WESCOAL

Integrated annual report

for the year ended 31 March 2020

Contents

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SUSTAINABLE DEVELOPMENT GOALS

About this report

This integrated annual report presents stakeholders with comprehensive information enabling them to assess the group's economic, social and environmental performance.

The report covers the group's activities and operations from 1 April 2019 to 31 March 2020.

Comparative historical information is presented, where relevant, as an insight into future plans. This report outlines Wescoal's performance in the year under review in terms of the company's strategy and business model, the impact of the external environment in which it operates, future plans and how they will be achieved.

The group reports in two main segments, Mining and Trading, as outlined in the group structure on page 6.

Material changes

The most significant material change, to the size, structure and ownership of the group during the year is outlined below:

- The acquisition of an additional 26% interest in Neosho Trading 86 Proprietary Limited to establish 100% ownership of the Moabsvelden Project.

Reporting approach

The report is aimed primarily at shareholders and investors but also addresses the interests and concerns of other stakeholders wherever possible. The report attempts to align with the International Integrated Reporting Framework ("<IR> Framework") of the International Integrated Reporting Council ("IIRC"), and we continue to develop our understanding and application of the framework in our strategy and reporting process.

The report has been prepared in compliance with the Companies Act of South Africa, 71 of 2008 ("Companies Act"), the Listings Requirements of the Johannesburg Stock Exchange ("JSE"), the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC Code") and in line with the recommendations of the King IV Report on Corporate Governance™* for South Africa ("King IV").

The consolidated annual financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), the International Financial Reporting Interpretations Committee ("IFRIC"), the Companies Act and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting pronouncements as issued by the Financial Reporting Council.

The content included in this integrated annual report endeavours to identify and explain the material issues faced by the group. Our materiality process identifies and prioritises risks and material issues for Wescoal and considers the extent to which issues may impact the organisation's ability to create economic, environmental, and social value, and have an influence on the assessments and decisions of investors and key stakeholders. Further information regarding material issues, the materiality process and key stakeholders is available on page 13.

Forward-looking statements

The report contains forward-looking statements that, unless otherwise indicated, reflect the group's expectations as at 31 March 2020. Forward-looking statements, including Wescoal's future business prospects, revenues and income are necessarily estimates in the best judgement of the senior management and directors of Wescoal and may not reflect the actual outcome of performance or achievements of the group. The group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Board responsibility statement

The Wescoal board of directors confirms its responsibility for the integrity of the integrated annual report, the content of which has been collectively assessed by the directors who believe that all material issues have been addressed and are fairly presented.

The directors confirm that Wescoal is in compliance with the provisions of the Companies Act or laws of establishment, specifically relating to its incorporation and is operating in conformity with its Memorandum of Incorporation and/or relevant constitutional documents.

Dr Humphrey Mathe
Non-executive chairman

Reginald Demana
Chief executive officer

Izak van der Walt
Chief financial officer

Assurance

We undertake the following assurance to ensure reporting integrity:

Business process	Nature of assurance	Assurance provider
Consolidated annual financial statements	External audit	PricewaterhouseCoopers Inc.
B-BBEE	B-BBEE scorecard review	TFS Holdings
B-BBEE	B-BBEE rating	Renaissance Rating SA Proprietary Limited
Internal audit	Independent outsourced	SNG Grant Thornton
Health, safety, environmental and community audits	Compliance reviews	Department of Mineral Resources and Energy ("DMRE")
Resource and reserve independent competent person	Competent person review	Miptec
JSE requirements	Compliance reviews	JSE and auditors
Lender due diligence	Legal and compliance reviews	Bankers' appointed independent consultants and lawyers
Insurance due diligence	Independent risk reviews	Brokers and insurers
Environmental liability and rehabilitation	Independent reviews	Jaco-K Consulting
Quality control	Laboratory tests	Bureau Veritas Inspectorate Laboratories, Siboniswe Coal Laboratory Services and Siza Coal Services

Chairman's report

Wescoal's business growth has resulted in the rigorous and fast-tracked development of two strategic projects – the Moabsvelden Project and the restart of the Arnot Mine production.

Dr Humphrey Mathe | *Non-executive chairman*

It is my humble honour and pleasure to present my first Wescoal report as chairman. This is at a time when the whole world is facing serious health and economic challenges of unprecedented magnitude due to the coronavirus disease 2019 ("COVID-19").

FY20 has been, in many respects, both a challenging and rewarding year for Wescoal. The board approved a comprehensive and grounded core ideology (**vision**, **mission** and **values**) underpinned by a clear strategic intent based on the pillars of **stability**, **sustainability** and **scalability** centred around **safety**, **health** and the **environment**. The executive has been successful in implementing the strategy throughout the organisation and there has been a complete buy-in from the managers and the workforce.

This approach has provided a platform for establishing an environment, social and governance ("ESG") philosophy as the central pillar for the group's sustainability strategy which also meets responsible investment standards. Refer to page 33 for further detail.

The two major challenges faced by the company were the under-performance of the mining contractors and the incessant strike actions posed by the contractor employees and the communities around our operations. The executive and management were resolute and conscientious in managing these challenges.

At Wescoal, the board and management acknowledge their responsibilities to their stakeholders and are committed to communicating in a transparent and effective manner, while engaging (both formally and informally) with each stakeholder group in line with their needs. Stakeholder engagement is entrenched at Wescoal and is aligned with King IV and the <IR> Framework.

The under-performance of the mining contractors impacted coal production negatively. This was more so at Vanggatfontein where coal production capacity was severely impacted. Added to the production challenge, excessive rainfall impacted the financial performance of the group. Rainfall of 343mm during December resulted in as much as 15 days equivalent production loss at each operation, against the budget assumption of four days and under 100mm historical average rainfall pattern. This also impacted the financial performance of the group. The total coal production for FY20 was 6.0 million tonnes and the revenue generated was R3 810.5 million, a 3.89% decrease from FY19 revenue. The operating profit decreased 101.13% to a R2.54 million operating loss. The CEO's and CFO's reviews cover operational aspects in greater detail. (Refer to pages 30 to 32 and 36 to 39 respectively.)

Wescoal's business growth has resulted in the rigorous and fast-tracked development of two strategic projects – the Moabsvelden Project and the restart of the Arnot Mine production. The Moabsvelden Project is earmarked to start operations in the second half of FY21. At its peak production, it will produce 3 million tonnes per annum and has a life of mine of 10 years. The restart of the Arnot Mine is planned for the second half of FY21. Wescoal has 50% equity in this mine and will operate the mine. The partner holding the other 50% is Innovators Resources, comprising former Arnot employees.

The Wescoal audit, risk and compliance committee assists the board in the governance of risk, and it designs, implements and monitors a comprehensive risk management plan. The committee has focused on improving treatment of the risk exposures facing the company and is implementing systems to ensure continuous risk monitoring and, where possible, exploitation of opportunities.

The Wescoal board bids farewell to Ms Teresita van Gaalen and Mr Kosie Pansegrouw who have diligently served Wescoal for many years as independent non-executive board members. They have steered the growth of Wescoal from a junior coal mining and trading company to a mid-tier coal producing and trading company. Their dedication to Wescoal is highly appreciated. In particular, Ms van Gaalen served Wescoal as a lead independent non-executive director for many years. I wish them the best in their future endeavours. Towards the end of FY20, the board bade farewell to the company secretary, Ms Sharon Ramoetlo. The board wishes her all the best in her new employment.

The Wescoal board composition has been enhanced by the appointment of three independent non-executive directors: Ms Nonzukiso Siyotula (lead independent non-executive director; chairperson of the project and investment committee and the nomination committee; member of the remuneration committee and the audit, risk and compliance committees), Ms Nomavuso Mnxasana (chairperson of the remuneration committee, member of the audit, risk and compliance committee and member of the nomination committee) and Mr Andile Mabizela (chairperson of the social and ethics committee and member of the audit, risk and compliance committee).

In line with governance practices, an evaluation of the board and subcommittees was conducted during FY19. This evaluation and recommendations for improvements have been reviewed and considered by the board.

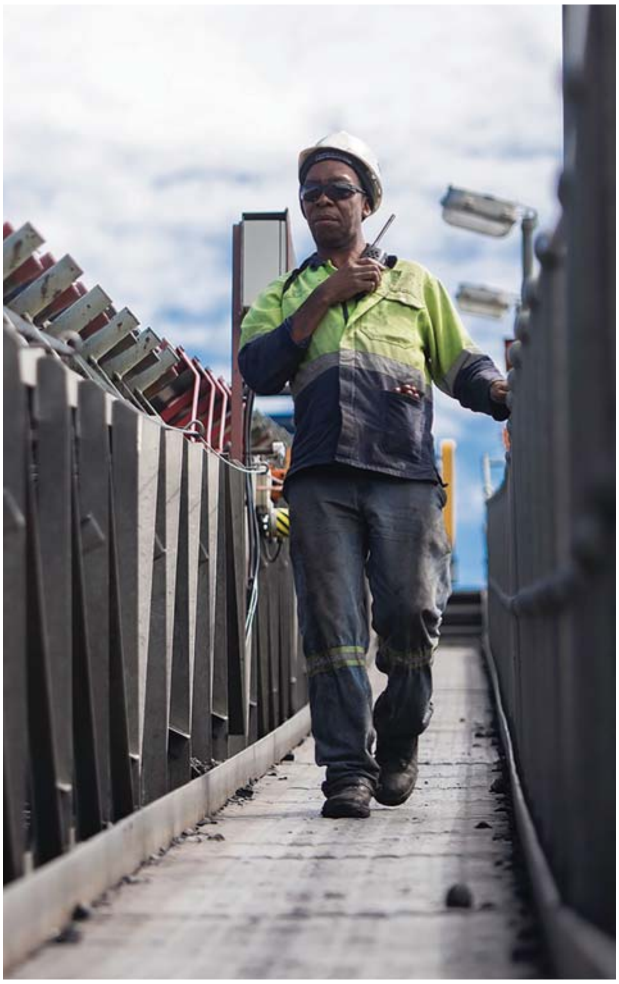
The directors have resolved that due to the current financial circumstances of the company, a dividend will not be declared in the financial year under consideration.

Finally, I thank executive management and all Wescoal employees for their dedicated effort during trying times and their excellent contribution throughout the year. I also offer my humble gratitude to the board and committee members for their guidance, support and commitment throughout the year. I know that the coming year will be affected by the dangerous COVID-19 pandemic but am assured and comfortable that executive management is steering the ship in the right direction and we will perform rigorously during the challenges of the pandemic.

Dr Humphrey Mathe
Non-executive chairman

24 August 2020

Wescoal recognises the imperative to drive its broad-based black economic empowerment ("B-BBEE") status, with management, skills development enterprise and supplier development, and socio-economic development the focus of the past year. Much effort is required to improve the group B-BBEE level under the amended codes while the performance under the new Department of Mineral Resources and Energy Mining Charter is commendable, with more than 58% B-BBEE ownership.



Wescoal at a glance

Who we are

Wescoal, through its two divisions – **Mining** and **Trading** – is a coal-focused mining company incorporating mining, processing, selling and distribution of coal and coal-related products.

Wescoal acquired a 50% interest in the empowering Arnot Mine from Exxaro. The group business now has **coal resources in excess of 300 million tonnes, three operating mines, four processing plants** and minor interests in coal supply chain infrastructure.

What we do

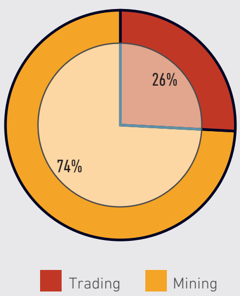
Mining division

The operating assets of the **Mining division** consist of four mines (Arnot, Elandspruit, Vanggatfontein and Khanyisa) and four processing plants located in the Mpumalanga province. Moabsvelden, which is adjacent to Vanggatfontein, is a growth project within the **Mining division**.

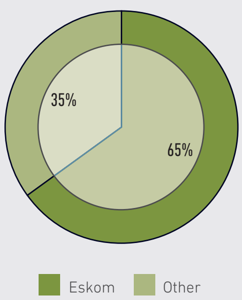
Trading division

The **Trading division** is a strategic distribution business that specialises in the supply of coal by road and rail and is made up of three operations countrywide and a logistics network covering South Africa.

Revenue contribution



Revenue diversity



Salient operational features

3 operating mines

4 processing plants

222 employees

2 251 contractors

1* fatality (FY19: Zero)

Production of **6.015mt** (FY19: 5.9mt)

Resources	Reserves	Coal sales
306mt	68.7mt	6.313mt
(FY19: 311mt)	(FY19: 75.5mt)	(FY19: 6.0mt)

** Regrettably, on 17 June 2019, one fatality occurred at Vanggatfontein.*

- 50% interest in Arnot Mine acquired
- Khanyisa Triangle operationalised (100% acquired FY19)
- Acquired remaining 26% minority shareholding in Moabsvelden effective 30 June 2019
- Vanggatfontein extension in start-up of pit 5
- Khanyisa extension in start-up of Triangle 2
- Moabsvelden development initiated, commenced box cut development during June 2020

Our strategic pillars

Refer to page 33 to 35 for further detail on strategy.

The key strategic thrust is to be a leading coal miner with a sustainable resource base and a coal trading operation.

Stability

Sustainability

Scalability

Wescoal Holdings Limited

100%

Wescoal Mining Operations

Elandspruit Colliery
Khanyisa Complex
Wescoal processing plant
Arnot Mine (50%)

100%

Keaton Group

Vanggatfontein Colliery
Moabsvelden Colliery*
Sterkfontein Project
Leeuw Braakfontein Colliery

** 26% acquired during June 2019.*

100%

Wescoal Trading

Pretoria
Bellville
Benoni

Where Wescoal operates

Wescoal areas of activity

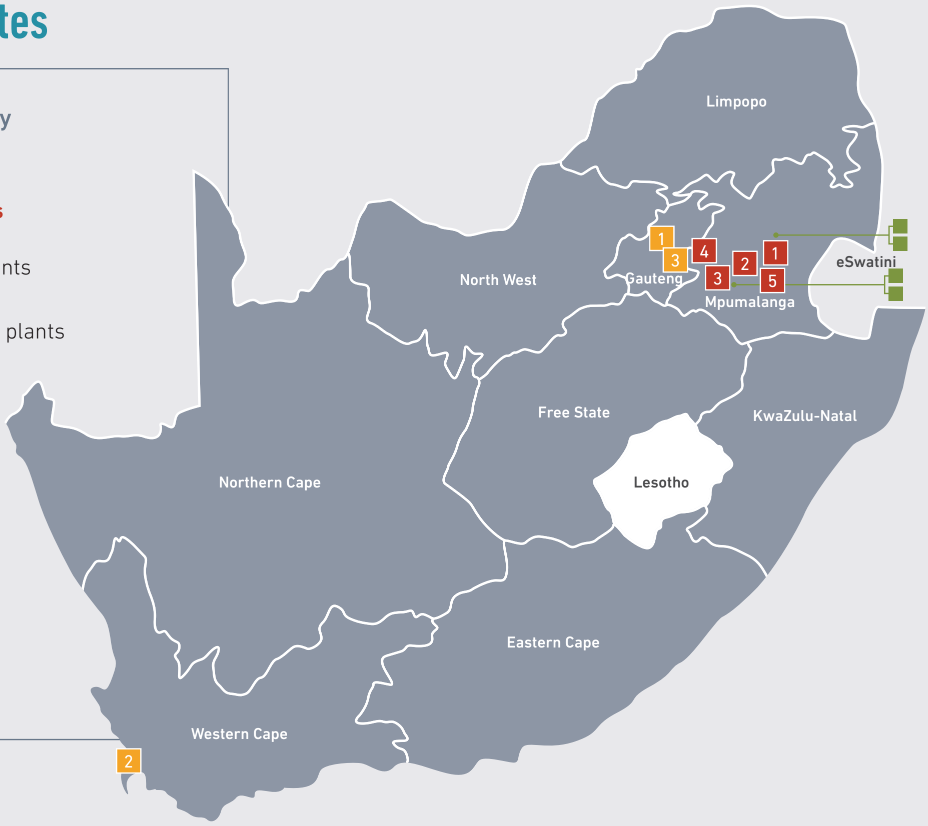
Wescoal Mining Operations

1 Elandspruit: two processing plants
2 Khanyisa Complex
3 Vanggatfontein: two processing plants
4 Moabsvelden Colliery
5 Arnot Mine

