

Financial and other highlights

- **Revenue**
 up 69,5% to R1,1 billion
 (2013: R676,9 million)
- **Operational EBITDA**
 up 123,6% to R101,2 million
 (2013: R45,3 million)
- **Dividend**
 of 3,8 cents per share
 (2013: 3,0 cents per share)
- **Successful integration**
 of MacPhail Distributors
 ("MacPhail")
- **HEPS**
 up 28,7% to 15,7 cents
 (2013: 12,2 cents)
- **Cash reserves**
 up 143,3% to R52,0 million
 (2013: R21,4 million)
- **Commissioning**
 of Intibane Colliery
- **Finalisation**
 of Elandspruit acquisition



WESCOAL

Reviewed condensed consolidated results For the year ended 31 March 2014

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

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The reviewed results for the year ended 31 March 2014 with comparative audited results for the year ended 31 March 2013 are presented.

Condensed consolidated statement of comprehensive income		
	Reviewed results for the year ended 31 March 2014 R'000	Audited results for the year ended 31 March 2013 R'000
Revenue	1 147 444	676 927
Cost of sales	(1 021 915)	(604 253)
Gross Profit	125 529	72 674
Other (expenses)/income	(1 174)	3 883
Profit on sale of mineral assets	75 773	–
Operating expenses	(81 259)	(48 849)
Operating profit	118 869	27 708
Finance income	265	695
Finance costs	(9 615)	(3 358)
Profit before taxation	109 519	25 045
Taxation	(22 839)	(5 338)
Profit for the year	86 680	19 707
Other comprehensive income	–	–
Total comprehensive income	86 680	19 707
Attributable to:		
Owners of the parent	69 764	19 707
Non-controlling interest	16 916	–
Profit for the year	86 680	19 707
Headline earnings reconciliation:		
Net profit for the year	86 680	19 707
– Profit on sale of mineral assets	(61 521)	–
– Loss/(profit) on the sale of assets	1 491	(388)
Headline earnings for the year	26 650	19 319
Ordinary shares in issue (000's)		
– Total at period end (Note 1)	184 771	157 931
– Weighted average shares in issue	170 067	157 931
– Fully diluted weighted average shares in issue (Note 2)	173 484	158 312
Basic earnings per ordinary share (cents):	41,0	12,5
Fully diluted basic earnings per ordinary share (cents):	40,2	12,4
Headline earnings per ordinary share (cents):	15,7	12,2
Fully diluted headline earnings per ordinary share (cents):	15,4	12,2

Note:
 (1) Excludes shares held by the share incentive trust.
 (2) Fully diluted earnings per share information as reflected shows the potential effect of dilution for 11,52 million (2013: 14,97 million) options held in terms of the share incentive trust by the directors and employees of the Wescoal Holdings group.

Condensed consolidated statement of financial position		
	Reviewed results for the year ended 31 March 2014 R'000	Audited results for the year ended 31 March 2013 R'000
ASSETS		
Non-current assets	355 752	142 176
Property, plant and equipment	116 004	75 589
Investment property	709	709
Investments	6 664	2 293
Goodwill and intangible assets	111 722	50 655
Investment in associates	19 365	–
Mineral assets	101 118	9 211
Deferred taxation	170	3 719
Current assets	368 391	146 948
Inventories and work in progress	60 839	15 986
Trade and other receivables	255 389	109 592
Cash and cash equivalents	52 163	21 370
Total assets	724 143	289 124
EQUITY AND LIABILITIES		
Total Shareholders' funds	273 225	177 321
Stated capital	166 715	137 092
Retained earnings	103 627	39 050
Employee share option reserve	3 059	1 355
Non-controlling interest	(176)	(176)
Non-current liabilities	96 471	15 368
Interest bearing loans	57 113	1 124
Rehabilitation provision	24 282	14 188
Deferred tax	15 076	56
Current liabilities	354 447	96 435
Trade and other payables	220 211	87 619
Bank overdraft	176	–
Taxation payable	10 268	11
Interest bearing loans	123 792	8 805
Total equity and liabilities	724 143	289 124
Net asset value per share (cents)	147,87	112,28
Tangible net asset value per share (cents) (Note 3)	87,41	80,20

Note:
 (3) Regulatory approved mineral rights are classified as tangible assets and included in the tangible net asset value per share calculation. The comparative figures have been adjusted accordingly.

