.1 million). Sales were positively impacted by short-term coal supply contracts from Elandspruit and Intibane. Eskom sales during the period totalled 724 000 tons compared to 362 000 tons during the Prior Period. Total coal sales from the mining division were approximately 1.3 million tons during the Period (2015: 0.7 million tons).

Consolidated statement of changes in equity

For the six months ended 30 September 2016

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Attributable to the owners of the parent				
Balance at 31 March 2015	161,465	5,479	112,877	279,821
Rights share issue net of transaction cost	39,254	-	-	39,254
General issue of shares	12,437	-	-	12,437
Total comprehensive income for the year	-	-	51,765	51,765
Employee share option scheme	-	1,784	-	1,784
Balance at 31 March 2016	213,156	7,263	164,642	385,061
General issue of shares	285	-	-	285
Total comprehensive income for the period	-	-	61,983	61,983
Dividends declared	-	-	(19,105)	(19,105)
Employee share option scheme	-	235	-	235
Balance at 30 September 2016	213,441	7,498	207,520	428,459

Trading division

Wescoalg's trading division continued to perform well in a difficult business environment, delivering a solid first half performance. Sales totalled 598 000 tons during the Period (2015: 550 000 tons). The 8.7% increase in sales tonnage contributed towards the 11.4% increase in EBITDA to R32.2 million (2015: R28.9 million).

The focus for the division remains streamlining the business and creating a more robust operating model. The close working relationship with the mining division has created operational flexibility and optionality for both divisions.

Financial overview

The solid performance from the mining division on the back of strong production from Elandspruit has seen Group revenue increasing by 37.1% to R1 039.4 million (2015: R758.1 million).

Gross profit margins for the Group have improved significantly from 12.8% in 2015 to 18.1% for the period under review while the operating cost base has been contained despite the significant increase in mining production resulting in an improved Group operating profit margin of 10% (2015: 2%). The improvement in margins is largely driven by the mining division which achieved a gross profit margin of 24.9% (2015: 14.7%) and an operating profit margin of 16.8% (2015: 1.1% loss).

Headline earnings per ordinary share increased to 27.8c compared to 5.1c for the Prior Period, with net profit after tax having increased to R62.0 million from R9.8 million in 2015.

The improved profitability translated into strong cash generation, with R98.3 million in cash generated from operations. Cash was mainly deployed to fund ongoing capital expenditure (R48.9 million), reduce interest-bearing debt (R33.0 million) and to reward shareholders with dividend payments.

The Group's improved balance sheet strength is reflected in its gearing ratio of 21.7% compared to 45.3% for the Prior Period and a net asset value per share of 190.4c compared to 171.3c at 31 March 2016.

Prospects

Wescoalg has successfully operationalised Elandspruit Colliery and implemented its planned de-risking and de-bottlenecking projects. The Intibane Colliery was effectively operationalised and significant progress was made in augmenting the Khanyisa resource base.

Improvement projects at Elandspruit will continue in order to maximise value from this complex. These projects include establishing a small underground mining operation at a minimal capital cost and increasing overall capacity at the Processing Plant through modular expansions.

Optimisation and cost reduction initiatives in the trading division have resulted in the closure of the Port Elizabeth business unit and downsizing of other business units. These initiatives have streamlined the Company and contributed to improved earnings from the trading division. This work is expected to be complete by the financial year-end and will result in a more robust and simplified trading business.

Significant progress has been made in concluding sales contracts – a five-year Eskom coal supply contract supplying some 7.5 million tons over a five-year period has been signed and export contracts for approximately 1 million tons per annum over the next three years have also been concluded.

Wescoalg is focused on acquiring additional resources and strategic interests in key logistic infrastructure. These initiatives support Wescoalg's 8 million ton per annum of ROM aspirations and its revenue diversification strategy. Wescoalg will also continue to seek value in the coal export market in a measured fashion. An immediate priority is to conclude the BEE transaction which will see Wescoalg meeting Eskom's BEE ownership requirements and an injection of new capital into the business.

Planning and executing projects in a conservative, risk-based manner will continue to form the basis on which Wescoalg will manage and realise value from growth options. Operationally, the Elandspruit complex continues to deliver on its promise and will continue to be a core contributor to the Group's ongoing financial performance.

Resources and reserves statement

The most recent Competent Person's Report, issued by DS Coetzee (PhD Geology, Pr. Sci. Nat.: 400136/00) in partial compliance with SAMREC was published in full on the Wescoalg website in May 2016 and we confirm that with the release of our Interim results there are no changes to the report. The most recent report can be found on our website: www.wescoalg.com.

Dividends

Two dividend tranches were declared during the period:

- Final dividend of R10 million for the year ended 31 March 2016
- Special dividend of R10 million was declared during September 2016

Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 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 2016. This report was compiled under the supervision of the Financial Director, Bothwell Mazarura 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 2016, which were 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 unaudited condensed consolidated interim financial results have been prepared on a going-concern basis.

By order of the Board

Wescoalg Holdings Limited
1 November 2016

Sponsor
Nedbank CIB

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