Wescoal Trading depots

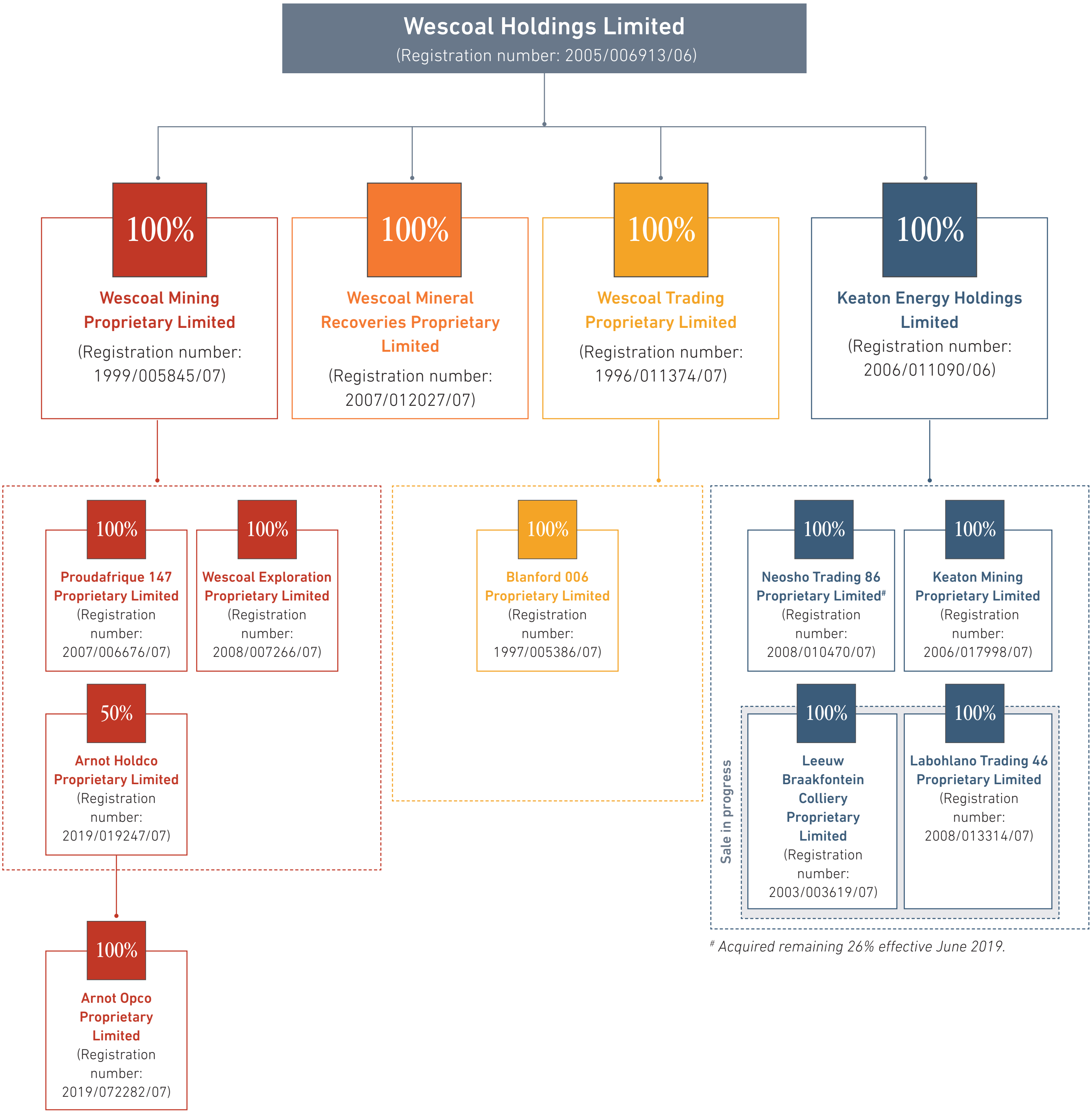
1 Pretoria
2 Bellville
3 Benoni

Processing



LAYING THE FOUNDATION TO GROW SUSTAINABLY

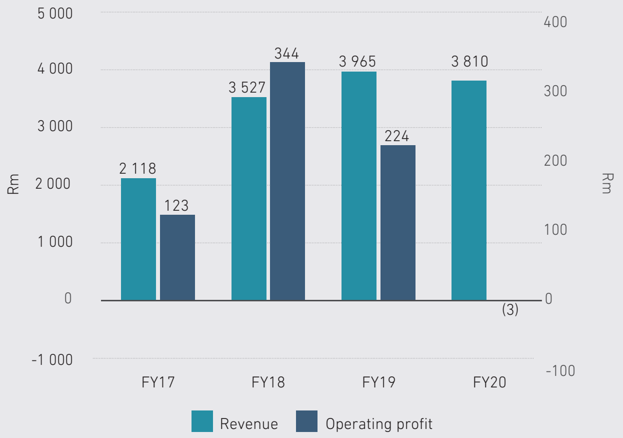
Group structure



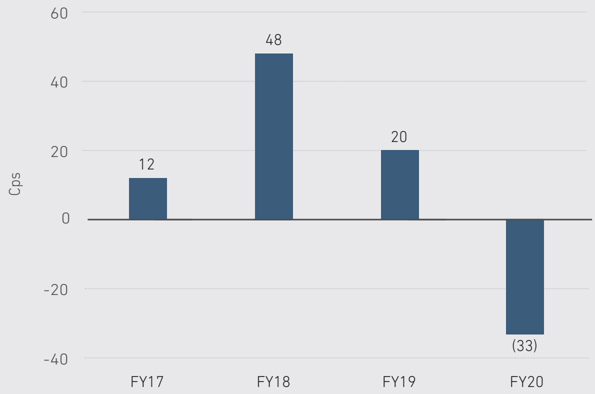
Acquired remaining 26% effective June 2019.

The Wescoal growth story

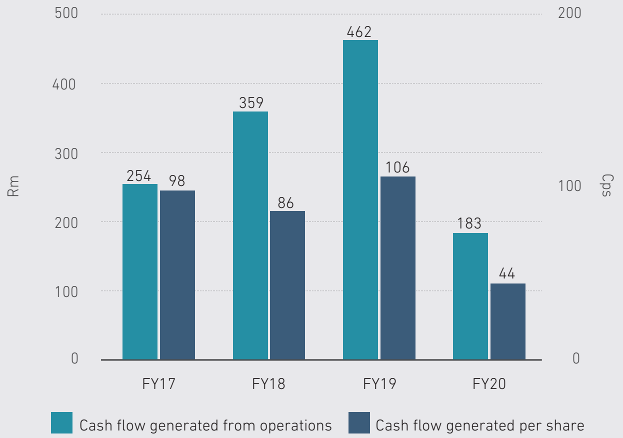
Revenue and operating profit



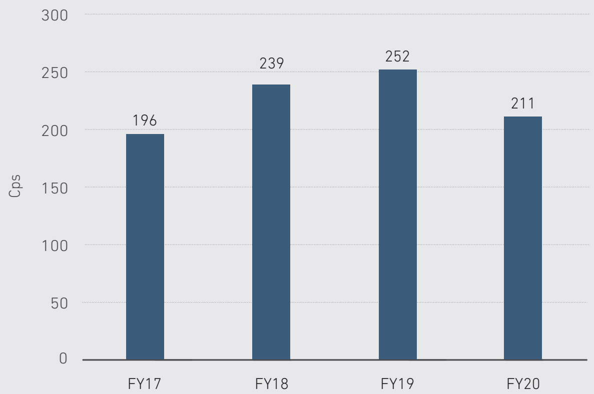
Earnings per share



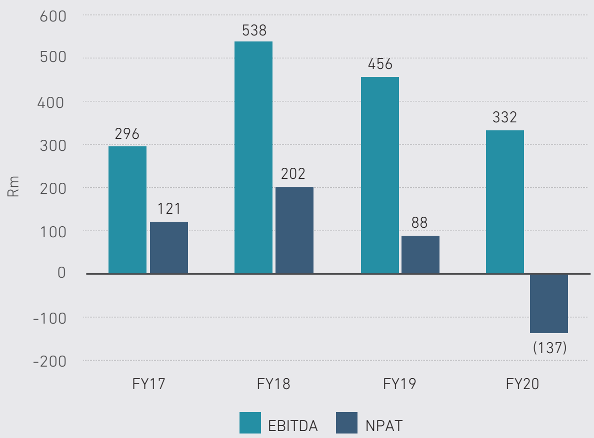
Cash flow generated from operations



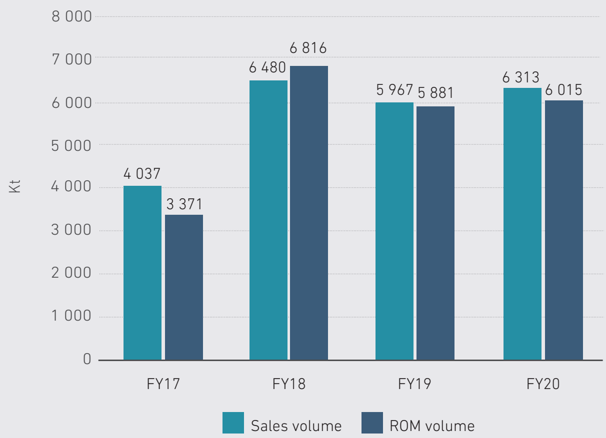
Net asset value per share*



NPAT and EBITDA



Sales volume (group) and ROM volume (production)



** Calculated as net asset value divided by number of shares in issue.*

Key milestones

2005
Listed on the AltX Board of the JSE

2008
Acquisition of Intibane reserves

Chandler purchased the business of Atlantis and Express

2009
In situ coal resources of 4.5 million tonnes

Acquisition of Khanyisa Triangle

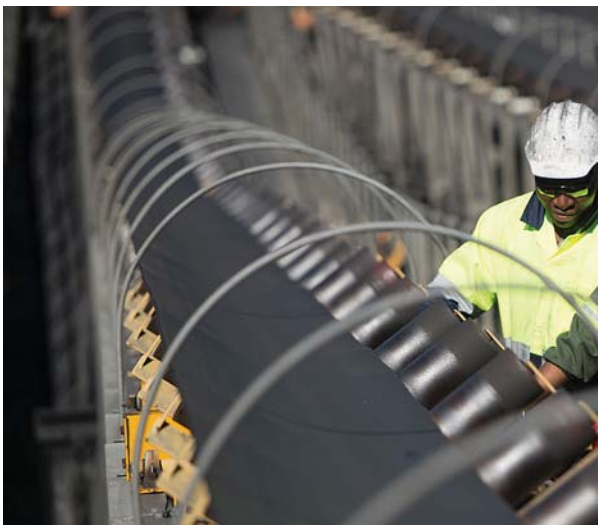
2010
Listing moved to the JSE Main Board, Mining, sub-sector Coal

2013
Acquisition of MacPhail business

Intibane Colliery commences mining

2014
Extension of life of mine at Intibane to 2016

Acquisition of Wescoal processing plant



2015
First coal from Elandspruit Colliery

2016
Five-year, 7.8mt Eskom contract signed

Khanyisa's life of mine extended by up to four years

Concluded a B-BBEE transaction securing at least 51%+ HDSA ownership required for Eskom contracts. The transaction also raised R52 million through a rights offer

2017
Acquisition of Keaton Energy

Nedbank long-term funding for R450 million

2018
Disposal of Intibane Complex

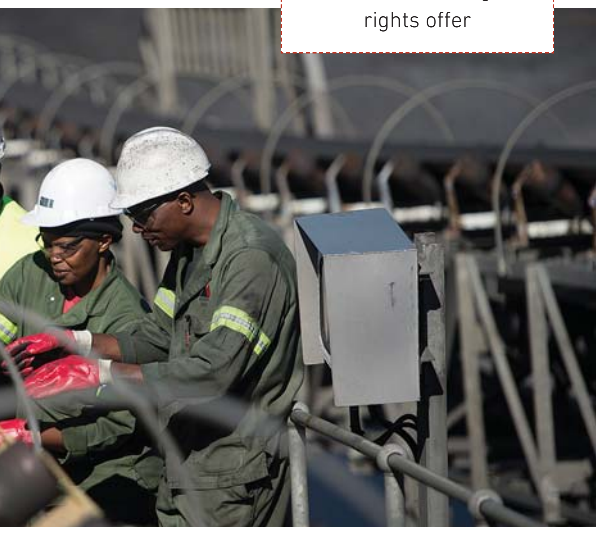
2019
Appointment of new CEO

Acquisition of Arnot Mine

Dissolution of Khanyisa Triangle joint venture

2020
Acquisition of additional 26% interest in Neosho Trading to establish 100% ownership in Moabsvelden Project

Ten-year Eskom contract signed for Moabsvelden Project



Value creation

Value creation profile

FC

- Energy (electricity) and economic development
- Shareholder value
- Contractor and enterprise development
- Arbitrage

SRC

- Local economic development
- Community skills development and upliftment
- Housing, farming projects and community infrastructure

NC

- Rehabilitated land
- Emissions avoidance and mitigation
- Brownfield development
- Reduced water consumption

HC

- Jobs
- Skilled workforce
- Safe working environments
- Strong leadership team
- Commercial expertise

Our value chain profile

WESCOAL VALUE CREATION

Economic

Land and biodiversity
Our activities are directed at reducing damage to soil, land, landscapes, biodiversity and natural habitats.

Water and air
We are committed to reducing relative water consumption, maximising reuse and preventing water and air pollution and water contamination from operations.

Energy
Energy efficiency and carbon emissions are important management issues for Wescoal, particularly as we look towards a responsible leadership role in the industry.

Carbon
Wescoal acknowledges that it has a leadership role to play, both in terms of limiting emissions from operations and in terms of influencing and collaborating towards a low carbon growth economy.

Social

People
Our duty is to act in a responsible leadership role, to value, protect and nurture our people and to partner with them on a journey of personal and sustainable development.

Communities
We prioritise our social licence to operate, by maintaining and developing the resources and livelihoods of mining communities. We do this through social and labour plans ("SLPs"), skills development and supplier development and localisation programmes.

Value chain
Wescoal has a growing sense of duty to engage and exert influence on our customers and suppliers to reduce and mitigate ESG impacts, and to collaborate with them towards sustainable and alternative business models.

Stakeholders
Stakeholder engagement provides opportunities for us to align business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value. We are continuously targeting a more responsive and authentic engagement process.

INDUSTRY IMPACT PROFILE

Land and biodiversity
Land and biodiversity are finite resources which are impacted by coal mining operations.

Water and air
Water is an essential natural capital input in the Wescoal business model and a scarce natural resource for South Africa. Coal mining dust can degrade air quality in areas surrounding the mines causing damage to crops, vegetation, workers and communities.

Energy
The business of coal mining requires significant energy inputs, generally in the form of electricity and diesel fuel.

Carbon
Climate change is a serious issue for our planet and coal-based energy is a significant contributor to current CO_2 emissions levels and global warming.

People
A mining workforce is exposed to health and safety risks. Corporate citizens in South Africa have a moral and legal duty to address the important issues of equality and transformation in the workplace.

Communities
Communities can suffer environmental, social and economic impacts from mining activities.

Value chain
Significant environmental and social impacts including CO_2 emissions exist outside of a coal mining company's boundary of control.

Stakeholders
Various stakeholders are impacted and affected by a coal mining company's decisions and activities. These same stakeholders can influence a company's potential to achieve its strategic objectives.

MC

- Sustainable mining operations
- Expansion projects
- Processing optimisation
- Asset optimisation
- Quality and standards

IC

- Eskom contracts
- Mining rights
- Mine plans

Our six capitals are:

- FC Financial capital
- SRC Social and relationship capital
- NC Natural capital
- HC Human capital
- MC Manufactured capital
- IC Intellectual capital

Governance

+

Corporate governance

We believe that good corporate governance helps to build an environment of trust, transparency and accountability, which is necessary for fostering long-term investment, financial stability and business integrity, stronger growth and inclusive societies.

Ethical and responsible leadership

Through the board, our social and ethics committee and our executive, we are driving policies, practices and accountability with ethical and responsible standards.

Regulatory compliance

Wescoal has developed a comprehensive knowledge of industry compliance and we prioritise compliance management across the organisation. Our leadership objectives mean that we must increasingly align with stakeholder requirements and expectations, including alignment with third-party standards and frameworks.

-

Corporate governance

By not developing (or performing against) a strategy that is relevant and in line with current and emerging investor and stakeholder requirements, mining companies are likely to fail in the delivery of shared value.

Ethical and responsible leadership

Insufficient focus on ESG and ethical leadership can undermine a company's strategy and reputation and create risks that have significant impacts on shareholder and stakeholder value.

Regulatory compliance

The mining industry in South Africa is a regulatory-intensive business environment, and failure to comply with regulations can significantly impact business continuity and our social licence to operate. Industry standards and benchmarks are also an important enabler, or destroyer of reputation, investor confidence and equity.

Investment case

Leadership team focused on safe, predictable and sustainable operational delivery as an enabler for growth.

Embracing responsible business behaviour which impacts positively on all stakeholders and increases long-term shareholder value.

B-BBEE ownership of 58% showing commitment to the transformation agenda.

Long-term coal supply contracts in domestic markets anchored by Eskom and other large industrial users.

Long-term debt refinance provides flexibility to accelerate development of internal growth opportunities and increases group liquidity and balance sheet position.

New capital allocation framework with a balance between growth and sustained shareholder reward.

Positioned to meet South Africa's coal mining requirements.

Commitment to responsible and sustainable business practices and the low carbon growth economy.

Key stakeholders

Our approach to identifying key stakeholder groups begins with an examination of ESG impacts and value creation across our expanded industry value chain. Stakeholders are mapped in terms of their importance and impact for Wescoal and vice versa.

Mapping our stakeholders provides us with a sense of focus and helps to identify gaps to close and opportunities for collaboration. Our key stakeholders are:

- Financiers
- Suppliers
- Customers
- Contractors
- Shareholders
- Employees
- Mining-affected communities
- Unions
- Civil society groups
- Governments and municipalities
- Regulators
- Media

Wescoal engages in ongoing materiality processes. Material matters are identified and interrogated by senior management, in consultation with independent consultants, and are based on inputs and feedback received from various operational structures and key stakeholders. Our ESG strategy has sharpened our intention around materiality as we bring the process closer to our group strategy and management approach.

Material issues

Our people
Workforce health and safety; labour relations; skills development

Environmental sustainability
Mine rehabilitation liabilities; supply chain sustainability and standards; ESG regulatory impacts and risk management; carbon emissions and climate change

Social impact
Social licence to operate; local community impacts; B-BBEE, supplier development and localisation

Strategy and business model
Positioning and integrating the long-term vision; agility with accountability; key customer dependence

Operational execution
Contractor management and accountability; operational efficiencies and asset optimisation; fraud and corruption; funding, HDSA ownership and capital structure

Our market in context

Sources: Minerals Council South Africa, DMRE, Stats SA, PwC, IEA, Wescoal Research

Secure and reliable energy supply is a catalyst for economic development and growth, and coal remains the most important and dominant energy source in the world. The key driver of coal-based energy is its abundance and affordability compared to alternative energy sources.

Wescoal is committed to delivering a reliable energy source responsibly, and in a manner that meets the needs of investors and other key stakeholders. The evolution and integration of our ESG strategy is guiding the development of our long-term business strategy as we look to play a leadership role in growing South Africa's low carbon economy.

