

WESCOAL HOLDINGS LIMITED

Incorporated in the Republic of South Africa

(Registration number 2005/006913/06)

Share code: WSL

ISIN: ZAE000069639

("Wescoal" or "the Company")

**UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2015**

FINANCIAL AND OTHER SALIENT FEATURES

- Elandspruit mine operational and proven expected production capacity and quality as anticipated.
- Trading division' operating EBITDA at R28,2 million is an increase of 39,8%.
- Total Revenue down 15,6% or R139,7 million to R758,1 million (2014: R897,8 million).
- HEPS down 66,4% to 5,1 cents (2014: 15,2 cents)
- Operational EBITDA down 54,1% to R38,7 million (2014: R84,3 million)
- No interim dividend declared

Waheed Sulaiman, Acting CEO of Wescoal said: "Our trading division performed well but earnings overall were negatively impacted by several factors, including domestic trading conditions which remain challenging. We are pleased with progress at Elandspruit which has to date been funded from internally generated cash flows. The recently announced rights issue will allow Wescoal to be better positioned to conclude this project, take advantage of other growth opportunities and to rebalance our internal cash flows."

The unaudited interim results for the six months ended 30 September 2015 ("the Period"), with comparative unaudited results for the six months ended 30 September 2014 ("the Prior Period") and the audited results for the year ended 31 March 2015 are presented below.

Condensed consolidated statement of comprehensive income

30 September 2015

	Unaudited interim results for the six months ended 30 September 2015 (R'000)	Unaudited interim results for the six months ended 30 September 2014 (R'000)	Audited results for the year ended 31 March 2015 (R'000)
TURNOVER	758 138	897 791	1 674 372
COST OF SALES	(660 838)	(777 435)	(1 454 728)
GROSS PROFIT	97 300	120 356	219 644
OTHER INCOME	672	412	1 557
PROFIT ON SALE OF ASSETS	682	64	696
OPERATING COSTS	(80 103)	(72 418)	(175 660)
OPERATING PROFIT	18 551	48 414	46 237
INTEREST RECEIVED	691	1 470	1 588
INTEREST PAID	(7 978)	(9 927)	(10 742)
NET PROFIT BEFORE TAXATION	11 264	39 957	37 084
TAXATION	(1 478)	(11 892)	(8 130)
NET PROFIT FOR THE PERIOD	9 786	28 065	28 954
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME	9 786	28 065	28 954
Attributable to:			
Owners of the parent	9 786	28 065	28 954
Non-controlling interest	-	0	0
	9 786	28 065	28 954
Headline Earnings reconciliation			
Net Profit for the year	9 786	28 065	28 954
Profit on sale of assets	(491)	(64)	(696)
Headline earnings for the year	9 295	28 001	28 258
Ordinary shares in issue (R'000)			
Total at period end	183 571	183 571	183 571
Weighted average shares in issue	183 571	184 287	183 929.0
Fully diluted weighted average shares in issue	185 770	186 443	185 809.6
Basic earnings per ordinary share (cents)	5.3	15.2	15.7
Fully diluted basic earnings per ordinary share	5.3	15.1	15.6
Headline earnings per ordinary share (cents)	5.1	15.2	15.4
Fully diluted headline earnings per ordinary share (cents)	5.0	15.0	15.2
EBITDA reconciliation			
Operating profit	18 551	48 414	46 238
Depreciation – included in Cost of sales	14 398	29 733	46 276
Depreciation and amortisation – included in Operating expenses	6 412	6 208	15 224
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	39 361	84 356	107 738
(Profit) / Loss on sale of assets	(682)	(64)	(696)
Operational EBITDA	38 679	84 292	107 042

