WESCOAL

REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended 30 September 2017

"The past six months have been productive and encouraging in some tough operating conditions. We concluded the Keaton Energy acquisition and continue to bed that down. Our recently secured long-term debt facility and stronger cash flows position us to take advantage of internal and external growth opportunities. We are on track to meet our medium-term objective of eight million ROM tonnes per annum".

Waheed Sulaiman
CEO Wescoal

CONCLUSION OF ACQUISITION OF KEATON ENERGY HOLDINGS LIMITED ("KEATON ENERGY")	**MINING ROM PRODUCTION UP 100% TO 3.132 mt**	**TOTAL RESOURCES INCREASED TO 318 mt**	**SECURED LONG-TERM DEBT FACILITY**	**REVENUE UP 55% TO R1.610 billion** (HY17: R1.039 billion)	**GROSS PROFIT UP 42% TO R267.1 million** (HY17: R188.0 million)	**TOTAL COMPREHENSIVE INCOME UP 41% TO R87.6 million** (HY17: R62.0 million)	**EPS 22.5 cps** DOWN 18% mainly due to an increase in shares issued for the BEE and Keaton Energy transactions of 125 million and 88 million, respectively	**EPS** (NORMALISED) **27.3 cps** excluding non-recurring costs and dilutive effect of additional shares in issue prior to acquisition	**DIVIDEND OF R14 million** EQUATING TO **3.1 cps**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

as at 30 September 2017

		Reviewed interim results for the six months ended 30 September 2017 (R'000)	Unaudited interim results for the six months ended 30 September 2016 (R'000)	Audited results for the year ended 31 March 2017 (R'000)
ASSETS		**2 732 795**	1 066 580	1 591 857
Non-current assets		**2 128 454**	625 893	818 273
Property, plant and equipment		**1 932 639**	504 108	641 198
Investment property		**709**	709	709
Investments		**26 050**	14 266	17 909
Goodwill and intangibles		**91 389**	92 387	95 989
Other financial assets		**64 756**	10 238	52 935
Deferred taxation		**12 911**	4 185	9 533
Current assets		**604 341**	437 364	773 584
Inventories and work in progress		**103 621**	72 159	56 861
Prepaid royalty		**1 275**	1 262	1 272
Trade and other receivables		**438 272**	259 291	280 647
Cash and cash equivalents		**61 173**	104 652	84 411
Restricted cash		**–**	–	350 393
Non-current assets held for sale		**–**	3 323	–
EQUITY AND LIABILITIES		**(2 732 795)**	(1 066 580)	(1 591 857)
Capital and reserves		**(951 677)**	(428 459)	(684 632)
Share capital		**(679 836)**	(213 441)	(500 222)
Share-based payment reserve		**(10 692)**	(7 498)	(8 676)
Minority interest		**(9 258)**	–	–
Retained income		**(251 891)**	(207 520)	(175 734)
Non-current liabilities		**(950 545)**	(166 037)	(277 918)
Interest-bearing debt – long-term		**(171 323)**	(75 554)	(60 553)
Instalment sale agreements		**(258)**	(1 485)	(552)
Deferred tax		**(351 508)**	(40 673)	(62 113)
Other financial liabilities		**(5 467)**	–	(6 494)
Provision for rehabilitation		**(421 989)**	(48 325)	(148 206)
Current liabilities		**(830 573)**	(472 084)	(629 307)
Trade and other payables		**(436 202)**	(296 776)	(331 863)
Provision for rehabilitation		**(9 260)**	(5 299)	(9 365)
Bank overdraft		**(15 702)**	(16 664)	(17 098)
Taxation payable		**(44 945)**	(23 762)	(13 486)
Other financial liabilities		**(1 019)**	–	(1 019)
Instalment sale agreements		**(1 644)**	(2 304)	(2 355)
Interest-bearing debt – short-term		**(321 801)**	(127 279)	(254 121)
Net asset value per share	(cents)	**216.37**	190.40	196.00
Tangible net asset value per share	(cents)	**195.60**	149.35	168.00