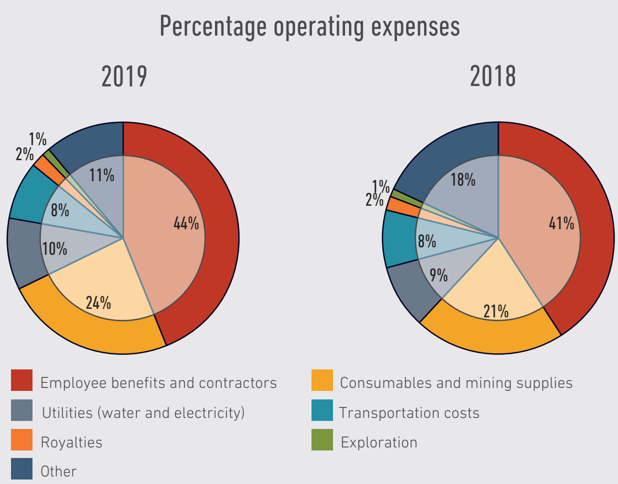
The Integrated Resource Plan 2019 recognises coal as part of the South African energy source and projects that the mineral will remain a key energy source to generate electricity in South Africa until 2030. Despite the global energy mix concerns, in South Africa, coal remains a major contributor to the total primary energy supply. Wescoal remains determined to become a long-term leading provider of this reliable energy source in the junior coal sector and will continue to consider value-enhancing opportunities.

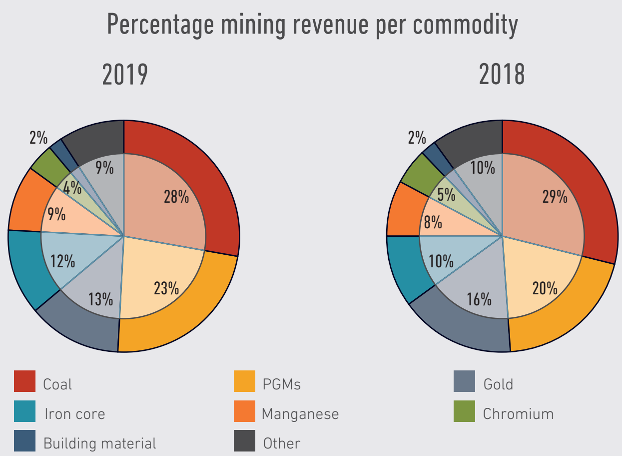
Coal sector workers have a positive impact on the welfare of their communities through direct compensation and indirect induced income earning potential in the broader formal and informal economic activities. This supports the advancement of the country's socio-economic interests and improves developmental prospects. In FY19, the biggest operating expense for the mining industry was employment benefits and contractors at 44%. This translates to direct economic empowerment that is provided by the industry as a whole.

The affordability and abundance of coal makes it the most reliable source of energy for South Africa and the rest of the African continent. Eskom supplies around 40% of Africa's electricity. Due to a lack of reliable alternatives, coal is expected to continue being the dependable energy source given the available and recoverable reserves.

Global coal demand is forecast to remain stable at least for the next five years, underpinned by strong demand from China which accounts for half of global consumption. India's annual coal demand rose 9.1% to nearly 1 billion tonnes in June 2019 and is among the top five commodities exported by the country. Despite stronger climate policies from other governments, coal continues to be resilient in the Asian market. By June 2019, the South African mining industry had generated R529 billion in revenue, with 28% of this coming from coal mining, making it the biggest contributor year-on-year, despite changing global consumer sentiment.

The major local producers are disposing of their mines and Eskom has introduced the 51% B-BBEE procurement requirement. This leaves a vacuum in the junior mining sector and positions Wescoal at an advantage as a supplier.





The increase in frequent inclement weather conditions, such as flash floods, has impacted mining operations and has led to an increase in operating costs for mines across the country due to production stoppages, high insurance costs, damage to infrastructure and limited funding for new projects. Wescoal continues to honour its social licence to operate by working closely with mining-affected communities and ensuring the sustainability of limited natural resources such as water. Our proper water management systems assist us in abating the crisis of drought and reducing water costs. We are committed to clearly demonstrating our value creation and ensuring that the affected communities understand this clearly.

The long-term demand and supply dynamics for coal and the energy sector remain uncertain as the world responds to the challenges of the COVID-19 pandemic. Although Wescoal's mining operations were not significantly impacted by the lockdown imposed by the South African government, reduced demand for coal from Eskom and other markets we supply affects our business as economic activity slows in response to the spread of COVID-19. Global coal markets crashed in March-April 2020 as economic activity around the world came to a halt, but it has seen some recovery since then. Navigating through these unprecedented times poses new challenges for all coal suppliers.

Despite coal mining being our core business, Wescoal will continue to explore the breadth and depth of alternative energy and how it can best fit the current business model in the long term.

South African coal mining key facts

The coal industry accounts for
19%
of total employment in the mining sector
(FY18: 17%)

Production of
258.9mt
(FY18: 253mt)

Total coal sales of
R139.3 billion

R61 billion
is spent on procuring goods and services
(FY18: R56 billion)

Over
70%
of South Africa's electricity generation is derived from coal

Our business model

Wescoal is involved in the mining, processing, supply, sales and distribution of coal and coal-related products.

Inputs →

FC
- Debt and equity capital
- Investment funding
- Cash flow and working capital management

SRC
- Social and labour plans
- Group health and wellness programme
- Stakeholder engagement
- Shareholder confidence
- Transformation

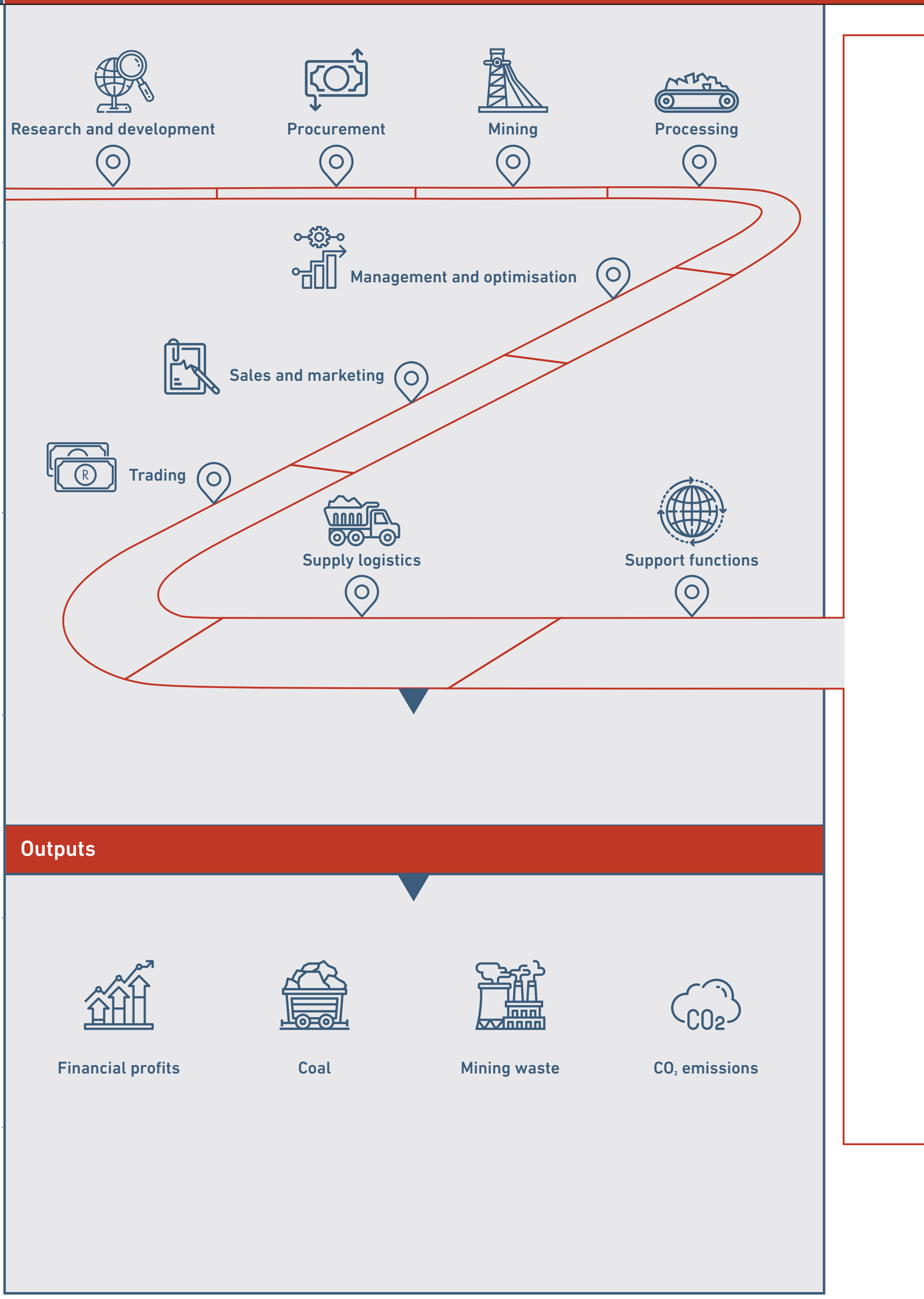
NC
- Land
- Water
- Air
- Energy

HC
- Skills and experience
- Health and safety
- Leadership
- Diversity

MC
- Infrastructure, plant and equipment
- Distribution centre
- Assets aimed at quality, compliance, efficiency and sustainability

IC
- Mining and prospecting licences
- Intellectual property, proprietary or licenced technologies
- Policies, procedures and protocols

Activities



Our six capitals are:

- FC Financial capital
- SRC Social and relationship capital
- NC Natural capital
- HC Human capital
- MC Manufactured capital
- IC Intellectual capital

	Outcomes →	Trade-offs, challenges and constraints	
FC	• Energy (electricity) and economic development • Shareholder value • Contractor and enterprise development • Arbitrage	• Divestment in coal assets • Investor pressure on fossil fuels • Economic trading conditions • Mine rehabilitation costs	• Secured R1.6 billion debt facilities enabling access to capital • Invested in extension, recapitalisation and optimisation projects at all three mines • Progressed development of Moabsvelden
SRC	• Government and industry relationships • Eskom relationship • Local economic development • Community skills development and upliftment • Housing, farming projects and community infrastructure	• Loss of community agri economy • Managing air, dust and noise pollution	• LTIR 0.15 • HDSA 88% • R4.5 million training spend • R6.4 million spent on community housing and farming projects
NC	• Rehabilitated land • Emissions avoidance and mitigation • Brownfield development • Reduced water consumption	• CO_2 emissions and climate change • Finite natural resources • Waste, air quality and land contamination	• Consistent measurement and monitoring of environmental impact • R41.4 million spent on environmental protection
HC	• Jobs • Skilled workforce • Safe working environments • Strong leadership team • Commercial expertise	• Employee and skills retention	• Senior leadership team expanded and strengthened with commercial and corporate transactional skills
MC	• Sustainable mining operations • Expansion projects • Processing optimisation • Asset optimisation • Quality and standards	• Infrastructure costs	• Extension of Vanggatfontein pit 5 and Khanyisa Triangle pit 2 • Expansion via Moabsvelden and Arnot • Recapitalisation of existing coal face availability at Vanggatfontein and Elandspruit
IC	• Eskom contracts • Mining rights • Mine plans	• Retaining highly skilled and experienced resources	• New 10-year credit support annex ("CSA") for Moabsvelden • Optimised mine plans include access to multiple coal seams and lower strip ratios for both Elandspruit and Vanggatfontein

Our operations

While Wescoal's origins lie in coal trading, it was incorporated in 1996 under the Chandler name to purchase the coal trading business and other assets of the Chandler family.

The Mining division is today the bigger part of the company, accounting for 74% of revenue and 87% of EBITDA. The Trading division nevertheless remains an important contributor to Wescoal and ranks as one of the leading coal distributors in South Africa. Our operations are bound by the recently approved ESG strategy.

Mining

Elandspruit Colliery

Opencast operations capacity of
240 000 tonnes per month

Underground operations capacity of
25 000 tonnes per month

Elandspruit provides scale and sustainability with its ability to produce up to 3.1mt run of mine ("ROM") per annum and its life of mine of around five years.

Elandspruit Colliery

Employees: 27	**Contractors:** 425	**Life of mine:** 5 years

Description and location

- Located 8km west of Middelburg, approximately 200km from Johannesburg
- It comprises portions of the Elandspruit farm 291 JS

Operational information

Produced:	2.7 million tonnes
Capacity:	3.1 million tonnes per annum
Resources:	14.65 million tonnes
Reserves:	14.06 million tonnes
Average grade:	23.06CV

Strategic focus area

- Finalising new box cut to sustain production capacity and enable flexibility
- Reopening of the underground section

Link to strategy

Performance summary

- LTIFR of 0.19 (FY19: 0.55) with zero fatalities (FY19: zero)
- Negative impact on volumes due to underground contractor that suspended production

Mining

Khanyisa Complex Colliery

- Complex divided into Catwalk and Triangle
- Triangle is virgin ground and Catwalk is pillar and roof coal mining

Opencast operations capacity of
100 000 tonnes per month

The Khanyisa Complex comprises the historical Khanyisa mining area (mined-out), the Catwalk and the Triangle areas, all of which have been consolidated into one mining complex.

The Khanyisa mining complex was consolidated into one mining right. An amended mining right was granted in May 2017 and is underpinned by a joint venture in respect of the Triangle area. Wescoal now owns 100% of the Triangle area after acquiring the 65% that was previously owned by UJU Resource Proprietary Limited.

Initiatives are being pursued in order to extend the life of mine of Khanyisa Complex to beyond 2021.

Khanyisa Complex Colliery

Employees: 29	**Contractors:** 493	**Life of mine:** 3 years

Description and location

- Khanyisa Catwalk and Triangle
- Located 10km west of Ogies in Mpumalanga
- It comprises a portion of Heuvelfontein 215 IR
- Awarded IWUL in May 2016

Operational information

Produced:	1.1 million tonnes
Capacity:	1.2 million tonnes per annum
Resources:	2.98 million tonnes
Reserves:	2.44 million tonnes
Average grade:	20.5CV

Strategic focus area

- Recovery of roof coal in the Khanyisa Catwalk Mine
- Triangle 2 commenced during FY20

Link to strategy

Performance summary

- LTIFR of 0.66 (FY19: 0.54) with zero fatalities (FY19: zero)
- Challenges for the year included excessive rain in December and a strike by contractors in January

Mining

Vanggatfontein Colliery

Opencast operations capacity of
340 000 tonnes per month

The colliery endeavours to be self-sufficient in terms of water supply and usage and the water management system is designed to separate clean and dirty water and to optimise the recycling and reuse of dirty water. Vanggatfontein Colliery produces coal for the national utility Eskom. The mine produced approximately 2.2mt for the year.

The coal is treated at two plants – at 500t/h, 2 and 4 seam plant, which produces thermal coal for Eskom, and at 100t/h 5 seam plant.

The mine has commenced the opening up of a new box cut at VG5 to maintain and sustain the current production profile. It has entered into a common box cut and boundary pillar mining arrangement with a neighbouring mining company and has already purchased the surface rights from the farmer. This liberates nearly 450 000 tonnes of coal that would have been sterilised.

An exploration programme will commence in the fourth quarter of calendar year 2020 as part of the Vanggatfontein extension strategy to extend the life of the entire Vanggatfontein complex. A series of studies will be conducted in the next financial year to quantify the viability of the project including underground prospects. Based on an initial high-level assessment, the resource is estimated to be approximately 10 million tonnes.

Vanggatfontein Colliery

Employees: 20	**Contractors:** 928	**Life of mine:** 7 years

Description and location

- Located 16km south-east of Delmas in Mpumalanga
- Issued IWUL in January 2015

Operational information

Produced:	2.2 million tonnes
Capacity:	4.0 million tonnes per annum
Resources:	28.8 million tonnes
Reserves:	24.82 million tonnes
Average grade:	21.36CV

Strategic purpose

- An integrated management strategy to manage the Moabsvelden and Vanggatfontein mining complexes

Strategic focus area

- Shared infrastructure, management and services with Moabsvelden

Link to strategy

Performance summary

- LTIFR of 0.22 (FY19: 0.24) with one fatality (FY19: zero)

Processing

Wescoal processing plant

Wescoal processing plant	
Employees: 53	**Contractors:** 310
Location	
• Located 19km south of Middelburg	
Operational information	
Processed: 2.5 million tonnes	
Capacity: 2.5 million tonnes	
Acquired: 2014	

Vanggatfontein processing plant

Vanggatfontein processing plant	
Employees: Nil	**Contractors:** 93
Description and location	
• On Vanggatfontein Colliery • Located 16km south-east of Delmas in Mpumalanga	
Operational information	
Processed: 2.1 million tonnes	
Capacity: 2.6 million tonnes	
Acquired: 2017	

Trading

Wescoal Trading	
Employees: 48	**Contractors:** 2
Location	**Operational information**
• Depots in Pretoria, Bellville and Benoni	**Total sales:** 0.8 million tonnes

Wescoal Trading is a leading coal distributor in South Africa. It is a strategic distribution company that specialises in the supply of coal by road and rail to the point of consumption, to diverse customers and industries throughout South Africa, including blue-chip companies ranging from power generation to manufacturing sectors.

The company offers a complete range of coal products on a countrywide basis, including:

- Sourcing suitable coal product for clients;
- Securing the delivery of product as and when required;
- Technical support for steam generation; and
- Securing markets for new producers such as other junior coal miners.

Latest projects

Moabsvelden Project

Location	
Approximately 11km south-east of Delmas in Mpumalanga, 5km from Vanggatfontein Colliery	
Area	**Mining method**
250ha	Opencast truck and shovel

Moabsvelden is the Mining division's key greenfield development that will supply Kusile power station for a period of around 10 years and ultimately with approximately 3 million tonnes of coal per annum. The project is contiguous to the Vanggatfontein Colliery with an estimated declared reserve of 29.01 million tonnes. Trollope Mining Services Proprietary Limited has been appointed as the Moabsvelden box cut contract miner.