Condensed consolidated statement of changes in equity						
	Stated capital R'000	Retained earnings R'000	Employee share option reserve R'000	Total R'000	Non-controlling interests	Total equity
Attributable to owners of the parent						
Balance as at 31 March 2012	137 092	19 343	803	157 238	(176)	157 062
Share based payment reserve	–	–	552	552	–	552
Profit for the year	–	19 707	–	19 707	–	19 707
Balance as at 31 March 2013	137 092	39 050	1 355	177 497	(176)	177 321
Shares issued	29 623	–	–	29 623	–	29 623
Share based payment reserve	–	–	1 704	1 704	–	1 704
Dividends paid	–	(5 187)	–	(5 187)	(16 916)	(22 103)
Profit for the year	–	69 764	–	69 764	16 916	86 680
Balance as at 31 March 2014	166 715	103 627	3 059	273 401	(176)	273 225

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, P Janse van Rensburg
 Registration number: 2005/006913/06
 Registered address: Corner of Gewel and Hulley Road, Isando, 1600

Condensed consolidated statement of cash flows		
	Reviewed results for the year ended 31 March 2014 R'000	Audited results for the year ended 31 March 2013 R'000
Cash flows from operating activities	29 810	35 654
Cash generated in operations	47 134	38 456
Finance income	265	696
Finance costs	(7 715)	(3 358)
Income tax paid	(4 687)	(140)
Dividends paid	(5 187)	–
Cash flows from investing activities	(175 426)	(24 992)
Purchase of property, plant and equipment and mineral assets	(103 542)	(24 890)
Sale of property, plant and equipment	8 049	863
Purchase of business	(70 784)	–
Purchase of investment in associate	(5 000)	–
Purchase of financial assets	(4 149)	(965)
Cash flows from financing activities	176 233	(9 205)
Movements in interest bearing loans	170 975	(9 205)
Shares issued	5 258	–
Net increase in cash and cash equivalents	30 617	1 457
Cash and cash equivalents at beginning of year	21 370	19 913
Cash and cash equivalents at end of year	51 987	21 370

Operations, market and financial review

These results depict a solid financial performance despite some challenges which arose in the second half of the financial year including reduced take off from Eskom and the integration of MacPhail into the trading division. Highlights included the finalisation of both the Elandspruit transaction with Glencore Xstrata and the transaction with Genet to acquire the business of MacPhail, the award of a Quattro export allocation and the securing of a R180 million debt facility from Investec.

Group revenues exceed the billion rand mark for the first time at R1,15 billion (2013: R676,9 million), operational EBITDA of R101,2 million (2013: R45,3 million) and headline earnings of R26,7 million (2013: R19,3 million) an increase in headline earnings of 37,9%. Operating profit of R118,9 million (2013: R75,8 million) includes R75,8 million profit on the sale of the Vlaklaagte mineral asset to Glencore Xstrata.

Mining division

The commissioning of the Intibane Colliery in June 2013 contributed significantly to the results from the division producing 1,03 million tons of the 1,92 million tons of total production. Due to Eskom operational reasons, Khanyisa colliery delivered significantly less coal to the utility during the second half of the year affecting the profitability of the colliery. Subsequent to the reporting period the situation has normalised at Khanyisa. Intibane did not experience a similar situation.

Mining revenues are R556,2 million (2013: R318,4 million), EBITDA of R103,7 million (2013: R50,7 million) and profit from operations of R52,3 million (2013: R34,7 million). Operating costs are however excessive and require renewed focus to bring in line with budgets.

Trading division

Immense effort and focus was placed on the successful integration of MacPhail into the trading division and the physical integration was completed in January 2014 with the Chandler Coal and Wescoal Holdings offices relocating to Isando. Synergy savings that are flowing through, together with the combined businesses, will prove to be a significant contributor to group results going forward.

Trading revenues are significantly higher at R591,2 million (2013: R358,6 million), EBITDA of R9,3 million (2013: R6,1 million) and profit from operations marginally up at R4,7 million (2012: R4,2 million). Benefits accrued from the four months trading incorporating the MacPhail acquisition were eroded by once off restructuring costs of R8 million.

Financial overview

Revenue from all operations which includes coal mining, processing and trading reflected an increase of 69,5% to R1,15 billion from the comparative financial period and it is especially pleasing that the group achieved annual revenues in excess of R1 billion for the first time. Revenue from the trading division increased by 64,9% however when excluding the MacPhail trading revenue for the period December 2013 to March 2014, revenues are only marginally up by 8,5%. Revenue from the mining division increased by 74,7% to R556,2 million and the division continued to perform exceptionally well despite reduced Eskom take off from the Khanyisa operation during the 4th quarter.

Gross profit of R125,5 million is an increase of 72,7% on the comparative financial period mainly due to the increase in revenue. Margins remained relatively static at 10,9% however operating costs increased by 66,4% to R81,3 million due primarily to the establishment of the Intibane Colliery and the incorporation of the MacPhail acquisition for four months. Restructuring costs, the relocation of the Wescoal offices from Krugersdorp to Isando and inflationary factors further contributed to the increase.

Group operational EBITDA of R101,2 million is especially pleasing and is a 123,6% increase on the comparative period. Operating profit, excluding the once off profit on the sale of mineral rights, increased by 55,5%. Finance costs showed nearly a threefold increase due to the financing of the MacPhail acquisition, mining infrastructure at Intibane Colliery and working capital requirements.