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

for the six months ended 30 September 2017

	Reviewed interim results for the six months ended 30 September 2017 (R'000)	Unaudited interim results for the six months ended 30 September 2016 (R'000)	Audited results for the year ended 31 March 2017 (R'000)
Cash flows from operating activities	**136 283**	78 870	187 041
Cash generated from operations	**206 111**	98 330	253 515
Net finance cost	**(25 700)**	(11 284)	(20 327)
Income tax paid	**(44 128)**	(8 176)	(46 147)
Cash flows from investing activities	**(63 553)**	(34 053)	(437 755)
Purchase of property, plant and equipment	**(37 075)**	(48 890)	(98 924)
Proceeds from sale of property, plant and equipment	**2 145**	6 366	7 243
Divestment of rehabilitation investment	**8 142**	–	11 759
Acquisition of subsidiary, net of cash acquired	**(375 799)**	–	–
(Transfer from)/transfer to restricted cash	**350 393**	–	(350 393)
(Purchase of)/proceeds from other financial assets	**(11 359)**	8 471	(7 440)
Cash flows from financing activities	**(94 572)**	(42 227)	232 629
Movement in interest-bearing borrowings	**(82 185)**	(32 960)	77 999
Dividends paid	**(12 000)**	(9 552)	(19 108)
Share issue cost	**(3 174)**	–	–
Shares/right issued	**2 787**	285	173 738
Net (decrease)/increase in cash and cash equivalents	**(21 842)**	2 590	(18 085)
Cash and cash equivalents at beginning of year	**67 313**	85 398	85 398
Cash and cash equivalents at end of year	**45 471**	87 988	67 313

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 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	Non-controlling interest R'000	Total equity R'000
Balance at 31 March 2016	213 156	7 263	164 642	385 061	–	385 061
General issue of shares	286 781	–	–	286 781	–	286 781
Total comprehensive income for the period	–	–	30 200	30 200	–	30 200
Dividends declared	–	–	(19 108)	(19 108)	–	(19 108)
Employee share option scheme	285	1 413	–	1 698	–	1 698
Balance at 31 March 2017	500 222	8 676	175 734	684 632	–	684 632
General issue of shares	179 614	–	–	179 614		179 614
Total comprehensive income for the period	–	–	88 157	88 157	(517)	87 640
Non-controlling interest on acquisition of subsidiary	–	–	–	–	9 775	9 775
Dividends declared	–	–	(12 000)	(12 000)	–	(12 000)
Employee share option scheme	–	2 016	–	2 016	–	2 016
Balance at 30 September 2017	**679 836**	**10 692**	**251 891**	**942 419**	**9 258**	**951 677**

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

for the six months ended 30 September 2017

		Reviewed interim results for the six months ended 30 September 2017 (R'000)	Unaudited interim results for the six months ended 30 September 2016 (R'000)	Audited results for the year ended 31 March 2017 (R'000)
Turnover		**1 610 120**	1 039 442	2 118 020
Cost of sales		**(1 343 025)**	(851 438)	(1 750 562)
Gross profit		**267 095**	188 004	367 458
Negative goodwill		**6 637**	–	–
Other income		**15 880**	1 509	3 845
Profit on sale of assets		**2 145**	456	933
Operating costs		**(130 897)**	(88 996)	(167 212)
BEE discount		**–**	–	(82 280)
Operating profit		**160 860**	100 973	122 744
Net finance expense		**(25 700)**	(13 083)	(22 850)
Net profit before taxation		**135 160**	87 890	99 894
Taxation		**(47 520)**	(25 907)	(69 694)
Net profit for the period		**87 640**	61 983	30 200
Other comprehensive income		**–**	–	–
Total comprehensive income		**87 640**	61 983	30 200
Attributable to:				
Owners of the parent		**88 157**	61 983	30 200
Non-controlling interest		**(517)**	–	–
		87 640	61 983	30 200
Headline earnings reconciliation				
Net profit for the period		**87 640**	61 983	30 200
Net profit on sale of assets		**(2 145)**	(456)	(933)
Impairment of assets		**–**	1 077	–
Negative goodwill		**(6 637)**	–	–
Headline earnings for the year		**78 858**	62 604	29 267
Ordinary shares in issue				
Total at period-end	('000)	**437 856**	225 030	350 025
Weighted average shares in issue	('000)	**392 266**	224 913	259 559
Fully diluted weighted average shares in issue	('000)	**392 266**	225 084	260 058
Basic earnings per ordinary share	(cents)	**22.5**	27.6	11.6
Fully diluted basic earnings per ordinary share	(cents)	**22.5**	27.5	11.6
Headline earnings per ordinary share	(cents)	**20.2**	27.8	11.3
Fully diluted headline earnings per ordinary share	(cents)	**20.2**	27.8	11.3

SEGMENTAL ANALYSIS

	Trading (R'000)	Mining* (R'000)	Other (R'000)	Total (R'000)
For the six months ended 30 September 2017				
Total segment revenue	593 078	1 062 579	50 410	1 706 067
Inter-segment revenue	–	(45 627)	(50 320)	(95 947)
External revenues	593 078	1 016 952	90	1 610 120
EBITDA	31 573	250 365	(7 771)	274 167
Operating profit/(loss)	26 110	144 005	(9 255)	160 860
For the six months ended 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

* *Keaton Energy's revenue and EBITDA included in the Mining segment above amounted to R321 million and R73 million respectively.*

ACQUISITION OF KEATON ENERGY

On 20 June 2017 (the effective date), the Group acquired the entire issued share capital of Keaton Energy for a total consideration of R564 million.