Project development phases and key dates

Phase 1

Box cut and mine development

- Contractor mobilisation and site establishment
- FY21 Capex R250 million to R290 million
- Major capex items include box cut mining and ramps, stormwater management and community projects

Key dates

- Commenced June 2020
- Produce ROM product in early calendar H2 2020
- First delivery to Eskom by calendar H2 2020

Phase 2

Reach steady state

- Achieve steady state of 200 kilotonnes per month ROM
- Capex R250 million to R290 million

Key dates

- Steady state ROM production by early calendar H1 2022

Phase 3

Development of VG6 UG project

- VG6 UG project to reach the full Eskom contractual supply of 3.0mtpa sales
- Capex requirement to be confirmed in due course
- Major capex items – Crush and screen plant, VG6 UG development, coal handling and processing plant
- Investigating potential synergies with operations which may lead to capex neighbouring reduction

Key dates

- Timing to be determined

The gross profitability of the Moabsvelden Project per tonne of saleable coal product is expected, as a minimum, to match that of current operations on a normalised basis. In addition, the project promises attractive returns well above the average cost of capital which would enhance shareholder value. Further optimisation work is in progress to reduce the capex spend by revising development schedules and assessing infrastructure sharing opportunities with neighbouring operations.

Link to strategy

Leeuw Braakfontein Colliery

Location	
Approximately 10km east-south-east of Newcastle in KwaZulu-Natal bordered to the north by Madadeni Township and to the east by Osizweni Township	
Area	**Mining method**
1 951ha	• Opencast truck and shovel • Underground mechanised board and pillar

Leeuw Braakfontein Colliery ("LBC"), on the Klip River Coalfield, is planned to predominantly be a bord and pillar underground operation targeting the top and bottom coal seams. Continuous miners will be used to mine the underground coal resource. LBC has prospects of mining the shallow coal on the flanks of the resource from the opencast mining method. The coal resource is suitable for power stations in close proximity to the resource. The MTIS coal resource has been independently estimated, classified and signed off by CCIC Coal.

The coal resource estimate declared comprises 60.06mt in the indicated coal resource category and no coal reserves have been declared.

Various parties have expressed interest in acquiring LBC pursuant to the cancelled disposal transaction as previously announced. The asset remains non-core and a formal disposal process is at an advanced stage.

Sterkfontein Project
Location
Approximately 5km south-west of Bethal in Mpumalanga, approximately 89km south of Emalahleni and 149km east-south-east of Johannesburg
Area
7 926ha
Mining method
Underground mechanised bord and pillar
Sterkfontein is an underground bord and pillar prospect that targets No. 4 Lower and No. 4 Upper of the Highveld Coalfield. It is planned for Sterkfontein to be a fully mechanised operation using continuous miners. The coal is planned to be processed through a double-stage circuit to produce a primary export thermal product and middlings product suitable for a power station. The coal resource estimate at Sterkfontein was independently classified and signed off by CCIC Coal. The MTIS coal resources declared comprise 50.3mt indicated coal resources and 40.6mt inferred coal resources totalling 90.9mt. There has not been a coal reserves declaration. Keaton Energy Holdings Limited granted Moneybox Investments Proprietary Limited, previously a shareholder in Labohlano Trading 46 Propriety Limited, an option to acquire 100% of the Sterkfontein Project following extensive studies conducted. The option expired at the end of October 2017. A mining right application has been submitted to the DMRE.

Braakfontein and Rietkuil Project (Vanggatfontein extension)
Location
Approximately 18km south-east of Delmas in Mpumalanga and contiguous to the Vanggatfontein Colliery
Area
421ha
Mining method
Opencast truck and shovel
These properties are contiguous to the Vanggatfontein Colliery and, as a result, an MPRDA section 102 application was submitted on 17 April 2018 to combine the three properties and extend the life of the operation. We await approval from the DMRE in this regard. Exploration drilling is planned for the fourth quarter of calendar year 2020.

Directors and executive management

Board of directors

1 Dr Humphrey Mathe (69)
Non-executive chairman

MSc (Rhodes), PhD (University of Natal)

Appointed: 1 August 2013

Skills brought to Wescoal
Strategic leadership, mining, geology, board and committee experience

Humphrey is a member of the board and a member of the nomination committee and the project and investment committee. Humphrey is a qualified geologist who is currently the CEO of Tranter Resources Proprietary Limited. Previously he was the CEO of Scinta South Africa Proprietary Limited, a coal resources company; the executive general manager of corporate services at Exxaro Resources Limited; and, prior to that, COO and executive director of Eyesizwe Coal Proprietary Limited, where he was in charge of the Eyesizwe coal mines and growth opportunities.

2 Reginald Demana (46)
Chief executive officer

BSc Mining Engineering (University of the Witwatersrand), MSc Mining Engineering (Exeter University)

Appointed: 1 April 2019

Skills brought to Wescoal
Mining, banking, business development and corporate advisory

Reg is a mining and resources specialist with over 20 years' work experience with the latter 14 years at the forefront of investment banking at Nedbank Limited, focusing on mining advisory. He has played a leading role in numerous major transformational transactions in the sector. Reg's expertise includes M&A activity, B-BBEE structuring, capital raising, IPOs and general strategic corporate finance.

3 Izak van der Walt (50)
Chief financial officer

CA(SA), BCompt, BCompt Honours, CTA

Appointed: 1 September 2017

Resigned: 24 August 2020

Skills brought to Wescoal
Financial, mining, capital management

Izak has 19 years' experience in the mining industry. Previously with BHP Billiton in various finance, capital investment, project management and procurement roles spanning across Africa, Australia and Singapore. In addition to financial reporting, treasury and funding, strategic execution and related controls to optimise financial performance, key responsibilities include the IT function, insurance and enterprise risk management.

1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4 **Thivha Tshithavhane** (42)
CEO Mining and executive

BSc Chemical Engineering (University of Cape Town) and MDP (Unisa)

Appointed: 4 April 2016

Skills brought to Wescoal
Operational, process design and project management, mineral processing

Thivha is a chemical engineer with operational, process design and project management experience in the mineral processing industry spanning over 12 years. He has proven ability to manage multi-disciplinary projects and mining production operations while holding senior management positions (as plant manager, operations manager and works manager) with Xstrata Alloys (Glencore Alloys). He has extensive experience in minerals projects development, mineral processing, plant design and plant construction. He was general manager of United Manganese of Kalahari an operation consisting of an opencast mine with a processing plant.

5 **Andile Mabizela** (51)
Independent non-executive

Bachelor of Law, BSc (Economics) Hons

Appointed: 5 December 2019

Skills brought to Wescoal
Financial, mining, board and committee, operational, and strategic leadership

Andile is an independent director and chairperson of the social and ethics committee and a member of the audit, risk and compliance committee. Andile has extensive experience in the aviation, financial services, mining services and public enterprises sectors. For the past nine years, he has been an executive director of Afrilog, a company engaged in mine supply chain solutions. He has considerable board-level experience, having served on the boards of South African Airways (SOC) Limited, and is the former chairman of both SA Express (SOC) and the Johannesburg Property Company. Andile previously served on the subsidiary boards of Stanlib Wealth Management as well as the country boards of Liberty Africa Asset Management and Atlatsa Resources LLC. He currently serves as a board member of OMIGSA and Afrilog SA.

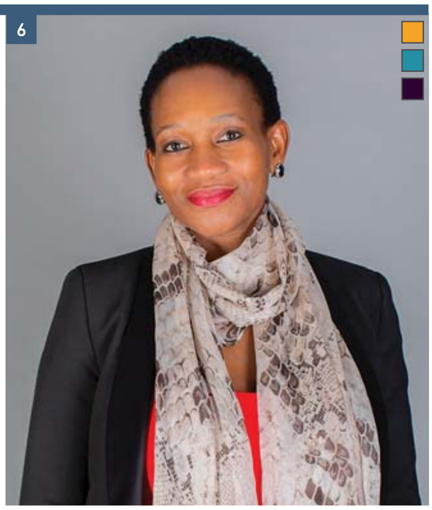
6 **Kabela Maroga** (40)
Independent non-executive

CA(SA), BCom (Financial Accounting) (University of Pretoria), BCompt (Honours), Certificate in the Theory of Accounting (University of KwaZulu-Natal), Graduate Diploma in Mining Engineering (University of the Witwatersrand)

Appointed: 1 July 2013

Skills brought to Wescoal
Financial, corporate finance mining, board and committee experience

Kabela is an independent director and chairperson of the audit, risk and compliance committee and a member of the remuneration and nomination committees. Kabela is a qualified chartered accountant with more than 13 years' experience in the corporate financial environment. She has held senior management positions in various sectors and was the chairperson of Interactive Intelligence South Africa. She has served on several other boards including the Limpopo Economic Development Agency and Corridor Mining Resources. She is the chairperson of KEW ICT Outsourcing and the deputy chairperson of New Era Life Insurance.



Please refer to the website **http://www.wescoal.com/about-us/leadership/** for detailed CVs.

Committee membership

- Project and investment committee
- Audit, risk and compliance committee
- Remuneration committee
- Nomination committee
- Social and ethics committee

Board of directors continued

7 Nomavuso Mnxasana (64)
Independent non-executive

CA(SA), BCompt Hons (University of South Africa)

Appointed: 5 December 2019

Skills brought to Wescoal
Auditing, business development, financial and strategic leadership

Nomavuso is an independent director, chairperson of the remuneration committee and member of the audit, risk and compliance and nomination committees. Nomavuso received her training from Deloitte & Touche. After completing her articles, she spent one year at Deloitte before joining Sizwe Ntsaluba (former Nkonki Sizwe Ntsaluba). During her tenure at Sizwe Ntsaluba, she specialised in consulting, internal auditing and attest function. She started the corporate governance division which housed the internal audit services, as she identified this opportunity during the introduction of the Public Finance Management Act. She was also involved in staff development and training as a staff partner for five years.

8 Nonzukiso ("Zukie") Siyotula (36)
Lead independent non-executive

CA(SA), ACMA, MBA and Executive Programmes (Harvard, Insead and Oxford)

Appointed: 14 February 2019

Skills brought to Wescoal
Corporate governance, board experience, strategy, financial and business development

Zukie is the chairperson of the nomination committee and the project and investment committee and a member of the remuneration and audit, risk and compliance committees. In March 2016, Zukie Siyotula joined the World Economic Forum's Young Global Leaders under the age of 40. Achievements like these are nothing new for Zukie who was previously named as one of the 2011 Mail & Guardian Top 200 Young South Africans. As former CEO of Thebe Capital responsible for looking after a portfolio of strategic investments across various sectors. Her diverse professional experience ranges from general management, finance, corporate governance, strategy, restructuring, business development, through to sales and distribution.

9 Cecil Maswanganyi (55)
Non-executive

BCompt (Unisa), MBL (Unisa), Post-graduate Diploma in Taxation, ACMA, CGMA, Executive Programme (Harvard)

Appointed: 17 November 2017

Skills brought to Wescoal
Strategic leadership, financial, auditing, tax, board and committee experience

Cecil is a member of the social and ethics committee. He has an accounting background with audit and tax skills, with diverse business, board and provincial government experience, dating back to 1989. He is currently CEO of Simeka Capital Holdings and has qualifications in commerce, tax and business administration.

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A high-res photograph was irretrievable.

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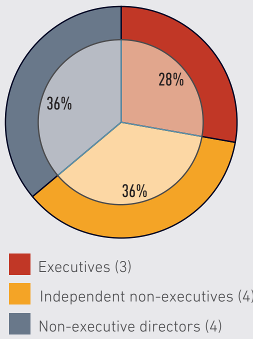
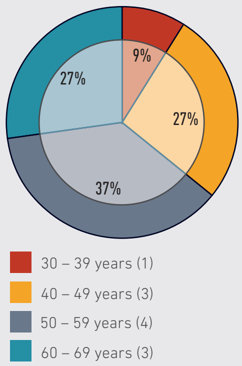
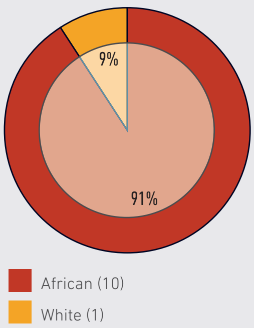
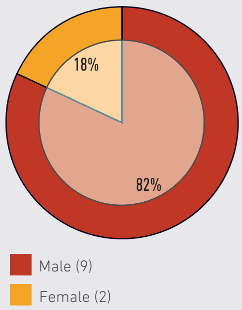
Board composition


Board age profile


Board racial profile


Board gender profile


10 Eric Thuthukani Mzimela (63)
Non-executive

Analytical Chemistry (Diploma) (M Setlogelo-Technikon Pretoria), MDP (Unisa), CPIR (Certificate Programme in Industrial Relations) (University of the Witwatersrand)

Appointed: 17 November 2017

Skills brought to Wescoal
Strategic leadership, financial, banking, analytical chemistry and industrial relations

Eric is a member of the remuneration and social and ethics committees. He is a former banker and has an indirect shareholding in Wescoal. Eric is an entrepreneur with business experience dating back to 1981. He has qualifications in analytical chemistry and industrial relations.

11 Robinson Ramaite (51)
Non-executive

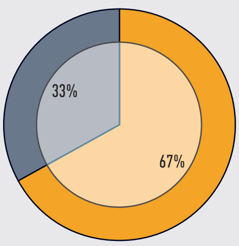
Master of Management, Public and Development Management (University of the Witwatersrand), BJuris (University of the North)

Appointed: 20 November 2007

Skills brought to Wescoal
Strategic leadership, mining, management, legal, board and committee experience

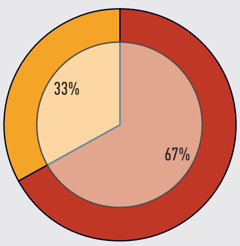
Robinson is a former Director-General of the Department of Public Service and Administration and a former advisor to various ministers of parliament. He has been involved in the mining sector for more than 10 years and sits on the boards of various listed and non-listed companies.

Executive age profile



40 – 49 years (2)
50 – 59 years (1)

Executive racial profile



African (2)
White (1)

Skills

Strategic leadership	8	Transformation	3
Mining	7	Marketing and communications	2
Geology	1	Mineral processing	3
Legal	1	Operational	6
Board and committee	8	Project management	5
Capital management	5	Industrial relations	2
Financial	5	Analytical chemistry	2
Corporate finance	4	Banking	2
Business development	3	Tax	2
Auditing	3		

Executive management








1 **Reginald Demana**
Chief executive officer

2 **Izak van der Walt**
Chief financial officer
Resigned: 31 August 2020

3 **Thivha Tshithavhane**
CEO Mining

4 **Mike Berry**
CEO Trading

5 **Zanele Sibisi**
Chief operating officer: Wescoal Mining
Appointed: 1 May 2019
Resigned: 31 January 2020

6 **Enos Lentsoane**
Executive: Commercial and Investments
Appointed: 1 May 2019

7 **Freddy Ndou**
Corporate services
Contracted

8 **Sabelo Dlamini**
Group Legal Counsel
Appointed: 1 October 2019

STRATEGY AND PERFORMANCE

Chief executive officer's report

We continue to optimise existing businesses and assets and bolster our balance sheet to enable us to fund growth opportunities that may arise.

Reginald Demana | *Chief executive officer*

It has been another tough and challenging year for both Wescoal and the mining sector. Our key medium-term strategic objectives remain to stabilise our operations, followed by optimising efficiency in both the Mining and Trading divisions, and ultimately to scale-up primarily through the development of organic opportunities. The challenges with the Vanggatfontein mining contractor continued post the changeover and had an adverse impact on production and overall performance.

We continue to manage our operational risks through engagements with the new capacitated mining contractor at Vanggatfontein, such as purchasing and leasing of equipment and by close supervision and collaboration of contracting activities. Due to a continued funding crisis at Stefanutti Stocks, the contract with them was terminated. The Vanggatfontein production ramp-up was advanced and on track to meet expectations of full capacity by 31 March 2020. Mining activity at Khanyisa is operating on target.

Wescoal continued with its strategic mandate to reconstitute and strengthen the board and executive management with the aim of revitalising the operational performance of the company. This is expected to yield positive results in the medium term.

The year in review

We concluded the transfer of the business agreement for Arnot Mine on 22 February 2019 and the process to integrate the mine into Wescoal Mining is underway. We continue to focus on integrating the mine into the broader group and ensuring regulatory compliance. Arnot Mine is well positioned to supply coal directly to Eskom's Arnot power station primarily via a conveyor belt, with resources of approximately 210 million tonnes of coal. This "first of its kind" empowerment acquisition further positions Wescoal as a dynamic black-led and black-owned mining company.

The Vanggatfontein extension project is a joint development with a neighbouring mining rights holder, which will further enable the extraction of approximately 450 000 tonnes of boundary pillar area coal that would otherwise have been sterilised in the development phase. The project is well progressed to open a new box cut for an additional mining pit and coal face.

We acquired Farm Vanggatfontein 251 with the intention of expanding the Vanggatfontein Colliery mining operations. This acquisition enables the opportunity for improved consistency of coal qualities, and is aligned with Wescoal's stated intentions to extend and optimise its asset base.

Moabsvelden is the Mining division's key greenfield development that will ultimately supply Kusile power station with around 3 million tonnes of coal per annum for a period of around 10 years. The capital expenditure for the first phase of mine development, being the box cut and auxiliary

Drive EBITDA improvement of R102 million – R136 million by FY21

Mining optimisation

- Execute optimisation "quick wins" for mining operations
- Plan and execute operational improvement initiatives
- Benchmark performance

Improve mining practices to increase profitability

Trading optimisation

- Execute cost-saving "quick wins"
- Plan and execute strategic cost-saving initiatives

Generate cost-savings and improve profitability

Strategic sourcing

- Analyse all spend for procurement saving opportunities
- Implement "quick wins"
- Plan and execute high-impact strategic sourcing initiatives

Generate sustainable cost savings

Cash clearance office

- Improve spend transparency and control
- Enhance daily cash management
- Improve spend discipline

Drive compliance and effective spend management

Organisation

- Identify right-sizing opportunities
- Evaluate structure against strategic intent and identify improvement opportunities

Ensure a fit-for-purpose organisation of the right size

infrastructure to start mining operations and produce a ROM product in early calendar H2 2020, is forecast to be between R250 million and R290 million.