Condensed consolidated statement of financial position
30 September 2015

	Unaudited interim results for the six months ended 30 September 2015 (R'000)	Unaudited interim results for the six months ended 30 September 2014 (R'000)	Audited results for the year ended 31 March 2015 (R'000)
ASSETS	952 044	783 654	823 243
NON-CURRENT ASSETS	615 189	386 204	474 673
Property, plant and equipment	458 531	253 958	324 740
Investment Property	709	709	709
Investments	17 602	9 714	14 218
Goodwill and intangible assets	100 435	107 882	104 539
Other receivables	12 837	13 772	12 909
Deferred taxation	25 075	169	17 558
CURRENT ASSETS	336 855	397 450	348 570
Inventories and work in progress	73 007	65 662	82 852
Trade and other receivables	211 126	237 088	238 741
Cash and cash equivalents	52 722	94 700	26 977
EQUITY AND LIABILITIES	(952 044)	(783 654)	(823 243)
CAPITAL AND RESERVES	(290 419)	(288 823)	(279 821)
Share Capital	(161 465)	(161 338)	(161 465)
Share Based Payment Reserve	(6 254)	(3 809)	(5 479)
Minority Interest	-	-	0
Opening Balance Retained Income	(112 877)	(103 627)	(91 477)
(Retained income)/Accumulated loss	(9 823)	(20 049)	(21 400)
NON - CURRENT LIABILITIES	(90 685)	(97 337)	(97 137)
Interest bearing debt - long-term	(32 906)	(42 418)	(50 837)
Instalment sale agreements	(3 940)	(2 505)	(2 636)
Deferred Tax	(7 154)	(27 815)	(5 101)
Provision for Rehabilitation	(46 685)	(24 599)	(38 563)
CURRENT LIABILITIES	(570 940)	(397 494)	(446 285)
Trade and other payables	(271 126)	(209 458)	(218 947)
Bank overdraft	(16 391)	(14 779)	(16 827)
Taxation payable	(43 731)	(13 232)	(39 899)
Instalment sale agreements	(4 035)	(1 682)	(2 718)
Interest bearing debt - short-term	(235 657)	(158 343)	(167 894)
	0	0	0
Net asset value per share (cents)	158.20	156.72	152.43
Tangible net asset value per share (cents)	103.49	98.57	95.48

Condensed consolidated statement of changes in equity
as at 30 September 2015

Attributable to the owners of the parent	Stated Capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 March 2014	166 715	3 059	91 515	261 289	(177)	261 113
Issue of shares	21 750	-	-	21 750	-	21 750
Repurchase of shares	(27 000)	-	-	(27 000)	-	(27 000)
Change in ownership	-	-	(177)	(177)	177	-
Total comprehensive income for the year	-	-	28 954	28 954	-	28 954
Dividends declared	-	-	(7 416)	(7 416)	-	(7 416)
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
Shares issued	-	-	-	-	-	-
Shares cancelled	-	-	-	-	-	-
Change in ownership	-	-	-	-	-	-
Total comprehensive income for the year	-	-	9 823	9 823	-	9 823
Dividends declared	-	-	-	-	-	-
Employees share option scheme	-	775	-	775	-	775
Balance at 30 September 2015	161 465	6 254	122 700	290 419	-	290 419

Condensed Consolidated statement of cash flows
30 September 2015

	Unaudited interim results for the six months ended 30 September 2015 (R'000)	Unaudited interim results for the six months ended 30 September 2014 (R'000)	Audited results for the year ended 31 March 2015 (R'000)
Cash flows from operating activities	118 697	73 881	76 097
Cash generated in operations	129 092	88 301	94 505
Finance income	691	1 470	1 588
Finance costs	(7 978)	(8 903)	(8 399)
Income Tax paid	(3 109)	852	(4 181)
Dividends paid	-	(7 839)	(7 416)
Cash flows from investing activities	(144 969)	(72 713)	(125 457)
Purchase of property, plant and equipment	(138 518)	(51 342)	(98 865)
Proceeds from sale of Property, plant and equipment	1 559	68	4 656
Purchase of business	-	-	(24 443)
Rehabilitation	(4 698)	-	-
Purchase of mineral assets	-	(17 526)	-
Purchase of financial assets	(3 312)	(3 913)	(6 805)
Cash flows from financing activities	52 454	26 766	7 523
Movements in interest bearing	52 454	24 043	4 673
Shares issued	-	2 723	2 850
Net increase in cash and cash equivalents	26 182	27 934	(41 837)
Cash and cash equivalents at beginning of period	10 150	51 987	51 987
Cash and cash equivalents at end of period	36 331	79 921	10 150