The acquisition of Keaton Energy was accounted for in terms of IFRS 3 (revised), Business Combinations, and consequently the results of Keaton Energy was consolidated by Wescoal from the acquisition date.

The consideration payable by Wescoal to Keaton shareholders was partly settled in cash at R1.20 per Keaton Energy share, a once-off cash payment of R30.2 million (in terms of the ESOP Waiver Payments) paid to Keaton Energy employees who held share incentive instruments and an *ad hoc* cash amount which was paid to certain dissenting shareholders. The remaining purchase consideration was settled in Wescoal ordinary shares at the ratio of 0.30 Wescoal shares for every one Keaton Energy share held.

The cash portion of the consideration amounted to R384 million, which was funded by the Company through a combination of internal cash resources, existing debt facilities and the cash raised by the Company through its BEE transaction implemented in December 2016. The share portion of the consideration amounted to R180 million at a market price of R2.05 per share. The Company issued 87.8 million shares to Keaton Energy shareholders.

The provisional determination of the fair value of net assets acquired amounted to R581 million before minority interest of R9.8 million, resulting in negative goodwill being recorded in the statement of profit or loss for the period of R7 million.

A provisional determination of the fair values of identifiable assets and liabilities acquired has been done and comprise of:

	R million
Property, plant and equipment	**1 346 250**
Other non-current assets	**20 473**
Non-current borrowings	**(109 399)**
Environmental provisions	**(244 066)**
Deferred tax liabilities	**(301 279)**
Other non-current liabilities	**(30 987)**
Net working capital	**(100 433)**
Net assets acquired	**580 557**

Transaction costs (non-recurring) of R31.2 million relating to the acquisition were allocated as follows:
– R27.6 million were expensed; and
– R3.6 million were capitalised to equity (relating to the issue of Wescoal shares).

INTRODUCTION

The reviewed condensed consolidated results for the six months ended 30 September 2017 ("the period") reflect a strong operating performance with ROM production, revenue and gross profit, all demonstrating substantial increases of 100%, 55% and 42%, respectively compared to the six months ended 30 September 2016 ("the prior period"). Headline earnings per share and earnings per share values declined 27% and 18%, respectively mainly as a result of the issue of 125 million BEE shares and some 88 million shares as part of the purchase consideration for Keaton Energy.

During the period the acquisition of Keaton Energy was concluded, which has added impetus to the growth of Wescoal's revenue, production and sales strategies across domestic and export markets as well as diversification and optionality in contracts and off-take negotiations. The enlarged business has coal resources in excess of 300mt, four operating mines and three processing plants. Combined annual ROM production from the Group is expected to exceed 7mtpa.

OPERATIONAL REVIEW

Wescoal continues to outperform amid challenging local and global market conditions.

The Keaton Energy integration programme is progressing well, with the Group restructuring alignments and the redeployment process on track and within the regulatory framework. Key technical and mining skills have been retained successfully. While operational and financial performance to date from the Keaton Energy business units are in line with expectations, opportunities for improvement exist.

The combined Group is well-positioned to meet increased demand, from Eskom as well as other domestic and export customers. The flexibility of the enlarged resource base and associated mine infrastructure, lends itself to increased production capacity and product variations to service the market as and when required. Overall the ROM production target of 8 million tonnes per annum to be achieved in the medium-term is on track.

The mining division's revenue of R1 017 billion (HY17: R482 million) realised EBITDA of R250 million (HY17: R116 million). Sales were positively impacted by opportunistic short-term coal sales. Eskom sales during the period totalled 1.3 million tons compared to 0.7 million tons during the prior period. Total coal sales from the mining division was 2.4 million tons during the period (HY17: 1.3 million tons). The Khanyisa complex start-up added 0.1 million tons ROM to monthly ROM production capacity. The complex is well-located close to strategic infrastructure (Kendal siding, RBCT rail route, Kendal and Kusile power stations).

Wescoal's trading division has successfully been re-aligned and continues to thrive in challenging trading conditions. A solid first half performance was underpinned by sales revenue of R593 million (HY17: R558 million).

The Group is implementing new and upgraded IT technology across the enlarged organisation as part of its business optimisation and risk management programmes.