The Moabsvelden Project implementation is progressing as planned and Trollope Mining Services Proprietary Limited has been appointed as the Moabsvelden box cut contract miner following an extensive selection process. The contractor mobilisation and site establishment, including early-works infrastructure construction activities, commenced during the month of June 2020.

The first coal and delivery to Eskom is scheduled for early calendar H2 2020, ramping up to full target production volume of 200 000 tonnes per month of ROM over 18 months. The capex for the second phase to take the project to steady state of 200 000 tonnes per month of ROM production in early calendar H1 2022, inclusive of a coal handling and processing plant ("phase 2"), is expected to be similar to that of phase 1, with a significant portion of this funded by third-party plant contractors for the crush and screen as well as coal handling and preparation plant. Thus, at the conclusion of phases 1 and 2 in 18 months, Moabsvelden will be able to supply 2.0 to 2.1 million tonnes of coal per annum to Eskom. In order to reach the full Eskom contractual supply of 3.0 million tonnes of coal sales per annum, the third and final phase of the project will be required, and this will involve the development of the VG6 underground project ("phase 3").

Timing and incremental capex for phase 3 will be confirmed in due course. The gross profitability of the Moabsvelden Project per tonne of saleable product is expected as a minimum to match that of current operations on a normalised basis. In addition, the project promises attractive returns well above the average cost of capital which would enhance shareholder value. Further optimisation work is in progress to reduce the capex spend by revising development schedules and assessing infrastructure sharing opportunities with neighbouring operations. In order to optimise operations and efficiencies in the Khanyisa Triangle, in February 2019, we purchased the remaining stake from Aztolinx for 100% ownership of the Khanyisa Complex, which comprises the Triangle and the Catwalk resource areas. The last instalment in terms of the 65% interest acquisition transaction from Aztolinx was settled in December 2019 and the purchase consideration in respect of the acquisition was fully funded from cash generated at Khanyisa Complex. The Triangle 2 extension project, with the opening of a new box cut and the coal face required for the remaining life of mine is now well advanced and produced its first coal during Q1 FY21.

Various parties have expressed interest in acquiring the Leeuw Braakfontein Colliery pursuant to the cancelled disposal transaction as previously announced. The asset remains non-core and a formal disposal process is currently underway.

We expect production challenges to continue amid the national lockdown in the next few months. We will continue with the implementation of the new expansion and extension growth projects.

Building a solid team

We are pleased to welcome the newly appointed independent non-executive directors, namely Ms Nomavuso Mnxasana and Mr Andile Mabizela with effect from 5 December 2019. We continue with the reconstitution of the board ensuring that Wescoal follows through with its objective of revitalising the board's leadership skills, diversity, oversight capacity and independence.

Wescoal has made several changes at second tier leadership with the appointment of new mine managers and the consolidation of some senior positions. FluidRock was appointed as the interim group company secretary with effect from 1 February 2020, following the resignation of Ms Sharon Ramoetlo. All changes to the board and other leadership structures are in line with our strategic objectives to stabilise the company. The appointment of new board members of Wescoal is detailed in the chairman's report on pages 2 and 3.

Transformation

We are currently a B-BBEE Level 2 (currently under review) contributor with between 58% black ownership and over 88% black employees. This is in line with our commitment to play a leading role in driving transformation within the junior mining sector and our majority black ownership continues to set us apart from other miners. With the employment and integration of women in strategic positions, Wescoal continues to drive gender balance within its structure from the top-down. For a detailed breakdown of our transformation statistics refer to pages 41 to 42.

Our strategy of growth

Wescoal aims to become a leading provider of reliable energy with a strategic focus on **stability**, **sustainability** and **scalability**. We are building a strong second tier management team to bring back steady growth and profitability through securing additional resources that present value-enhancing opportunities. This follows our FY19 decision to initiate a process to realign our strategic objectives to focus on long-term sustainable growth through stabilising our operations, optimising our performance and scaling through both organic and inorganic development opportunities. We have a social licence to uplift our employees and communities through various programmes and we are required to comply with all regulations relating to sustainability.

In this respect, we have embarked on an extensive exercise to develop our ESG framework. This is an ongoing journey and while we have identified our focus areas, our key performance metrics will be further identified during the year. Refer to page 33 for further detail.

COVID-19 pandemic

The impact of COVID-19 on mining production is expected to continue throughout 2020 with the nationwide lockdown in force. Wescoal was declared an essential service provider in the electricity and energy sector and was granted the necessary approval to operate during the lockdown by virtue of being a coal mining company. We have arrangements in place for business continuity and compliance, which includes the implementation of additional health and safety programmes with strict protocols. We continue to prioritise the health and safety of our employees with various campaigns as required.

Post year-end, Wescoal received a force majeure notification from Eskom in respect of the national COVID-19 lockdown. The potential impact on Wescoal requires specific discussions with Eskom to be concluded and for Eskom to disclose its intent and alignment with current signed agreements. The company will update the market appropriately if there is any material impact on its coal supply agreements with the parastatal.

Sustainability

Wescoal's core values comply with the highest ethics and corporate governance measures. Our commitment to sustainability is outlined in pages 34 and 35. Our social licence to operate is underpinned by our responsibility and accountability for the impacts of our business operations on surrounding communities. Eight families officially became the proud owners of newly built modern homes in Klarinet, Emalahleni after a successful title deed handover programme on 2 November 2019. The handover highlighted an initiative by Wescoal to relocate families living in a blasting radius at Khanyisa Colliery where their residential structures were in very poor condition.

It is critical for Wescoal to honour its social contract with surrounding communities by delivering on all the promises the company makes as its survival depends on the sustainability of these communities.

Looking ahead

We continue to optimise existing businesses and assets and bolster our balance sheet to enable us to fund growth opportunities that may arise. We will optimise our current assets before looking at other value-accretive acquisition opportunities. In the medium term, we aim to create an environment of stable operations, which translates to predictability and consistency, loading to efficiency in both our Mining and Trading divisions.

Appreciation

I would like to thank our dynamic and committed executive team and all employees for their dedication and hard work throughout the year. My appreciation extends to our dedicated advisors and the newly reconstituted board for their prompt and valuable guidance.

Reginald Demana
Chief executive officer

24 August 2020

Our strategy

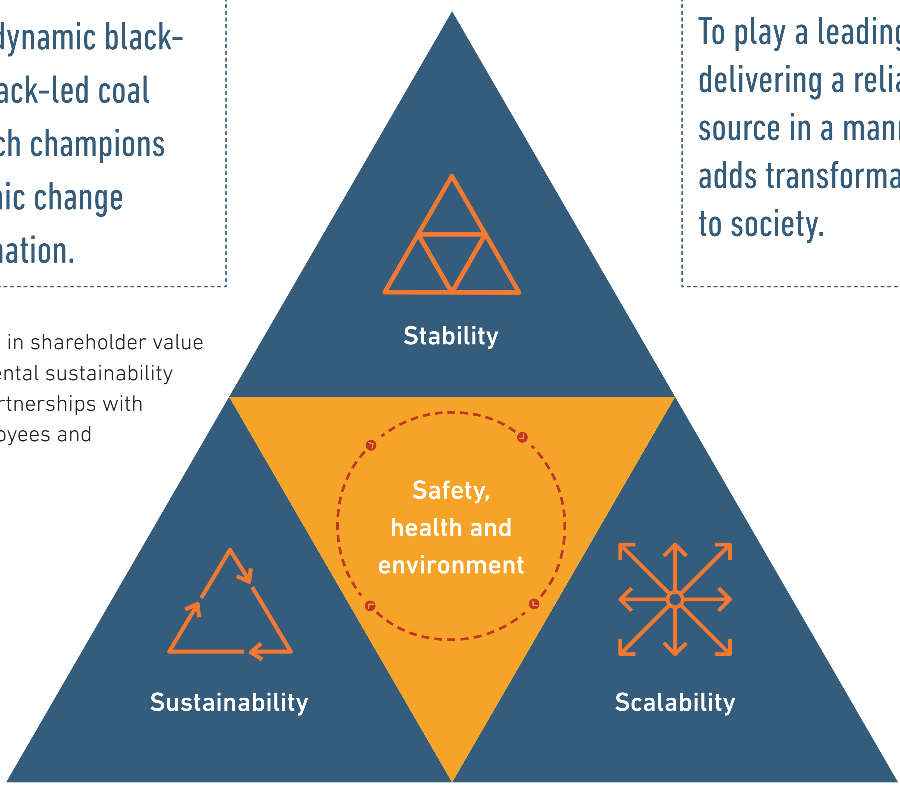
Mission

To become a dynamic black-owned and black-led coal company which champions socio-economic change and transformation.

Vision

To play a leading role in delivering a reliable energy source in a manner which adds transformational value to society.

To lead the industry in shareholder value creation, environmental sustainability and stakeholder partnerships with communities, employees and shareholders.



Strategic pillars

LAYING THE FOUNDATION TO GROW SUSTAINABLY

Stability	Sustainability	Scalability
Sweat current operations and manage business well to maintain steady state	Optimal balance sheet and capital structure with sustained shareholder rewards	Fast-track development of organic growth projects
Target	**Target**	**Target**
8mt ROM FY21	Sustained shareholder returns	Increase ROM to 10mt Operationalise Moabsvelden and Arnot
Customer-centric, balance between Eskom, domestic and export coal	Regulatory and social licence to operate	Continue to evaluate available inorganic merger and acquisition growth opportunities
Target	**Target**	**Target**
60% Eskom	Develop group ESG framework	Investment evaluation criteria

Core values

Safety | Delivery | Dynamic | Integrity | Accountability | Well-being

A holistic ESG framework

Our **stability, sustainability and scalability** strategy is underpinned by our ESG framework which permeates all areas of operation.

Our ESG framework helps us to identify, prioritise, manage and report on a wide range of critical issues that affect the sustainability of our business in the context of people, prosperity and our planet. For Wescoal, ESG is more than a lens, it is an approach, a journey, and a platform for the development of accountability and performance.

Our ESG strategy is informing our group strategy and will increasingly be integrated as we target relevance and long-term value creation for our key stakeholders. ESG touches all parts of our business with everyone in the organisation playing an important role.

Environment

Land and biodiversity

Value and protect land and biodiversity by limiting impacts and rehabilitating natural resources

Refer to environmental on page 52

Water and air

Value and protect water resources and air quality

Refer to environmental on page 52

Energy

Play a leadership role in our economy by using and promoting efficient, reliable and sustainable energy resources

Refer to environmental on page 52

Carbon

Play an important, industry leadership role in South Africa's transformation to allow carbon growth economy

Refer to environmental on page 52

Social

People

Maintain a valuable, value-driven and collaborative workforce by providing safe, rewarding and connected work experiences

Our people are critical to the delivery of shareholder and stakeholder value. By providing standards, guidance and support for them, we are investing in long-term value-driven partnerships

Refer to social page 40

Communities

Continuously value the needs, rights and circumstances of our communities and work collaboratively towards shared value objectives

Refer to social page 40

Value chain

Maintain and deliver great value in customer and supplier propositions and experiences

Refer to pages 10 and 11

Social

Stakeholders

Engage, respond and demonstrate leadership in all our dealings with key stakeholders

Refer to stakeholder relationships page 47

Governance

Corporate governance

A strong, viable, competitive and accountable organisation through structures, practices, codes and performance management

The board ensures that our strategy remains relevant, in line with current and emerging investor and stakeholder requirements, making adjustments and changes to maintain short-, medium- and long-term value-focused objectives

Good corporate governance helps us to build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies

Wescoal has adopted a strategy that is a platform for stability, sustainability and scalability in the short to medium term. The recently completed ESG strategy will be driven by the social and ethics committee and will contribute future-focused and stakeholder-centric objectives that increase relevance and value

The board advocates sound corporate governance through the guidelines set out in King IV

Refer to corporate governance page 59

Governance

Ethical and responsible leadership

Demonstrating and promoting leadership in accountability, ethical integrity and responsible business practices

The board's mission is to drive policies, practices and accountability and uphold the highest standards in the interests of all stakeholders. Through the adoption of integrated thinking, we are creating and preserving value and enabling better decision-making

Refer to ethical leadership page 58

Regulatory compliance

Demonstrating and promoting leadership in accountability, ethical integrity and responsible business practices

Wescoal takes regulatory compliance seriously. Our business and social licence to operate is dependent on this

We are driving accountability of compliance through our governance and ESG frameworks as a management priority

Our reporting platforms will demonstrate our objectives to move "beyond compliance" towards industry leadership. By adopting selected ESG reporting standards and benchmarks, we are speaking the emerging and important language of investors and other key stakeholder groups

Refer to corporate governance page 59

Chief financial officer's report

FC MC

Salient features

- Disappointing financial results
- Positive cash flow maintained
- Recapitalised and improved operations
- Operations' productivity restored
- Record production (1 808 000 tonnes) in Q4 FY20

The constrained South African economy, labour unrest and weather conditions have affected Wescoal's performance in FY20 under review.

Izak van der Walt | *Chief financial officer*

Difficult circumstances have resulted in a loss of R136.6 million for the year, however, the group maintained a positive cash flow and has instituted various initiatives to enhance mining operations and efficiencies which are already seeing a marked improvement in performance. Existing funding facilities present sufficient headroom for operational needs and current development projects.

Wescoal maintained a positive cash flow, generating R183 million from operations notwithstanding exceptionally challenging circumstances. Revenue of R3.810 billion is 4% lower (FY19: R3.965 billion), while various initiatives enabled production volumes to increase to 6 015 000 tonnes' ROM and sales volumes to increase by 6% or 347 000 tonnes to 6 313 000 tonnes (FY19: 5 697 000 tonnes) following the decline in FY19.

The company delivered EBITDA of R332 million (FY19:R456 million) against a decline in total comprehensive income which reflected a loss of R136 million (FY19: R88 million profit).

The Mining division's sales volume at 5 554 000 tonnes (FY19: 4 895 000 tonnes) increased by 13% or 659 000 tonnes. Additional sales were achieved from Khanyisa Triangle and the commencement of the 10-year CSA of Moabsvelden. A number of operational challenges impacted production output. Vanggatfontein achieved 80% of its target production by March 2020 due to various initiatives instituted and a year-on-year sales volume increase of 13% with 2 360 000 tonnes (FY19: 2 056 000 tonnes).

Revenue	EBITDA	Coal sales
R3.8 billion	R332 million	6.3 million tonnes
Net loss	**Cash generated**	**Positive cash flow generated**
R136.6 million	44 cents per share	R183 million

The Trading division's sales were significantly below customary levels at 759 000 tonnes and 29% lower than the prior year (FY19: 1 072 000 tonnes) due to continued adverse market conditions. International coal prices declined materially resulting in oversupply, while an increasingly challenging domestic coal sales market resulted in sales to key private energy-generation clients being significantly lower than in previous years.

The net cash flow from operating activities (R183 million), supplemented with long-term funding, was applied to fund capital investment activities (R433 million). The group also invested R105 million towards instalments in terms of the self-funded Khanyisa Triangle acquisition and development of its second phase.

Improvement and expansion of existing Vanggatfontein operations, including R52 million invested in VG4 recapitalisation, were undertaken, as well as development of the next phase in new box cut for Vanggatfontein pit 5 (R76 million) and surface rights acquired (R55 million). Improving the safety of operations included the implementation of mobile equipment and light vehicle proximity detection systems (R12 million). Environmental management improvements of R32 million include an additional pollution control dam at Elandspruit and upgrades at other operations.

Capital allocation

The group's consistent expansion and growth strategy accelerated key development projects investing R433 million in extensions and recapitalisation during FY20. As a result, net debt increased to R1 240 million with a gearing ratio at a peak of 58% (FY19: 29%). Notably, the net debt includes R304 million in respect of asset-based finance utilised for the new fleet of earth moving equipment acquired in the structured transaction that supports operational improvement through secured access by the mining contractor to the optimal fleet. In terms of the structured transaction, the finance lease liability is offset on the balance sheet with an equal and opposite finance lease asset in respect of lease obligations of the mining contractor in the back-to-back right-of-use agreement.

The net asset value per share as a result of losses incurred reduced to 211 cents (FY19: 252 cents per share) while positive cash flows from operations allowed for the repurchase of 22.4 million shares by Wescoal.

During June 2019, the group concluded the refinancing of its existing credit facilities through a consortium of South African commercial banks consisting of Nedbank Limited (acting through its Corporate and Investment Banking Division) and Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division). The new credit-approved comprehensive long-term refinance facilities are for a combined R1.1 billion, with a provision that also allows the group access to an additional R500 million accordion facility subject to credit approval but within the legal agreements of the refinance facilities. This significantly reduces the lead time in accessing this extra liquidity facility. The benefits of consolidating various debt instruments include the effect of long-term debt and reduction of current liabilities, enhancing the group's liquidity, net current asset position and overall balance sheet strength.

In addition to the refinance, an asset-based funding structure was specifically put in place with the same consortium of lenders. A R304 million fleet of Caterpillar equipment secured by Wescoal serves its strategy to mitigate the inherent counterparty risk of the contract miner operating model. The facilities funded significant investment during the year on the extension and improvement of the Vanggatfontein and Khanyisa operations.

While financial debt covenants were under pressure as a result of operational performance, the net debt to EBITDA covenant requirement of 2.5:1 was impacted by R400 million of customer receipts expected for 31 March 2020 having been delayed. This resulted in the net debt to EBITDA covenant ratio of 3.7:1. The lenders, acknowledging the prevalent circumstances and non-controllable events in the context of the COVID-19 lockdown that led to a temporary impact, confirmed their continued support and waived the covenant requirement for 31 March 2020.

The existing funding facilities not fully utilised present sufficient headroom for operational needs and current development projects.

Capital allocation priorities:

- Maintain restored performance and optimised assets;
- Cost containment to protect the balance sheet and facilitate growth;
- Deliver priority projects (Moabsvelden and Arnot); and
- Consistent shareholder return through growth, dividend and share buy-back.

The key priorities to restore and grow shareholder returns are to maintain the consistent operational performance and cash flow generation as restored during the last quarter of FY20 while cautiously continuing to grow the group according to clear strategic priorities.

