WESCOAL SUMMARISED AUDITED CONSOLIDATED RESULTS

for the year ended 31 March 2017

Waheed Sulaiman, CEO of Wescoal says initiatives over the past two years have enabled the company to achieve a series of significant milestones over the past year. "The company continues to go from strength to strength and has emerged more robust and sustainable from a challenging FY17."

"Business risks have been well managed, operations are stable and predictable, our balance sheet is healthier, cash flows are more certain, transformation initiatives are starting to gain traction and we have unlocked exciting growth prospects. This against the backdrop of embedding the management team, difficulties in the commodities markets and the unsettled economic climate." Sulaiman concluded.

Wescoal Holdings Limited (Incorporated in the Republic of South Africa)
(Registration number 2005/006913/06) (JSE code: WSL ISIN: ZAE000069639) ("Wescoal" or "the Company" or "the Group")

Highlights and key indicators

Excluding non-recurring costs:

HEPS INCREASED
96.9% to 53.4 cps
(2016: 27.1 cps)

OPERATIONAL EBITDA (R'000)
up 93.5% to R294 298
(2016: R152 107)

MINING ROM PRODUCTION
up 82.1% to 3 371.0 kt
(2016: 1 851.0 kt)

REVENUE (R'000)
up 33.2%
R 2 118 020
(2016: R1 589 870)

OPERATIONAL EBITDA (R'000)
up 33.8% to R203 518
(2016: R152 107)

HEPS
down 58.4%
11.3 cps
(2016: 27.1 cps)

EPS
down 55.7%
11.6 cps
(2016: 26.2 cps)

Consolidated income statement
for the year ended 31 March 2017

	2017 R'000	2016 R'000
Turnover	**2 118 020**	1 589 870
Cost of sales	**(1 750 562)**	(1 338 150)
Gross profit	**367 458**	251 720
Other income	**3 845**	1 512
Profit/(loss) on sale of assets	**933**	(154)
Operating costs	**(167 212)**	(152 155)
BEE discount	**(82 280)**	–
Operating profit	**122 744**	100 923
Interest received	**6 775**	1 004
Finance costs	**(29 625)**	(21 923)
Net profit before taxation	**99 894**	80 004
Taxation	**(69 694)**	(28 239)
Net profit for the year	**30 200**	51 765
Other comprehensive income	**–**	–
Total comprehensive income	**30 200**	51 765
Attributable to:		
Owners of the parent	**30 200**	51 765
Non-controlling interest	**–**	–
	30 200	51 765
Headline earnings reconciliation		
Net profit for the year	**30 200**	51 765
Less: Net (profit)/loss on sale of assets	**(933)**	154
Impairment on investment property	**–**	1 486
Headline earnings for the year	**29 267**	53 405
Ordinary shares in issue (R'000)		
Total at period end (excl. treasury shares)	**350 025**	224 804
Weighted average shares in issue	**259 559**	197 361
Fully diluted weighted average shares in issue	**260 058**	197 399
Basic earnings per ordinary share (cents)	**11.6**	26.2
Fully diluted basic earnings per ordinary share (cents)	**11.6**	26.2
Headline earnings per ordinary share (cents)	**11.3**	27.1
Fully diluted headline earnings per ordinary share (cents)	**11.3**	27.1