FINANCIAL OVERVIEW

PROFITABILITY

The consistent strong operational performance helped increase Group revenue by 55% to R1.610 billion (HY17: to R1.039 billion). Gross profit also improved significantly with a 42% increase to R267 million (HY17: R188 million) while maintaining gross profit margin at 17% (FY17: 18 %).

Total comprehensive income (Net Profit After Tax) for the period increased by 42% to R88 million (HY17: R62 million). EPS declined 18% to 22.5 cps (HY17: 27.6 cps) mainly due to a 5.8 cps impact of non-recurring costs and the additional shares issued since September 2016 in terms of the BEE capital raise and Keaton Energy transactions. The additional capital enabled significant progress on the growth strategy in the acquisition of Keaton Energy which boosted production capacity by 74% and added more than 250mt to Wescoal's resource base.

CASH GENERATION

The improved profitability translated into strong cash generation, with R206 million in cash generated from operations (HY17: R98 million). The cash generated from operations was largely applied to fund capital expenditure (R37 million), reduce interest-bearing debt (R82 million) and to reward shareholders with dividend payments (R12 million).

CAPITAL EXPENDITURE

Wescoal invested R37 million in projects to improve and expand operations, with immediate benefits already seen in operational performance. The main focus areas were the Wescoal processing plant, the diversion of the D20 road at Elandspruit and development to enable access to resources in the Catwalk area of the Khanyisa mine.

CAPITAL STRUCTURE

The Group's strengthened balance sheet maintained a gearing ratio of 34% after the acquisition of Keaton Energy (HY17: 22%, FY17: 27%). Net asset value per share increased to 216 cents compared to 190 cents at 30 September 2016 and 196 cents at 31 March 2017. Strong cash flows from operations have allowed Wescoal to repay expensive short-term debt while continuing to pay dividends to shareholders.

During October 2017 Wescoal concluded a long-term debt funding arrangement with Nedbank which facilitated the consolidation and optimisation of various debt instruments. The facility of R440 million secured for four years, significantly strengthened the Group's liquidity and overall balance sheet position and places the Group in a good position to take advantage of acquisition opportunities when they arise.

TRANSFORMATION

Wescoal maintained its minimum 51% BEE ownership subsequent to the June 2017 shares issue – this will be further entrenched through an employee-centric broad-based ownership scheme in the future.

DISTRIBUTIONS

The board of directors in considering the Company's financial position and consistent strong performance, continued its progressive increase of dividends and resolved to declare an interim dividend of R14 million to shareholders. This is the fourth consecutive reporting period the Company has announced dividend payments to shareholders. The full dividend declaration will be announced on SENS in due course.

RESOURCES AND RESERVES STATEMENT

The most recent SAMREC compliant Resource and Reserve Statements of the Group are available on the Wescoal website (www.wescoal.com). The respective Reserve and Resource statements contain details of all the competent persons, their professional memberships, qualifications and experience.

DIVIDENDS

Two dividend tranches were declared during the period:

- Final dividend of R12 million for the year ended 31 March 2017
- The board resolved to declare an interim dividend of R14 million for the period ended 30 September 2017

PROSPECTS

With the Keaton Energy acquisition, the Group continues to grow into a multifaceted Group with a presence in the domestic and international thermal coal markets, as well as coal logistics infrastructure. We will continue to take advantage of value enhancing opportunities to further diversify and grow revenue streams.

Study work associated with the Moabsvelden resource is expected to be completed in January 2018 following which the Company will be in a position to make an informed investment decision. Acquisition targets continue to present themselves and the board of directors continues to assess these with a view to sustainably growing the business. Delivery of the eight million tonne ROM medium-term objective is still on track.

BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

These condensed consolidated interim financial statements for the period have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified conclusion thereon.

A copy of the auditor's report on the condensed consolidated interim financial statements is available for inspection at the Company's registered office, together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

By order of the Board

Wescoal Holdings Limited
21 November 2017

CORPORATE INFORMATION
Non-executive chairman: MR Ramaite
Lead independent director: DMT van Gaalen
Independent non-executive directors
JG Pansegrouw, MH Mathe, KM Maroga
Non-executive directors: ET Mzimela, C Maswanganyi
Executive directors: W Sulaiman, B Mazarura, T Tshithavhane
Registration number: 2005/006913/06
Registered address
1st Floor, Cypress Place, 142 Western Service Road, Woodmead
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Telephone: 011 049 8611
Transfer secretaries
Computershare Investor Services Proprietary Limited
Sponsor: Nedbank Corporate and Investment Banking
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")