The investment during FY20 in recapitalisation, and the extension of existing operations, as well as progressing the development of key projects and initiatives, enabled the improved performance achieved during Q4 FY20. This created the base for delivering value through minimal further investment to existing operations during FY21.

Khanyisa Triangle, acquired during FY19, was extended with the opening of a new box cut on the Triangle 2 area – a low strip ratio area where the first coal was reached in March 2020, ahead of schedule and within capex budget range. Khanyisa achieved full capacity production in March 2020 after the downtime in December due to flooding,

The extension of Vanggatfontein and the opening of pit 5 box cut are well advanced. The first coal was extracted during Q4 FY20 (92 000 tonnes) within capex budget range. The project is being pursued as a joint development with a neighbouring mining right holder, which will further enable the extraction of some 450 000 tonnes of boundary pillar coal that would otherwise have been sterilised. This pit will replace VG3 pit which is nearing the end of its life and maintain current production levels at Vanggatfontein. The mine experienced significant challenges relating to labour disruptions and mining contractor performance. As a result, FY20 production volume of 2 198 000 tonnes ROM was 18% lower than the prior year (FY19: 2 688 000 tonnes). Various initiatives, including the new fleet of primary earth moving equipment and access to multiple and increased coal face lengths, resulted in consistent improvement each quarter and an 80% rate of target production by March 2020. The production of 828 000 tonnes ROM during Q4 FY20 is an improvement of 33% on the preceding quarter and exceeds the run rate of FY19 by 23% or 152 000 tonnes.

The Elandspruit opencast production was also ramped up during FY20 and production of 785 000 tonnes during Q4 FY20 was an increase of 39% on the comparable quarter ending March 2019 and 26% on the immediately preceding quarter. The increase is due to optimisation of the mine pit configuration by increasing the coal face length and through the deployment of additional equipment to increase the production rate. The underground section of Elandspruit Mine is expected to resume production during H2 FY21.

In summary, the group coal production of 6 015 000 tonnes is the result of significant improvement resulting in record production of 1 808 000 tonnes during Q4 FY20, an increase of 27% on the comparable quarter ending March 2019. We are confident we will maintain the restored level of operational performance and exceed the prior achieved run rate of cash generation through continued focus on the basics. To enhance improved operational performance, a cost-saving exercise is being undertaken across the group, focusing on bulk procurement initiatives with mining contractors, supply chain efficiencies and a review of overhead structures.

Through disciplined capital allocation, maintaining consistent operational performance, and enhanced internal cash generation, Wescoal is enabling significant value creation in the development of internal growth and expansion projects.

Moabsvelden

Significant progress was made in advancing the project during FY20 to the execution stage as it is fully licenced. Wescoal's progress on this project included acquiring the minority stake to own 100% of issued shares, acquiring surface rights, securing a 10-year offtake agreement with Eskom, finalising the development and life of mine models and appointing the infrastructure, mine works and box cut development contractors. Further detail can be found under our operations and in the CEO's report on pages 30 to 32.

Arnot

The mine is on track to commence production activities during H2 2020. In parallel to Eskom's coal supply tender for Arnot power station, discussions with Eskom and the DMRE on rehabilitation cost settlement terms are well advanced. Arnot Mine has resources of 210 million tonnes of coal and the operation is well positioned to supply coal directly to Eskom's Arnot power station primarily via a conveyor belt with alternate markets for coal also being considered.

Dividends

After careful consideration of the financial position, performance of the group and macroeconomic conditions, the board resolved not to declare a final dividend for FY20. The board remains committed to delivering shareholder value and is currently prioritising capital allocation to the recapitalisation and extension of existing operations and the development of the Moabsvelden Project.

Izak van der Walt
Chief financial officer

24 August 2020

Through disciplined capital allocation, maintaining consistent operational performance, and enhanced internal cash generation, Wescoal is enabling significant value creation in the development of internal growth and expansion projects.

Social

The success of our business is inextricably linked to our human capital resources and our people are critical to the delivery of shareholder and stakeholder value. Our duty is to act in a responsible leadership role, to value, protect and nurture our people and to partner with them on a journey of personal and sustainable development. This extends beyond the boundary of employment to our important mining contractor stakeholders – the extension of our workforce family is an enabling part of our ESG strategy.

Our people

Maintain a valuable, value-driven and collaborative workforce by providing safe, rewarding and connected work experiences.

Our people are critical to the delivery of shareholder and stakeholder value. By providing standards, guidance and support for them, we are investing in long-term value-driven partnerships.

Our duty is to act in a responsible leadership role, to value, protect and nurture our people and to partner with them on a journey of personal and sustainable development. This extends beyond the boundary of employment to our important mining contractor stakeholders – the extension of our workforce family is an enabling part of our ESG strategy.

We are proud of our policies, positions and track records around human rights, health and safety and our ability to deliver targets safely is an important high-level indicator of value creation.

Wescoal has transformed to become a black-owned and black-run company that is attracting quality leadership and a capable workforce, with women increasingly well represented in every aspect of the company's activities.

We have clear objectives relating to employee and supplier development, which are guided by our skills, training and supplier development and localisation programmes. Our intention is to build and retain top industry resources through the provision of the individual employment experience.

Wescoal's business model has a strong emphasis on mining contractors and the success of this model is linked to our ability to maintain healthy and responsive engagement platforms. These relationships are a powerful enabler of our ESG strategy.

Total number of new employee hires during the reporting period:

Age group	Total	Female	Male
Gauteng			
30 – 35 years	8	4	4
36 – 40 years	3	1	2
41 – 45 years	1	1	–
46 – 50 years	3	2	1
Mpumalanga			
20 – 25 years	7	2	5
26 – 30 years	11	8	3
31 – 35 years	6	2	4
36 – 40 years	4	1	3
41 – 45 years	5	1	4
46 – 50 years	4	–	4
51 – 55 years	2	–	2

Human resources key focus areas

All human resources policies and procedures are being reviewed and refreshed with a view to promoting sound labour relations and the maintenance of industrial peace and prosperity across subsidiaries. In pursuit of this, we are committed to the fair and equitable treatment of all our employees and will not tolerate victimisation or intimidation. Zero instances of discrimination were reported during the year.

The National Union of Mine Workers ("NUMSA") is the newly recognised majority union for Wescoal's Mining division. For any operational changes, we apply the provisions of the Labour Relations Act 66 of 1995 Code of Good Practice in relation to notices. We currently only have a recognition agreement with our majority union, NUMSA, and are in the process of negotiating a collective agreement. At Wescoal Mining, 47% of the workforce is represented by a union and/or collective bargaining agreement.

The organisational structure and employee capabilities will be reviewed and aligned to embed a performance management culture. There is a continual focus on legislative and regulatory compliance in line with changes taking place and the company will reinvigorate its programme to build strong relationships with host communities.

Transformation and the workforce

As a corporate citizen in South Africa, we have a moral and legal duty to address the important issues of equality and transformation in the workplace.

Our duty is to act in a responsible leadership role, to value, protect and nurture our people and to partner with them on a journey of personal and sustainable development.

Wescoal has made great strides in implementing its five-year employment equity plan initiated in 2016, with transformation taking place across all levels. This includes recruitment, retention and development of management and employees.

The company is presently focusing on gender balance. The overall management of HDSA representation far exceeds the Mining Charter target with actual representation standing at 88%.

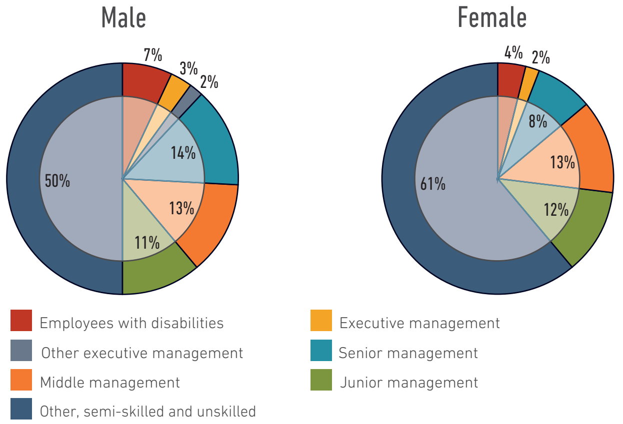
Employment equity initiatives

Wescoal has transformed to become a black-owned and black-run company that is attracting quality leadership and a capable workforce. Women are increasingly well represented in every aspect of the company's activities. Our policies and practices specifically prohibit any form of discrimination. Equal opportunity is a foundational principle of the recruitment and selection practices.

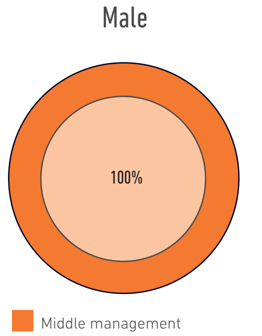
Following a restructuring in FY19, effective January 2020, the group's employment equity plan has been revised with new targets. Progress on the new plan is being monitored on a quarterly basis.

The total Wescoal staff complement is set out below:

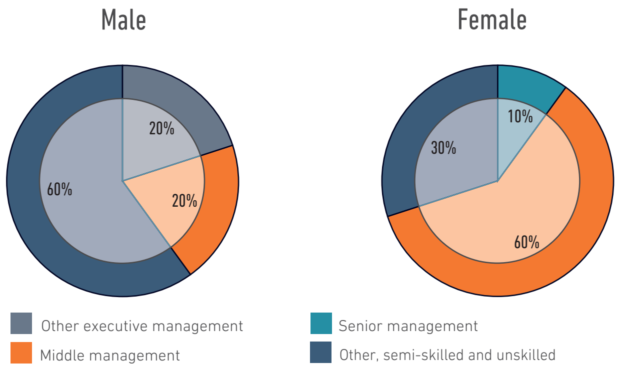
Occupation levels – African



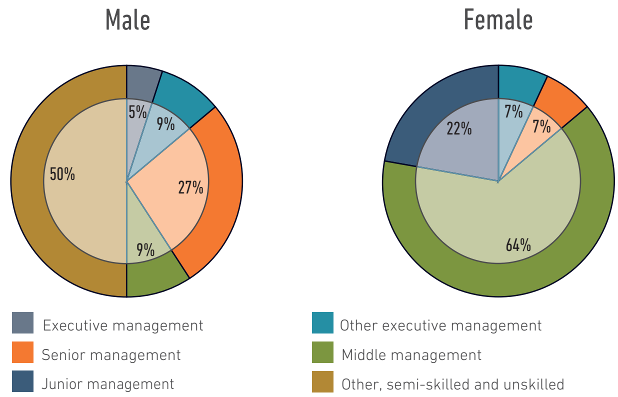
Occupation levels – Indian



Occupation levels – Coloured



Occupation levels – Non-black



All job categories

Total number of employees: 222

Age group: 20 – 65 years

Number of employees

Wescoal Holdings Limited	Wescoal Mining	Wescoal Trading	Keaton Energy Holdings Limited	Keaton Mining
20	123	53	6	20

Employee training and development programmes

Wescoal continues to focus on development of its employees through a formal Individual Development Programme.

We have clear objectives relating to employee and supplier development, which are guided by our skills, training and supplier development and localisation programmes. HR is responsible for skills development and training throughout the company. Our intention is to build and retain top industry resources through the provision of the individual employment experience. Wescoal's training spend for the year amounted to R4 503 799.

In terms of regulation 42(1)(a) of the Mineral and Petroleum Resources Development Act, 28 of 2002, Wescoal has SLPs in place at its mining operations. Internal skills development programmes that took place included training on compliance, Adult Basic Education Training ("ABET"), operator training, National Certificate Business Administration, National Certificate IT Tech Support, Executive Development Programme, Ethics Officer, Risk Management and Mining Charter.

Graduate development programmes covered internships, P1 and P2 and apprenticeships with participants placed at various Wescoal operations in minimum two-year programmes.

Ten learners with disabilities were engaged through our training and development programme that is monitored by an employment equity, training and development forum which sits at least once a quarter to monitor progress against employment equity, training and development targets.

Percentage of total employees who receive regular performance and career development reviews:

Job grade	Total	Total %
D	5	2.12
D1	8	3.39
D2	6	2.54
D4	12	5.08
E	1	0.42
E1	3	1.27
E2	3	1.27
E3	2	0.85
E4	2	0.85
F1	3	1.27
F2	1	0.42

Health and safety	
Lost time injury rate	0.15
Occupational disease rate	–
Absentee rate	0.89
Fatality rate	0.04

We have clear objectives relating to employee and supplier development, which are guided by our skills, training and supplier development and localisation programmes. HR is responsible for skills development and training throughout the company.

Health and safety

Our philosophy around health and safety is first and foremost to create a safe, empowering work environment for our employees, which is compliant with and extends beyond legislation including the Mine Health and Safety Act, all regulations and compulsory codes of practice. An occupational hygiene measuring and monitoring system forms part of this programme.

In line with our striving for excellence in HSE compliance, we ensure that employees and other affected parties are informed of the risks and hazards associated with their work and are trained in the identification of such and remediation techniques and practices.

All employees are represented by a joint manager-worker health and safety committee.

Health and safety audits continue to be conducted regularly at each operation. Work stoppage instructions are issued if scores fall below 80%.

Representation on committees is set out below:

Mine health and safety committees	% worker representation
Khanyisa committee	100
Processing committee	100
Elandspruit committee	100
Vanggatfontein committee	100

In the first half of FY19 and FY20, respectively, DMRE mining and engineering audits were carried out at Elandspruit and Khanyisa. These highlighted several safety improvements for implementation, related mostly to the correct operation and maintenance of plants, insufficient firefighting equipment, ablution facilities and effective safety incident and statistic recording. As a result, an automated fire suppression system was installed at Processing and at Elandspruit. Monthly audits are conducted by an external service provider on all firefighting equipment. At Khanyisa, the ablution facilities were installed by means of a mobile change house ablution facility. Effective safety statistics are compiled monthly at each operation.

The additional health and hygiene audit at Khanyisa reflected 100% compliance. A machinery inspection audit at Vanggatfontein reflected the need for a review of compliant statutory and functional reporting lines for a rock engineer at the mine, and that training for safety and health representatives required updating and expansion.

In line with our undertaking last year, turnstiles and alcohol testing mechanisms were installed in the year at Elandspruit, Khanyisa and Processing, and as planned, are effectively reducing the risk of employees entering the operation in a condition not fit for work or without a valid medical certificate or induction training. The installation of biometric identification is currently underway.

In order to maintain the group's high safety and health standards, ongoing training is an operational imperative at all mines. Health and safety, first aid and firefighting training is executed monthly at each operation. Employees are trained in line with Mine Health and Safety Act regulations. Wescoal exceeded the expectation of the number of employees and contractors trained during the year with 673 employees trained in terms of HSE representative training, firefighting, first aid and hazard identification and risk assessment.

Lost time injury rate	Occupational disease rate	Absentee rate	Fatality rate
0.15	0.0	0.89	0.04

Community training and development programmes

If resources and livelihoods of mining communities are impacted, mining companies are required to develop skills, infrastructure and small enterprises to mitigate these impacts and to position communities for economic sustainability. Wescoal enters into SLP agreements with communities and honours its social contracts with these communities.

Twenty community members attended blasting, 123 underwent yellow machine skills training and three university-level bursaries were offered.

HIV/AIDS and tuberculosis

A formal HIV/AIDS policy is in place which deals with concerns regarding HIV/AIDS, but also sexually transmitted infections and TB, and outlines ways to prevent transmission among Wescoal employees and their families as well as the broader communities. This is a responsible group initiative in the best interests of long-term sustainability for the company as well as our people and their communities.

The policy was originally implemented in consultation with employees and unions and is reviewed regularly. No changes were made in the year to practice standards in relation to TB and HIV/AIDS. Employees remain obligated to adhere to these standards.

Health and wellness programmes are conducted on-site at all operations, aimed at improving the healthy lifestyle of employees. These include a TB and HIV screening questionnaire, and referral if necessary, as well as general health screenings and tests.

Occupational health

The occupational health programme at the mines seeks to educate on, prevent and mitigate all occupational health risks. In the year, this involved informing employees that miners, former miners and their families are entitled to have their hearts and lungs submitted for examination post-mortem, the findings of which could still result in legislated compensation. The aim of this training was to establish that this opportunity extends to anyone exposed to work risk on the mine and even after death.

We take our commitment to our people's health and wellness seriously, and believe that increasing awareness is integral to executing this commitment. In addition to face-to-face training, posters about pneumoconiosis, chronic airway disease and compensation for mine and former mine workers are prominently displayed.

Medical surveillance for employees and contractors includes initial, annual (if not more frequent) and exit examinations, and specific focus on noise- and health-related problems. All occupational issues that remain unresolved on termination of employment are addressed during the exit examination.

Khanyisa, Processing and Elandspruit outsource medical examinations to Clinic Plus in Witbank, while Vanggatfontein has a permanent on-site paramedic who also provides primary healthcare as well as a weekly mobile clinic. Outsourced medical care encompasses occupational health, primary healthcare and wellness services to miners, other employees and contractors.

In addition to medical surveillance for mine-related diseases, wider health and wellness programmes are conducted on-site and include screening for chronic diseases e.g. hypertension, diabetes, cholesterol and high BMI. Further, an independent psychologist is made available to address the psychosocial health of affected employees.

The occupational illness investigation procedure is based on a specific incident reporting process, and a treatment plan is then recommended. Exposure reports measure the exposure of the employee in question relative to the actual medical results of testing. Rehabilitation and return-to-work programmes are in place through external specialists, again ensuring sustainability of our employee force and continuity of skills and experience.

During the year, there were no reported incidents of occupational disease.

Hearing deviations (as opposed to hearing loss) are investigated and remedied in cooperation with the operation's HSE manager. All chest disease incidents related to occupational health are submitted to the MBOD by the identifying clinic.

It is important to note that the results of dust and noise level testing in the year revealed that both fall well below the industry benchmark of 2.0mg/m^3 for dust and 85dB(A) for noise. The group reported zero incidents of NIHL during the year.