Operations and market review

Local and global market conditions remain volatile and challenging. The global mining industry has experienced significant value erosion over the past 12 months, and global thermal coal prices specifically are at multi-year lows. Pricing pressures, power constraints, labour related disruptions, challenges in the construction sectors and high household debt levels, among others, have impacted on conditions in the South African business environment.

Mining division

The Elandspruit project was commissioned during the second quarter of the Period. Run of Mine ("ROM") from Elandspruit mine was effectively processed at the nearby processing plant and the beneficiated product sold to end users. Overall the Elandspruit project is on track and has already demonstrated its ability to generate approximately 2 million tons of ROM per annum on an annualised basis. Debottlenecking and optimisation projects at the Elandspruit mine and processing plant continue in order to increase production capacity and reduce operational risk. Focus is on water management systems and improving road networks in the mining area to reduce operational risk.

The mining division revenue of R238,3 million (2014: R297,9 million) was negatively impacted by delays in concluding long term Eskom contracts and lower short term Eskom contracted sales. Eskom sales totalled approximately 362 000 tons during the Period compared to 906 000 tons during the Prior Period. Total coal sales from the mining division was approximately 698 000 tons during the Period (2014: 934 000 tons).

Gross profit in the mining division was R35,1 million (2014: R56,3 million). The mining division is undergoing an expansion phase as resources to operate the Elandspruit mine and processing plant are put in place. Increased operational expenses flowing from this have been offset by streamlining activities at Intibane and Khanyisa collieries, cost saving initiatives and optimisation projects resulting in mining costs reducing by 50% compared to the Prior Period.

Wescoal regards the safety of employees and duty of care to the environment and host communities as part of its key responsibilities and operational imperatives. Relevant safety controls and related compliance monitoring have been expanded at the operations. No major deviations were identified during the compliance audits at Khanyisa and Intibane. One lost time injury was recorded during the Period. The lost time injury frequency continued to trend downward during the Period and is better than the industry norm. The division's social and labour programmes are being reviewed in consultation with stakeholders to ensure they meet the needs of our host communities.

In line with its drive to ensure a sustainable business model, Wescoal is committed to minimising the negative impact of mining activities. In pursuit of this, R4,7 million was spend on rehabilitation activities to meet licensing conditions and to manage environmental impacts. In addition, the rehabilitation provision was increased by R12,8 million, for future rehabilitation of Elandspruit.

Trading division

Wescoal's trading division exceeded expectations in a difficult business environment delivering a very strong first half performance. Operating EBITDA at R28,2 million is an increase of 39,8% over the Prior Period. The division's national footprint continues to be a key differentiator and source of value. The close working relationship with the mining division also creates operational flexibility and optionality.

Sales from the trading division totalled 550 000 tons during the Period (2014: 626 000 tons). The 12,1% reduction is mainly attributable to a more conservative credit policy and the prevailing business environment. Bad debts reduced from R1,8 million to R1,2 million, mainly as a result of the improved credit controls and active debtor management.

Gross margins decreased 3,3% to R62,0 million (2014: R64,1 million) as a result of a downward price pressures which were partially compensated for by cost saving and productivity initiatives. Cost saving of 19,9% were achieved through reducing expenditure on non-income generating activities and better utilisation of existing resources.

Financial overview

Revenue from all operations which includes coal mining, processing and trading reflected a decrease of 15,6% to R758,1 million during the Period (2014: R897,8 million) and gross profit of R97,3 million (2014: R120,4 million). Margins reduced to 12,8% from 13,4%, a consequence of reduced Eskom sales and challenging trading conditions which were partially offset by cost savings and productivity initiatives.