Consolidated balance sheet
as at 31 March 2017

	2017 R'000	2016 R'000
ASSETS	**1 591 857**	1 019 969
Non-current assets	**818 273**	631 121
Property, plant and equipment	**641 198**	496 350
Investment property	**709**	709
Investments	**17 909**	22 023
Goodwill and intangibles	**95 989**	96 301
Other receivables	**52 935**	11 366
Deferred taxation	**9 533**	4 372
Current assets	**773 584**	384 448
Inventories and work in progress	**56 861**	57 668
Prepaid royalty	**1 272**	874
Trade and other receivables	**280 647**	224 727
Cash and cash equivalents	**84 411**	101 179
Restricted cash	**350 393**	–
Non-current assets held for sale	**–**	4 400
EQUITY AND LIABILITIES	**(1 591 857)**	(1 019 969)
Capital and reserves	**(684 632)**	(385 061)
Share capital	**(500 222)**	(213 156)
Share-based payment reserve	**(8 676)**	(7 263)
Retained income	**(175 734)**	(164 642)
Non-current liabilities	**(277 918)**	(86 932)
Interest-bearing debt – long term	**(60 553)**	(18 533)
Instalment sale agreements	**(552)**	(2 907)
Deferred tax	**(62 113)**	(19 306)
Other financial liabilities	**(6 494)**	–
Provision for rehabilitation	**(148 206)**	(46 186)
Current liabilities	**(629 307)**	(547 976)
Trade and other payables	**(331 863)**	(272 578)
Provision for rehabilitation	**(9 365)**	(13 890)
Bank overdraft	**(17 098)**	(15 781)
Taxation payable	**(13 486)**	(27 585)
Other financial liabilities	**(1 019)**	–
Instalment sale agreements	**(2 355)**	(2 856)
Interest-bearing debt – short term	**(254 121)**	(215 286)
	–	–
Net asset value per share (cents)	**196**	171
Tangible net asset value per share (cents)	**168**	128

Consolidated statement of changes in equity
for the year ended 31 March 2017

Attributable to the owners of the parent	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
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	**286 781**	**–**	**–**	**286 781**
Total comprehensive income for the period	**–**	**–**	**30 200**	**30 200**
Dividends declared	**–**	**–**	**(19 108)**	**(19 108)**
Employee share option scheme	**285**	**1 413**	**–**	**1 698**
Balance at 31 March 2017	**500 222**	**8 676**	**175 734**	**684 632**

Consolidated statement of cash flows
for the year ended 31 March 2017

	2017 R'000	2016 R'000
Cash flows from operating activities	**187 041**	207 731
Cash generated from operations	**253 515**	239 590
Finance income	**5 621**	1 004
Finance costs	**(25 948)**	(19 701)
Income tax paid	**(46 147)**	(13 162)
Cash flows from investing activities	**(437 755)**	(176 061)
Purchase of property, plant and equipment	**(98 924)**	(169 644)
Proceeds from sale of property, plant and equipment	**7 243**	1 023
Rehabilitation	**11 759**	–
Transfer to Restricted cash	**(350 393)**	–
Purchase of financial assets	**(7 440)**	(7 440)
Cash flows from financing activities	**232 629**	43 578
Movements in interest-bearing borrowings	**77 999**	(8 113)
Dividends paid	**(19 108)**	–
Shares/right issued	**173 738**	51 691
Net (decrease)/increase in cash and cash equivalents	**(18 085)**	75 248
Cash and cash equivalents at beginning of year	**85 398**	10 150
Cash and cash equivalents at end of year	**67 313**	85 398

Segmental analysis

	Trading R'000	Mining R'000	Other R'000	Total R'000
For the year ended 31 March 2017				
Total segment revenue	**1 094 265**	**1 113 845**	**(90 090)**	**2 118 020**
Inter-segment revenue	**–**	**(90 444)**	**90 444**	**–**
External revenues	**1 094 265**	**1 023 401**	**354**	**2 118 020**
EBITDA	**39 734**	**249 265**	**(85 481)**	**203 518**
Operating profit/(loss)	**29 977**	**179 032**	**(86 265)**	**122 744**
For the year ended 31 March 2016				
Total segment revenue	988 183	627 185	(25 498)	(1 589 870)
Inter-segment revenue	–	(26 033)	26 033	–
External revenues	988 183	601 152	535	(1 589 870)
EBITDA	31 904	124 686	(4 483)	152 107
Operating profit/(loss)	19 153	88 117	(6 347)	100 923

CHIEF EXECUTIVE OFFICER'S REPORT

Milestone achievements realised on a solid platform

The results of our capital allocation programme are evident at the Elandspruit operations which have matured into the stable, predictable flagship operation originally contemplated. Production from the Elandspruit Mine has consistently averaged more than 200ktpm during FY17. Intibane is averaging 75 ktpm and with all regulatory consents now in place Khanyisa is expected to contribute 290kt during the first half of FY18.