Our communities

We are accountable for how our business impacts communities in which we operate, and our SLPs continue to reflect this. We understand that our own success is dependent on their sustainability. Our ethics and corporate governance policies and practices are aimed at delivering on contracts and commitments made to local communities.

We continuously evaluate the needs, rights and circumstances of our communities and work in a collaborative manner towards shared value objectives.

Wescoal enters into SLP agreements with communities where resources and livelihoods of mining communities have the potential to be impacted. We are developing skills, infrastructure and small enterprises to mitigate these impacts and to position communities for economic sustainability.

Wescoal values the communities in which we operate and we are accountable for how our business impacts these communities, as reflected in our social labour plans. We understand that our own success is dependent on their sustainability.
Wescoal's policies and practices around pollution, dust and noise have been developed with our communities in mind, and we are continuously engaging with them to ensure that we are held to our own high standards.
Through our SLPs, our supplier development and localisation programmes and our B-BBEE commitments, we provide tangible opportunities to community-based businesses at our operations.
Wescoal participates in the incubation of community-based initiatives that will provide long-term contractual services to its operations.

Corporate social investment

In conjunction with the DMRE, local community forums and local and regional councils create, manage and monitor all the commitments of the SLPs to the benefit of the local communities where its operations are located.

Wescoal participates in the incubation of community-based initiatives that will provide long-term contractual services to its operations. R6.4 million was spent on housing during the year.

There were zero cases of labour unrest during the reporting period.

Contributions were made to the following projects in support of social and community upliftment during the year:

Thirty-three housing units at Elandspruit. The housing adjudication and tender processes have been completed and construction is planned for post-lockdown. The DMRE has been advised of the anticipated end date;
Sewing project realised – currently used for masks for COVID-19;
Poultry project planned for FY21 – currently sourcing the supplier;
Agricultural hub project at Elandspruit: The beneficiaries have been identified and trained on farming. Simeka Harvest has a service level agreement to provide support to the centre. The service provider is currently installing the farming tunnel;
Community skills development centre – Delmas development centre operations are supported monthly. A grader has been purchased on behalf of the centre. The project will be supported for six months through the payment of a service provider to conduct training with the grader;
Phola Hall renovation project completed;
Tunnel Farming Project for Khanyisa completed and being supported for sustainability; and
Phase 1 of 12 houses at Khanyisa completed and handed over in February 2020. Phase 2: 12 houses commenced in April 2020.

Community consultation structures established for Elandspruit, Khanyisa and Vanggatfontein Mines are working well as a platform for community engagement. Local community businesses were appointed to perform topsoil mining and rehabilitation at Khanyisa and Elandspruit Mines, respectively. Relationships were forged with new community forums that emerged. Stakeholder engagement has been strengthened through structured regular formal engagements.

Local economic development

The following contributions were made for the year:

- WH-Morake Caterers – R100 000
- KM-Anchman – R44 000
- KM-Bongambali – R2 400 000
- KM-Delmas Enterprise Development Centre – R600 000
- KM-Boo wa Ndo – R7 400 000
- WM-Innovators Resources – R1 445 000
- WM-Mhluziwethu Textile and Projects – R139 000
- WM-Arnot – R21 000 000

Stakeholder relationships

We engage, respond and demonstrate leadership in all our dealings with key stakeholders.

Stakeholder engagement provides opportunities to further align business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value. For stakeholder engagement to be authentic and valuable, it requires that stakeholders have appropriate and accessible platforms and the means to feedback. It also requires that the organisation is responsive.

Wescoal has a well-developed stakeholder engagement approach, that is aligned with regulatory and SLP requirements and expectations.

Our stakeholder identification and mapping process is aligned with globally recognised ESG and reporting methodologies and our intentions are to continuously improve our engagement process and to be more responsive to issues raised.

We continue to focus on improving our engagement strategies and view communication and relationship management with our stakeholders as integral to our sustainability and a critical part of our business strategy. Our stakeholder engagement informs our key strategic discussions and is important in identifying our material issues and the steps needed to address them.

We strive to ensure open and transparent engagement with all stakeholders. A stakeholder evaluation is constantly under review at group level as well as in the Mining and Trading divisions.

We communicate with various stakeholders through our website, stakeholder presentations, site visits, the annual general meeting, interaction with the media, one-on-one meetings, community forums and ongoing informal and formal discussions.

This year, we hosted an investor site visit at our Vanggatfontein Mine in Mpumalanga on 6 March 2020 and we issued a number of voluntary SENS announcements as well as regulatory SENS announcements.

In our quest to become a long-term leading provider of reliable energy source, Wescoal continues to play a more meaningful role in the transformation conversation and at industry level. We aim to become a more prominent public voice for smaller-sized empowered mining companies. In order to achieve these goals, we have joined various industry bodies.

Stakeholder relationships continued

Our key stakeholders and the issues that concern them are outlined as follows:

	Financiers	Suppliers	Customers
Key interests	• Loan agreements and financing facilities to Wescoal • Compliance with various covenants and undertakings • Overall liquidity	• Continuity of business relationships on commercially optimal terms • Service delivery and quality • Building relationships • Price competitiveness	• Product quality • Efficient and timely delivery of product • Competitive pricing structures • Service levels • Relationship building
Actions	• Keeping providers of finance informed of relevant developments in a timely manner • Management of finance facility embedded in performance management programme • Finance covenants managed proactively	• Overseen across the group and updated accordingly • Strive for on-time delivery • Regular engagements with suppliers • Gifts register in place	• Conscious effort to meet expectations where applicable • Product quality from both the Mining and Trading divisions is continually monitored • Regular visits to and engagement with customers
Engagement	• Regular contact sessions around status of operations and specific initiatives • Quarterly submission of management accounts	• Ongoing regular meetings regarding business dealings, risk management and business planning • Presentations and correspondence regarding product features and service offerings	• Contract review processes • Formalised business dealings, meetings, telephone conversations, credit checks and reviews

	Contractors	Shareholders	Employees
	• Service level agreements ("SLAs") • Outsourced contract agreements • Operations planning and capacity management • Industrial labour relations • Community support and upliftment	• Strength of the board • Succession planning • Long-term lives of mines • Earnings and sustainability • Dividend payments • Black ownership • Single customer dependency • Broad-based black economic empowerment • Communicating value proposition of the business	• Healthy, safe and productive working environment • Staff development, career and succession planning • Setting and monitoring performance goals • Market-related and equitable reward and employee benefits • Employment equity and diversity management initiatives • Review of employee benefits • Policies communicated appropriately and understood
	• Coordinated annual and rolling three-month planning • Monitoring key risk and performance indicators (productivity, capacity and stakeholder management) • Continuous production efficiency optimisation • Monitoring of reportable incidents, shift reports and suggestions log	• Asset base is being increased • Diversified revenue streams, product mix, export/domestic customers • Management team strengthened • Board appointments • Annual IR strategy review	• Employment equity plan in place • Fair and consistent implementation of disciplinary and grievance codes • Consultation of employee representatives • Annual Department of Labour submissions on employment equity • Business unit employment equity forum in place • Reports and workplace skills plans • Display of key labour legislation at the workplace • Training sessions
	• Continual monitoring of SLAs and adherence to outsourced contracts – daily reports, weekly production monitoring meetings • Monthly assessment of delivery against targets and leading key performance indicators • Tri-party community engagement forums • Attendance of staff meetings as observer	• SENS announcements • Interim and final results presentations and teleconferences • Regularly updated website • Dissemination of information through a defined contact list • Calls with strategic shareholders if and when required • Site visits and investor open days to mining facilities • Regular engagements with key shareholders	• Training and development • Quarterly staff communication sessions • Personal career development plans • Written staff communications and memos • Staff communications sessions (town halls) • Periodic policies and practices audit • Staff training and development initiatives

	Mining-affected communities	Unions	Civil society groups
Key interests	• Sustainability of economic empowerment and sustainability initiatives beyond life of operations • Local economic development projects and social and labour planning implementation • Financial support of community upliftment initiatives • Environmental sustainability • Post-life of mine sustainability of communities • Impact of mining on community and environment	• Advancing matters of mutual interest • Change management programmes • Partnering to effect workplace transformation	• HIV/AIDS prevention initiatives • Responsible water management initiatives • General social licence to operate
Actions	• Development of community grievance procedures • Successful relocation of eight families and handover of title deeds • Focus on operating responsibly • Rehabilitation programmes	• Group employment equity forum on transformation • Mining employment equity committee • Working together with contractors to address concerns	• Representations to the Human Rights Commission
Engagement	• Mining Future forum • Tri-party contractor community forums • Scheduled meetings with local economic development forums • SLP initiatives • Corporate social responsibility initiatives (enterprise development community projects – school renovations and road maintenance works) • NGO relations and interactions	• Regular consultation on reward and employment conditions • Consultation on transformation • Local economic development and corporate social investment • Broad-based black economic empowerment • Skills development	• Stakeholder roadshows and awareness campaigns

Governments and municipalities	Regulators	Media
• Municipal endorsement of SLPs • Company track record in respect of human rights and environmental management performance • Legislative compliance	• Regulatory and legislative compliance to mining industry standards • B-BBEE codes and Mining Charter compliance	• Integrity of communications with all stakeholders • Understanding the Wescoal business
• B-BBEE ownership in excess of 58% and tracked regularly • Human rights code in place	• Annual submission of annual regulatory compliance and update reports • Tax certificates of good standing • Compliance register system being introduced to manage and track all regulatory matters • Dedicated training programme across group • Whistle-blowers hotline • B-BBEE plan and strategy developed	• One-on-one engagement with financial and trade editors and journalists to ensure that Wescoal's strategy is well understood and accurately reported • Circulation of press releases • Media alerts through SENS announcements • Monitoring of media exposure • Media strategy reviewed annually
• Forum participation • Formal meetings • Participation in public engagement with Chapter 9 institutions e.g. Human Rights Commission • Engagement with municipalities for endorsement of compliance submissions	• Annual reporting to the DMRE and the Mining Qualifications Authority • Department of Water Affairs • Department of Labour • Department of Land Affairs • Department of Trade and Industry • South African Revenue Service • JSE • Companies and Intellectual Property Commission	• Interim and final results presentations • Specific direct engagements • Operations visits

Environmental

We are committed to playing an important industry leadership role in South Africa's transformation to a low carbon growth economy.

Wescoal's policies and practices around pollution, dust and noise have been developed with our communities in mind, and we are continuously engaging with them to ensure that we are held to our own high standards in terms of accountability. Through our social and labour plans, our supplier development and localisation programmes, and our B-BBEE commitment, we provide tangible opportunities to community-based businesses at our operations.

We are proud of our policies, positions and track record around human rights, health and safety and our ability to deliver targets safely is an important high-level indicator of value creation. Our total environmental protection expenditure amounted to R41 million for the year (FY19: R30 million).

The company undertakes proactive responsibility for ensuring that all employees and affected parties are informed of the risks and hazards associated with environmental impacts. Training of employees in this regard is implemented on an ongoing basis to ensure that any harm to the environment by mining activities is limited. Further, monthly environmental employee talks are held and critical information is displayed on notice boards.

All our sites maintain rehabilitation plans so that remediation of land is in compliance with approved environmental management plans and the National Environmental Management Act.

The following objectives are applied to all operations:

Ensure that the potential impacts of the proposed mining and civil construction operations on biological diversity and cultural component of the environment are assessed within a planning process and incorporated into field management procedures;
Monitor and manage those activities that have, or are likely to have, temporary impacts on biological diversity, the cultural component of the environment, groundwater or other land uses, and facilitate rehabilitation so as to minimise such impacts if they occur; and
Avoid undertaking any activities which have, or are likely to have, long-term significant adverse impact(s) on biological diversity, cultural components of the environment, groundwater or other land uses.

Environmental and social impacts from mining can include pollution of water, air and soil and the disruption of farming activities and community life. Apart from acquiring mining rights, mining companies are expected to consult with communities, inform them of their individual and collective rights, and work with them to build trust and reduce and mitigate impacts in the community.

Wescoal has not received any fines for non-compliance with any environmental laws or regulations.

Land and biodiversity

We value and protect land and biodiversity by limiting impacts and restoring resources.

Land and biodiversity are finite resources, which are impacted by coal mining operations. Wescoal understands that "red listed" biodiversity species should be protected, soil contamination should be minimised and land should be rehabilitated to the greatest degree possible, concurrently during mining operations and following mine closure.

Our activities are directed at reducing damage to soil, land, landscapes, biodiversity and natural habitats as applying good principles and practices during and after mining operations can significantly reduce the impacts of coal mining. By setting and managing targets around waste recycling, concurrent rehabilitation and soil contamination, we reduce impacts and minimise financial and natural capital liabilities associated with final rehabilitation. Financial provisions for rehabilitation are a material issue that require ongoing revaluation and management.

Elandspruit and Processing are located in a highly sensitive area. Elandspruit is adjacent to the Graspan pan which is home to African bullfrogs. The mine will undertake a bullfrog relocation which will entail field work to determine the presence of this species, amphibian training (including identification and handling) for relevant staff members, final identification of the primary release site and physical relocation of bullfrogs (including adults, juveniles and tadpoles) to remove the risk and ensure business continuity.

While we are committed to meeting our EMP obligation in terms of rehabilitation, progress in FY20 has been slow due to a variety of reasons including low production output and contractor issues.

Rehabilitation during FY20

Description	Elandspruit ha	Vanggatfontein ha	Khanyisa ha	Total ha
Mining area	127.2	190.85	141.63	459.68
Open pit and ramp	68.93	140.12	53.49	262.54
Mine area levelled	58.27	–	72.77	131.04
Mine area topsoiled	17.25	–	24.92	42.17
Mine area seeded	0.46	–	17.73	18.19

Energy

We are reducing relative energy consumption by driving good practices and efficiency projects.

The business of coal mining requires significant energy inputs and grid electricity is the predominant source of energy for Wescoal, with diesel fuel making up the balance.

- Diesel consumption (FY20): 24 957 758kℓ; and
- Electricity consumption (FY20): 4 654MWh.

Energy efficiency and carbon emissions are important management issues for Wescoal, particularly as we look towards a responsible leadership role in the industry. Globally, investments in (and consumption of) coal-based energy are in decline and we are taking steps to position the company for diversified opportunities that may emerge through our partnerships and business model.

Wescoal's energy management plan is a business priority. We are reducing relative energy consumption by driving good practices and efficiency projects. Projects are aimed at optimising our energy mix e.g. replacing diesel for electricity or using introducing technology e.g. diesel additives and local battery storage solutions.

Our GHG reporting activities help us to track and reduce energy consumption in operations (Scope 1 and 2). We believe that by continuously developing and sharing Wescoal's position on the future of energy in South Africa, we can lead discussions, collaborate and maintain our relevance for investors and other key stakeholders.

Water and air

We value and protect water resources and air quality.

Water is an essential natural capital input in the Wescoal business model and a scarce natural resource for South Africa. Coal mining dust can degrade air quality in areas surrounding the mines causing damage to crops, vegetation, workers and communities. The coal washing process consumes large amounts of water and can cause contamination. Failure to maintain pollution control dams can result in water and land contamination. We are committed to reducing relative water consumption, maximising reuse and preventing water and air pollution and water contamination from operations.

Wescoal has water conservation and demand management plans in place which are underpinned by financial budgets. Measuring and managing Scope 3 emissions from water consumption helps us to manage volumes as does the tracking of relative use of water against coal production volumes.

We make it our business to drive excellence in practices that are aimed at avoiding water contamination, such as mine water effluent and seepage, and pollution control dam capacity management and maintenance. This requires the allocation of budgets for proactive interventions and the tracking of critical incidents such as pollution pools and pollution control dam failures. Dust suppression practices are standard in our operations and dust fallout rates are continuously monitored and managed.

The total recorded water use from boreholes and pit dewatering was 3 386 453.4 cubic metres.

All our operations have approved integrated water use licences, and we are committed to becoming fully compliant with the authorisations. All the water reticulation systems at our operations are closed loop. This means that Wescoal does not directly discharge water into the water resources. The recycled and pit water is used for dust suppression and coal beneficiation which is part of our water conservation and demand management plan. At Elandspruit, we are currently building a new pollution control dam and upgraded surface water management plan to accommodate all the impacted mine water to ensure that we meet the requirement of GNR 704.

We have identified two key risks in terms of water management:

- Reputational risk – in the current climate, having a good water management system is essential for creating a competitive advantage for current and future growth opportunities by maintaining investment attractiveness through strong operating performance; and
- Growth potential – ability to mine new reserves is increasingly linked to responsible stewardship of water resources.

Wescoal is participating in a regional task team that is looking to develop a regional water study that will address the cumulative impact of neighbouring mines in the Delmas area for Vanggatfontein and Moabsvelden.

Carbon

> Our approach to reducing overall emissions from energy inputs includes a shift from diesel to electricity where possible.

The recycled and pit water is used for dust suppression and coal beneficiation, which is part of our water conservation and demand management plan.

Climate change is a serious issue for our planet, and coal-based energy is a significant contributor to current CO_2 emissions levels and global warming. As a coal mining company, Wescoal acknowledges that it has a leadership role to play, both in terms of limiting emissions from operations and in terms of influencing and collaborating towards a low carbon growth economy.

Wescoal is measuring Scope 1 and Scope 2 emissions and is in the process of developing a carbon and climate change strategy which will include position statements on climate change and Scope 3 emissions. Our role starts with a commitment to reducing carbon emissions from operations and setting targets that are aligned with global and national expectations around sustainable development.

As we establish carbon intensity targets, we hope to reduce relative emissions in key areas of the business. Already we have reduced emissions from stationary diesel consumption by 5.5% from the 2018 baseline.

Our approach to reducing overall emissions from energy inputs includes a shift from diesel to electricity where possible. This is a trade-off, however, emissions from electricity are meaningfully lower, and this shift allows us to target cleaner and more efficient electricity sources, including renewables. Emissions from electricity consumption in 2019 were 4 933tCO_2e.