Profit from operations totalled R18,6 million compared to R48,4 million during the Prior Period. Basic earnings and Headline earnings per ordinary share decreased by 65,1% and 66,4% respectively compared to the Prior Period.

Operational assets and mining production capacity virtually doubled with addition of Elandspruit mine. The total capital investment of R138,5 million during the Period was funded internally from operating cash flows. This strategy has to date enabled the development of the project without long term debt funding or equity injection. However, the internally funded growth impacted the Group's financial position and the debt equity ratio has increased to 100,9% (2014: 76,1%). Alternative capital sources are required for continued development of Elandspruit, to facilitate the realisation of additional growth opportunities at the Group's disposal and to improve Wescoal's gearing level. The recently announced rights issue, as well as ongoing efforts to raise additional funding are instrumental in assisting with this objective.

Prospects

Wescoal is in the final stages of its stated strategy to bed down the Elandspruit project before embarking on additional major projects. The management team is cognisant of the volatile business environment and believes it is appropriate to consider future projects conservatively and with care.

Wescoal is assessing a number of organic and inorganic growth opportunities. Some of these focus on augmenting the Intibane and Khanyisa resource bases and others on potentially creating a new mining complex. Debottlenecking projects at the processing plant will ultimately increase the throughput capacity of the plant and reduce operating costs. The last phase of the Elandspruit project includes initiatives to reduce operational risk by optimising and upgrading water management and road network systems – these are considered important given the coming rainy season.

The challenging environment, specifically in the local coal sector, present opportunities for corporate activity. Consolidation in the junior coal sector is part of the natural evolution of the sector and Wescoal sees itself as a significant participant in this process.

While the overall results for the Period are somewhat disappointing, they are understandable in the context of the broader economic climate and delays in concluding Eskom contracts. Earnings per share attributable to the Period (5,3 cents) represents an increase of 960% compared to the 0,50 cents per share attributable to the immediately preceding six month period between 1 October 2014

and 31 March 2015 (15,7 cents per share for full year to 31 March 2015 less 15,2 cents per share for the period ranging from 1 April 2014 to 30 September 2014). Earnings per share attributable to the month of September 2015 was 2,50 cents per share, mainly on the back of the Elandspruit Eskom contract.

Segmental Analysis

30 September 2015

Statement of Comprehensive Income	Trading (R'000)	Mining (R'000)	Other (R'000)	Total (R'000)
30 September 2015				
Total segment revenue	533 060	238 348	958	772 367
Inter-segment revenue	-	13 530	698	14 228
External revenues	533 060	224 818	260	758 138
Profit from operations	21 795	(2 619)	(1 306)	17 869
Operational EBITDA	28 156	11 741	(1 219)	38 679
30 September 2014				
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	14 018	38 095	(3 763)	48 350
Operational EBITDA	20 139	67 828	(3 676)	84 292

Resources and reserves statement

The most recent Competent Persons Report, issued by DS Coetzee (PhD Geology, Pr. Sci. Nat.: 400136/00) in compliance with SAMREC was published in full on the Wescoal website during September 2015 and we confirm that with release of our Interim results there are no changes to the report.

The report covers the new order mining rights 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 Rights MP 30/5/1/1/2/483 MR & MP 30/5/1/1/2/476 MR) covering portion 2 & 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 the Khanyisa and Intibane collieries are in the process of being renewed. The water use license for Elandspruit Colliery was granted during March 2015.

Dividends

No dividends have been declared for the Period.

Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2015 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 2015. This report was compiled under the supervision of the Acting Financial Director, Izak van der Walt 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 2015, 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 unaudited condensed consolidated interim financial results have been prepared on a going-concern basis.

Further inquiries may be directed via investor relations contact, Jaques de Bie (082 691 5384).

By order of the Board

Wescoal Holdings Limited

21 October 2015

Sponsor

Nedbank CIB