Profit after tax of R86,6 million includes the R61,5 million once off profit on the sale of mineral rights. Headline earnings and headline earnings per share are respectively 37,9% and 28,7% up on the comparative period and HEPS has shown the effect of the shares issued for Wescoal Mining acquiring 30% of the total issued share capital of Proudfrique from Minoscape.

The group's financial position strengthened during the financial period with total shareholders' funds increasing by 54,1% to R273,2 million, the net asset value per share and net tangible asset value per share increased by 31,7% and 9,0% respectively. The debt equity ratio increased to 66,2% (2013: 5,5%) due to the MacPhail acquisition, the cash portion for the acquisitions of the Elandspruit reserve and Proudfrique shares and the mining infrastructure at the Intibane Colliery.

Acquisition of remaining 40% shareholding in Wescoal Exploration

Wescoal owns 60% of Wescoal Exploration Proprietary Limited ("Wescoal Exploration") via its wholly-owned subsidiary Wescoal Mining Proprietary Limited ("Wescoal Mining"). The remaining 40% is held by Proudfrique Trading 147 Proprietary Limited ("Proudfrique").

An opportunity arose for Wescoal Mining to acquire all the issued shares of Proudfrique from Minoscape Proprietary Limited ("Minoscape"), thereby indirectly acquiring the remaining 40% shareholding in Wescoal Exploration.

On 26 November 2013 Wescoal Mining acquired 30% of the total issued share capital of Proudfrique from Minoscape for R18 million.

A circular was issued to Wescoal shareholders on 9 June 2014 in respect of the acquisition by Wescoal Mining of the remaining 70% of the total issued share capital of Proudfrique from Minoscape for R25,6 million and a royalty fee of R3,50 per ton of saleable coal mined at the Elandspruit Mining area. The circular contained a notice of meeting to take place on 14 July 2014, at which shareholders will be requested to approve the transaction.

Prospects

There is a probability that both Khanyisa and Intibane life of mine can be extended into 2017 by acquiring adjacent mineral rights with far reaching effect on results going forward.

The Elandspruit transaction with Glencore Xstrata became unconditional on 2 August 2013 and management is progressing the required environmental authorisations in terms of the National Environmental Management Act, National Water Act, National Environmental Management: Waste Act and National Heritage Resources Act. Wescoal has commenced negotiations with surface right owners and has concluded the majority of the agreements to acquire these surface rights. These processes are expected to be complete during the latter half of 2014 following which the commissioning of the Elandspruit mine will commence with production expected to attain 200 000 tons per month by the last quarter of 2015.

The Board has approved future capex of R170 million for the commissioning of the Elandspruit Colliery including the acquisition of an existing plant, mine operational infrastructure, surface rights and production start up costs.

Further synergy savings and margin enhancement initiatives are expected from the trading division that will have a positive effect on the group as a whole

Major coal producers are reviewing mineral assets on an on-going basis and will dispose of non-core operations. This could potentially bring opportunity for Wescoal to further enhance its asset base and sustainability.

Segment analysis

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

Statement of comprehensive income	31 March 2014			
	Trading R'000	Mining R'000	Other R'000	Total R'000
Total segment revenue	591 199	556 246	116 445	1 263 890
Inter-segment revenue	–	–	(116 445)	(116 445)
External revenues	591 199	556 246	–	1 147 445
Profit from operations	4 687	52 387	(11 906)	45 168
Operational EBITDA	9 289	103 783	(11 779)	101 293

Statement of comprehensive income	31 March 2013			
	Trading R'000	Mining R'000	Other R'000	Total R'000
Total segment revenue	358 580	318 347	54 705	731 632
Inter-segment revenue	–	–	(54 705)	(54 705)
External revenues	358 580	318 347	–	676 927
Profit from operations	4 166	34 691	(11 688)	27 169
Operational EBITDA	6 110	50 762	(11 566)	45 306

Notes:

(4) Profit from operations excludes profit or losses on the sale of property, plant, equipment, mineral assets, finance income and finance costs.
 (5) 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 dated 20 June 2014 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
 • Verbylden Prospect (Mining Right number MP30/1/1/2/10036MR) covering the entire farm Verbylden 387 IS, excluding portions 18 and 35.

The water use licenses for Khanyisa Colliery (WUL 04/B20F/ABGJ/1507) and Intibane Colliery (WUL 04/B20E/AGJ/2149) have been reviewed. A water use license 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	Resources		ROM (2)
			Reconnaissance	MTIS (1)	
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	4LSeam	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	4L Seam	40.17	–	36.15	34.35
Silverbank	2 Seam	281.00	67.45	–	–
	1 Seam	54.30	13.03	–	–
Verbylden	1 Seam	–	–	37.75	35.67
Total		377.44	80.48	–	–

Notes:

OC – Opencast; UG – Underground; PP – Pillar Project

Note (1) + (2) – Indicative Calculations

Black Economic Empowerment

Waterberg Portion Property Investments Proprietary Limited ("WPP"), headed by Mr. Robinson Ramaite and other BEE shareholders hold 35,7% 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