The Trading division has benefited from a concerted optimisation and well-executed right-sizing exercise.

We achieved significant successes in securing multiple coal supply contracts during FY17, including a much anticipated coal supply agreement with Eskom which will see the delivery of some 7.8 million tons of coal over a five-year period. New business development ventures have seen us secure increased revenues from other domestic and export customers. Our business is no longer focused on a single commodity and single client. We have grown into a multifaceted Group with a presence in the domestic and international thermal coal markets, as well as coal logistics infrastructure. We see opportunities to further diversify and grow revenue streams in FY18.

Acquisition of Keaton offers the benefits of consolidation, alignment of infrastructure, regional synergies and also offers opportunities to expand existing markets and enter new ones. Once concluded, it will result in an enlarged business with coal resources in excess of 150mt, four operating mines and two processing plants.

During April 2017, regulatory approvals were obtained allowing Wescoal to consummate a joint venture at the Khanyisa Complex. The joint venture company, which is 35% owned by Wescoal, owns resources contiguous to existing wholly-owned Wescoal resources. The transaction secures additional resources next to Wescoal's Khanyisa Mine and also unlocks operational synergies in the area.

Our transformation agenda was spearheaded by the implementation of a BEE transaction which not only guaranteed black shareholding of more than 50% for the next five years, but also injected about R176 million new equity.

Some R1.9 million has been allocated to enterprise development. The company has also made an investment of approximately R5.6 million in local economic development initiatives aligned with the needs of our host communities. In the period under review the company undertook Corporate Social Investment initiatives ranging from community upliftment projects to renovation of primary school facilities within host communities.

I am excited and optimistic about Wescoal's future. We have a solid operational platform, blossoming track record of repeatable financial outcomes, de-risked business model and excellent growth options, all overseen by a highly skilled and motivated management team.

CHIEF FINANCIAL OFFICER'S REVIEW

Introduction

The year under review has seen the company achieve milestones which are significant from a financial point of view.

- The execution of key long-term supply contracts allowed us to translate strong operational performance into consistent and predictable financial performance.
- Our BEE transaction secured our supply contract with Eskom while providing fresh equity funding into the business.
- The predictable financial performance and the equity injection provide a platform for us to further strengthen our balance sheet and advance discussions to secure long-term debt funding.
- All the above allows us to now focus on our strategic growth path starting with the close out of the Keaton acquisition transaction and the successful integration of the two businesses.

Profitability

The strong operational performance in our mining division underpinned by our flagship Elandspruit Colliery at steady state and the consistent performance from our trading division has seen group revenue increase by 33% from R1.59 billion in 2016 to R2.12 billion in 2017.

Gross profit margins for the group have improved from 15.8% in 2016 to 17.4% in 2017 as the mining division benefited from improved unit costs on the back of increased production while the trading division's rationalisation resulted in better margins.

RESOURCE AND RESERVE SUMMARY

The resource and reserve summary is an extract of the SAMREC compliant, competent person's report as compiled by Leonardt Raaths as Lead CP (BTech Mining degree from UJ, a BSc in Operations Research from Unisa and an MBL from Unisa SBL) registered with SAIMM (registration number 702015).

The totals for FY17 exclude specific restricted environmental sensitive areas, servitudes and areas subject to further project work.

- 98% of FY17 Coal Resources are classified as Measured
- 96% of FY17 Coal Reserves are in the Proved category
- 15% of FY17 Resources are underground (8% of Reserves)
- MTIS-Mineable Tons in Situ (Resource Air Dried Basis)
- ROM-Run of Mine Tons (Reserve As Received Basis)
- All tonnages expressed in Millions of Tons

	FY17 Reserve (ROM AR)	FY17 Resource (MTIS AD)	FY16 Resource (MTIS AD)
Khanyisa Complex*	**5.8**	**8.0**	11.3
Intibane Complex	**1.9**	**2.1**	2.6
Elandspruit	**21.3**	**21.5**	33.1
Total	**28.9**	**31.6**	47.0
Wescoal Attributable	**25.9**	**27.2**	40.5

Khanyisa includes Triangle area to which Wescoal has 35% interest.

SALES AND PRODUCTION PERFORMANCE

		FY17	FY16	FY15
Wescoal Mining Sales	kt	**2 917**	1 734	1 731
Wescoal Trading Sales	kt	**1 120**	1 057	1 153
Wescoal Mining Production	kt	**3 371**	1 851	1 519

EBITDA for the group was impacted by non-recurring costs relating to a non-cash BEE discount of R82 million as a result of our BEE transaction (being the difference between the market value of the BEE subscription shares and the BEE proceeds) as well as Keaton acquisition transaction expenses of R8.5 million incurred in the year under review. Excluding the impact of these non-recurring costs EBITDA for the group at R294 million, was 94% above that of 2016.

Headline earnings per ordinary share of 11c for year ended 31 March 2017 reflect the impact on earnings of the non-cash BEE discount of 32c, the dilution impact of the BEE transaction's increase in the number of issues shares of 7c as well the one-off Keaton acquisition transaction costs of 3c. Therefore, headline earnings per ordinary share before the impact of non-recurring costs and the BEE share dilution amounted to 53c for the year.

Cash generation

Cash generated from operations increased from R240 million in 2016 to R254 million in 2017 on the back of improved profitability. The cash generated from operations was largely applied to fund capital expenditure (R99 million), towards higher tax payments on increasing profits (R46 million), to reward shareholders with dividends (R19 million) and alongside drawn debt facilities and BEE transaction proceeds to fund the cash portion of the Keaton acquisition. At 31 March 2017, R350 million had been set aside for this acquisition.

Total cash at 31 March 2017 (including an amount of R350 million set aside for the cash portion of the Keaton acquisition) amounted to R435 million while net cash after deducting bank overdraft and drawn debt facilities amounted to R103 million compared to a net debt position of R148 million at 31 March 2016.

Capital expenditure

Capital expenditure for the year amounted to R113 million (excl. rehab asset). At Elandspruit the main components of spend were the construction of the D20 road and pollution control dam as well as the purchase of an adjacent mining void for improved access to our reserves. While at Intibane we purchased an XRT machine for improved processing.

Capital structure

The group improved its balance sheet strength through the BEE transaction which was completed in December 2016 injecting R176 million of fresh equity into the business and locking in BEE equity ownership of 58.93%.

Dividends

Wescoal in considering the Company's financial position and strong annual performance, has agreed to distribute R12 million to shareholders as a dividend for the period. The full dividend declaration will be announced on SENS in due course.

BASIS OF PREPARATION

The condensed consolidated financial information for the year ended 31 March 2017 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 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 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

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

By order of the board

MR Ramaite
Chairman

W Sulaiman
Chief Executive Officer

(28 June 2017)

Corporate information
Non-executive chairman: MR Ramaite **Lead independent non-executive director:** DMT van Gaalen **Non-executive independent directors:** MH Mathe, KM Maroga **Non-executive director:** JG Pansegrouw **Executive directors:** W Sulaiman, B Mazarura, T Tshithavhane **Registration number:** 2005/006913/06
Registered address: 1st Floor, Building 10, 142 Western Service Road, Woodmead **Postal address:** PO Box 1962, Edenvale, 1610 **Company secretary:** Vikesh Dhanooklal **Telephone:** 011 049 8611, **Facsimile:** 011 570 5848 **Transfer secretaries:** Computershare Investor Services Proprietary Limited
Sponsor: Nedbank Corporate and Investment Banking **Website:** www.wescoal.com