Our climate change strategy will incorporate specific information around commitments to external benchmarks and initiatives, such as science-based targets or Task-force on Climate-related Financial Disclosures undertakings. It will include a framework for emissions reductions and offsets and will detail our approach to building climate resilience for our operations and our communities. Our climate change position paper will be a living document that updates stakeholders on our medium- and long-term strategy, our plans and activities to influence and collaborate around a low carbon growth economy. The policy is anticipated to be in place by the end of the current financial year.

ACCOUNTABILITY

Ethical leadership

Demonstrating and promoting leadership in accountability, ethical integrity and responsible business practices.

We are committed to upholding the highest standards of ethics, transparency and good governance in the interests of all our stakeholders and we adopt stringent compliance practices. Through the adoption of integrated thinking, we are creating and preserving value and enabling better decision-making. The board is ultimately responsible for the group's governance, ethics and values and is supported in this regard by the social and ethics committee. It leads ethically and provides leadership within a framework of prudent and effective control, thereby ensuring that ethics are managed effectively and that Wescoal is a responsible corporate citizen. The board supports the principles of King IV and derives its rights and duties from the board charter.

Wescoal recognises that given the industry, global and national context, the company's strategy must incorporate and integrate ESG issues and that an industry leadership approach to these issues is not only advisable, but fundamentally essential. Wescoal, via the ESG framework and the social and ethics committee, is committed to upholding the highest standards of ethics, transparency and good governance in the interests of all our stakeholders.

Wescoal is committed to the Sustainable Development Goals and to South Africa's National Development Plan. The integration of our ESG strategy provides the business with an important long-term perspective into investors' changing expectations to continuously adjust our own positions on material issues such as climate change, in line with their expectations.

Wescoal revised the board charter in the year under review to ensure material compliance with the principles of King IV. Wescoal materially complies with the principles of King IV as set out in detail on our website https://wescoal.com/wp-content/uploads/2020/08/kiv.pdf.

Ethics, bribery and anti-corruption policies are in place to which all employees are required to adhere. Employees are expected to disclose any conflicts of interest and vetting is undertaken at the point of appointment. In addition, a standard protocol for the declaration of gifts to management is implemented in line with a gifts policy. No contraventions of the codes and policies were reported during the period under review.

An ethics risk assessment is scheduled to be conducted in the current year.

Whistle-blowing policy

Wescoal continues to create an environment that allows all stakeholders to voice genuine concerns about their perceptions of unethical behaviour, decisions or actions. Stakeholders are encouraged to follow the bribery and anti-corruption policy which sets out a procedure for them to raise their concerns in a suitable, confidential manner. The anonymous whistle-blowing hotline ensures that every effort is made to protect the anonymity of those voicing concern, where appropriate.

Details of the bribery and anti-corruption policy can be found on the group intranet site or the Wescoal website https://wescoal.com/wp-content/uploads/2020/08/b25.pdf.

Corporate governance

A strong, viable, competitive and accountable organisation through structures, practices, codes and performance management.

The board ensures that our strategy remains relevant, in line with current and emerging investor and stakeholder requirements, making adjustments and changes to maintain short-, medium- and long-term value-focused objectives. Good corporate governance forms part of this and helps us to build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies.

The recently completed ESG strategy will be driven by the social and ethics committee and will contribute future-focused and stakeholder-centric objectives that increase relevance and value. The board advocates sound corporate governance through the guidelines set out in King IV.

Governance structure

The board

Dr Humphrey Mathe# *(Chairman)*
Reginald Demana *(CEO)*
Izak van der Walt *(CFO)*
Thivha Tshithavhane *(CEO Mining)*
Kabela Maroga^
Andile Mabizela**^
Nomavuso Mnxasana**^
Nonzukiso Siyotula^ *(Lead independent director)*
Cecil Maswanganyi#
Eric Mzimela#
Robinson Ramaite#

Responsibilities

- Steering Wescoal and setting its strategic direction
- Overseeing and monitoring implementation and execution by management
- Approving policy and planning that gives effect to the direction provided
- Ensuring accountability for the company's performance by means of reporting and disclosures
- Consideration of employee-related matters and key appointments
- Ensuring succession planning
- Providing oversight on material matters

	Project and investment committee	Audit, risk and compliance committee	Remuneration committee	Nomination committee	Social and ethics committee
		See pages 112 to 114 for full report	*See pages 68 to 75 for full report*	*See page 76 for full report*	*See pages 77 to 80 for full report*
Members	Nonzukiso Siyotula^ *(Chairperson)* Dr Humphrey Mathe# Kabela Maroga^ Reginald Demana Izak van der Walt@	Kabela Maroga^ *(Chairperson)* Andile Mabizela** Nomavuso Mnxasana** Nonzukiso Siyotula^	Nomavuso Mnxasana**^ *(Chairperson)* Eric Mzimela# Kabela Maroga^ Nonzukiso Siyotula^	Nonzukiso Siyotula^ *(Chairperson)* Dr Humphrey Mathe# Nomavuso Mnxasana**^ Kabela Maroga^	Andile Mabizela**^ *(Chairperson)* Reginald Demana Cecil Maswanganyi# Eric Mzimela# Thivha Tshithavhane
Independent	2/5	4/4	3/4	3/4	1/5
Focus areas	• Investment activities, oversight and decision-making • Monitoring investment mandates	• Reporting (financial and integrated) • Audit matters (internal and external) • Risk management, information and technology governance • Information and cyber-security	• Remuneration strategy and policy • Human capital management	• Succession planning • Board evaluations • Nomination matters	• Good corporate citizenship • Ethical leadership and conduct • Social and economic development • Stakeholder relationships • Reputational management

** *Appointed 5 December 2019*
^ *Independent non-executive*
# *Non-executive*
@ *Resigned 24 August 2020*

Subsidiary boards

Wescoal Mining board of directors
- Thivha Tshithavhane (CEO)
- Nthabiseng Mbekeni
- Izak van der Walt@

Keaton Mining board of directors
- Thivha Tshithavhane (CEO)
- Izak van der Walt@

Wescoal Trading board of directors
- Michael Berry (CEO)
- Enos Lentsoane

Neosho Trading 86 board of directors
- Thivha Tshithavhane (CEO)
- Izak van der Walt@
- Enos Lentsoane

@ *Resigned 24 August 2020*

Board and committee meeting attendance

Director	Board meetings	Special board meetings	Audit, risk and compliance committee meetings	Special audit, risk and compliance committee meetings	Remuneration and nomination committee meetings	Special remuneration committee meetings	Nomination committee meetings	Social and ethics committee meetings	Project and investment committee meetings	Special project and investment committee meetings	Share incentive trust committee meetings
Dr Humphrey Mathe# *(Chairman)*	3/3	8/8				1/3	1/1		1/1	2/4	
Reginald Demana *(CEO)*	3/3	8/8	2/4	4/4	3/4	3/3	1/1	2/2	1/1	4/4	1/3
Izak van der Walt *(CFO)*	3/3	8/8	4/4	3/4	2/4	3/3		2/2	1/1	4/4	2/3
Andile Mabizela**^	1/3	1/7	2/4					2/2			
Cecil Maswanganyi#	3/3	5/8			1/4			2/2			
Eric Mzimela#	3/3	8/8			4/4	3/3		1/2			
Kabela Maroga^	3/3	8/8	4/4	4/4	3/4		1/1		1/1	4/4	3/3
Kosie Pansegrouw~	0/3	5/8	1/4	2/4	1/4	3/3					2/3
Nomavuso Mnxasana**^	1/3	1/7	2/4		2/4		1/1				
Nonzukiso Siyotula^ *(Lead independent director)*	3/3	6/8	4/4	4/4	3/4		1/1		1/1	4/4	
Robinson Ramaite#	1/3	3/8									
Teresita van Gaalen~	1/3	5/8	1/4	3/4	1/4	3/3					3/3
Thivha Tshithavhane *(CEO Mining)*	3/3	7/8	1/4					2/2		4/4	

** *Appointed 5 December 2019*
^ *Independent non-executive*
# *Non-executive*
~ *Resigned 16 October 2019*

The board

The board comprises three executive directors and eight non-executive directors of whom four are independent. The non-executive directors are free to make their own decisions and judgements. They enjoy no benefits from the company for their services as directors other than their fees, potential capital gains and dividends on their interests in ordinary shares and options. The non-executive directors are high-calibre professionals and sufficient in number for their views to carry significant weight in the board's deliberations and decisions. The applicable category for each director was tested using the guidelines contained in the JSE Listings Requirements.

The board charter was reviewed and adopted at a board meeting held on 24 March 2020. The changes to the charter were minor and related to the split of the remuneration and nomination committee into two separate committees. Please refer to pages 68 to 75 for the remuneration committee report and page 76 for the nomination committee's report.

The independent board

The independent board is positioned by the board to preside over corporate activities for good governance and, where necessary, to preside when any possible conflict of interest may exist and regulations call for an independent governing body. It comprises four independent non-executive directors

who are not shareholders and who are not affiliated with the executives of the firm. They are directors who have no business dealings with the company. The independent board provides vigilant oversight to mitigate risk and promotes shareholder value. The independent board also oversees board responsibilities in areas such as mergers and acquisitions when independence is required.

During the year, the nomination committee was split from the joint remuneration and nomination committee to exist as a separate independent committee and will in future assess independence on its own. The newly established committee is responsible for ensuring that directors receive ongoing development and training. The process for evaluating director independence is in place and new directors were provided with a formal induction session in February 2020. New directors who require additional information about the coal industry are supported through individual sessions with various managers to become familiar with Wescoal-specific methodologies.

ESG

The Wescoal board has adopted an ESG strategy that is aimed at establishing a platform for stability, sustainability and scalability in the short to medium term. The recently completed ESG strategy will be driven by the social and ethics committee and will contribute future-focused and stakeholder-focused objectives that increase relevance and value. Wescoal's directors acknowledge the importance of sound corporate governance and the guidelines set out in King IV recommended practices set out in part 5 of the report.

Gender and racial diversity

At board level, Wescoal is satisfied that it is properly constituted with complimentary skill sets, balance of power, experience and personal characteristics which support the principles and aims of gender and racial diversity. The company has two separate policies dealing with racial and gender diversity on the board. The policies place a voluntary obligation on the board to give consideration to the appointment of female and black directors so as to attain and maintain a level of gender and racial diversity within the board.

There are currently three female directors on the Wescoal board representing 27% of the board. 91% of the directors are black which exceeds the stated policy target of 50% of the board members being black.

There were two black directors appointed during the year. The nomination committee is satisfied with the progress made during its annual review of the gender and racial diversity targets and will continue to assist in ensuring that employment policies are in place, adhered to and reported on in achieving the employment targets as set out in the labour plans.

Self-evaluation

In the previous year, the board adopted the principles of King IV and agreed to conduct its assessment biannually to allow sufficient time to implement remedial action. The self-evaluation covers the size and composition of the board, the directors' induction and development effectiveness, board meetings, the relationship between the board and management, the flow of information, skills needed by the board and its committees as well as stakeholder relations.

During the year, self-evaluation and formal evaluation processes were included in all the newly adopted terms of reference on 24 March 2020. The social and ethics committee completed self-evaluation questionnaires post financial year-end in April 2020. Other board committees and the board will complete the self-evaluation questionnaires in the next financial year.

Succession planning

The nomination committee is responsible for ensuring that there is a proper succession plan for directors and management, and that all committees are appropriately constituted and chaired. The board is satisfied that the depth of skills of current directors meets succession requirements which includes reviewing skills development, career path and succession planning, policies and procedures and developing recommendations regarding the essential and desired criteria, experiences and skills for potential new directors, taking into consideration the board's short-term needs and long-term succession plans.

A formal induction programme is in place for all new directors which ensures sufficient exposure to the culture and the company at large. All directors also attend annual training in directors' duties. In new appointments, non-executive directors are selected on the basis of their skills, business experience, sector knowledge and qualifications.

Company secretary

FluidRock was appointed company secretary on an interim basis effective 1 February 2020 replacing Ms Sharon Ramoetlo. The interim company secretary was appointed through a rigorous process in accordance with our policies. The representative is not a director of the holding company or any of its subsidiaries and is not related or connected to any of the Wescoal directors. The company secretary is responsible for monitoring changes and developments in corporate governance and for frequently updating the board together with the executive directors in this regard.

The board recognises the pivotal role of the group company secretary in establishing effective processes and systems to ensure that good corporate governance forms part of the fibre of the organisation and is entrenched in its culture. They are satisfied that the interim company secretary is suitably qualified, competent and experienced to provide guidance in matters relating to governance and that all directors have access to the company secretary.

Share dealings and conflicts of interest

All directors and senior executives with access to financial and any other price-sensitive information are prohibited from dealing in Wescoal shares during "closed periods", as defined by the JSE, or while the company is trading under cautionary. A formal email communication is distributed company-wide informing all employees and directors when the company is entering a closed period.

Directors are required to obtain clearance to deal in the company's securities from the CEO at all times. The company secretary, together with the sponsor, ensures that any directors' share dealings are published on SENS. Wescoal has an existing policy which regulates share dealings by directors, prescribed officers and employees (the information policy).

Legal compliance

Compliance in the mining industry is critical to business continuity and our social licence to operate. It is also an important enabler, or destroyer of reputation, investor confidence and equity. Our stakeholders require that we demonstrate leadership in the industry by thinking beyond compliance and aligning with respected local and international practices, standards and frameworks.

The board is ultimately responsible for ensuring compliance with laws and regulations. New legislation that impacts the group is made available to the board members and discussed as required. During the year, the board deliberated on measures to mitigate risks created by COVID-19 which were implemented in accordance with national regulations published in terms of the National Disaster Act as well as industry-specific mining regulations published by the DMRE.

In compliance with the DMRE regulation, Wescoal has a risk assessment and traffic management plan in place, and proximity detection systems have been installed. The company is aware of the three Mandatory Code of Practice Guidelines gazetted by the DMRE that took effect on 1 July 2020, and has been preparing the Codes of Practice required:

- The Guideline for the Compilation of a Mandatory Code of Practice for the Management of Working in Confined Spaces (GNR 29 of 2020);
- The Guideline for the Compilation of a Mandatory Code of Practice for the Prevention of Flammable Gas and Coal Dust Explosions in Collieries (GNR 28 of 2020); and
- The Guideline for the Compilation of a Mandatory Code of Practice for the Management of Self-contained Self-rescuers in Mines (GNR 27 of 2020).

Noting that phase 1 of the Carbon Tax Act and taxing per tonne of CO_2 will be in full effect by June to December 2022, Wescoal has been investigating and adopting cleaner and more efficient technologies in adherence to carbon tax legislations since June 2019. The company has also embarked on an ESG programme to facilitate integration of its environmental expenditure processes and actions into a comprehensive encompassing framework in due course. Wescoal is also cognisant of the National Environmental Management Amendment Bill (NEMLAA4) that may be finalised in 2020 and is assessing the impact and appropriate policy response. The board has also commenced preparations for the remaining provisions of the Protection of Personal Information Act which may come into effect in 2020.

No fines or non-monetary sanctions were imposed on the group for non-compliance with any laws or regulations during the year under review, nor has the group been party to any legal actions for anti-competitive behaviour.

IT and information governance

The audit, risk and compliance committee is responsible for IT governance on behalf of the board and reviews the reports from management and external assurance providers to ensure that an adequate and effective IT system is maintained. The CFO oversees the function and the group IT manager is responsible for reliable and secure information technology systems, networks and applications to ensure that uninterrupted business processes maximise operational efficiency. The corporate strategy is supported and embedded in the framework and strategy of IT policies and procedures.

Wescoal conducted an externally facilitated business continuity and disaster risk assessment and it was concluded that emergency response plans (operations focused) had to be prioritised during the period under review. A decision has been made to explore a more detailed crisis management plan for the organisation. In respect of certain programmes, such as SAP, external assurance is provided by the external auditor as part of non-audit services on the effectiveness of IT internal controls. The disaster recovery plan continues in the form of a technical restoration that is performed biannually. This is carried out to test the restore operability of the target systems, as well as applications at the secondary data centre, following a disaster.

Focus areas during the year included:

- Strategic alignment of the IT strategy to link business and IT to work together seamlessly under Wescoal's strategic pillars;
- **Value delivery** – Creating and maintaining a service delivery ethic within the IT discipline to exceed customer expectations and to do what is necessary to deliver the benefits promised at the beginning of a project or investment. Proactive provisioning of infrastructure and services that are cost-effective, secure, robust and efficient; and
- **Resource management** – Human resource provisioning approach to strengthen and retain an IT capability to provide sustainable support to critical business functions. Adopting an approach to performance-manage individuals and teams towards the achievement of the shared vision and strategy through clearly articulated KPIs and SLAs.

Focus areas for IT governance in the year ahead include:

- **Risk management** – Instituting a formal risk and cybersecurity framework that strengthens how IT measures, accepts and manages risk, as well as reporting on what IT is managing in terms of risk and cybersecurity; and
- **Performance measures** – Implementation of structures to measure business performance, examining where IT contributes in terms of achieving business goals.

Wescoal is committed to ensuring governance of information and segregated access rights are in place for all Wescoal documentation, records stored on Wescoal file servers and document management systems. The company's domains are registered and monitored to protect the corporate identity.

There were no amendments to our IT governance procedures during the period under review.

Risk management

Identification and effective treatment of risks relevant to the strategic objectives is critical to the strategic success of Wescoal. To this end, the risk management framework is a continuous process to identify and monitor known and emerging risks in the respective divisions and business processes.

The economic environment in South Africa, and more specifically the mining industry, has seen significant downturn during the year, impacting the operations and financial performance of Wescoal. Combined with significant progress on the growth strategy and outlook, appropriately adjusting the operating model and resource planning, the board is strengthening the executive team and specifically the risk management function.

Wescoal's key risk management objective is to embed an effective group-wide risk management culture. The group's strategic objective within our three core focus areas are managed continually to identify, analyse, prioritise and treat relevant risks appropriately to ensure an optimal risk-reward profile for all stakeholders.

Wescoal's board oversees risk management through the audit, risk and compliance committee and delegates the responsibility to execute risk management according to the enterprise risk management policy and framework to executive management. The overall principle and philosophy are to remain focused on embedding management of risk as the responsibility of every employee and contractor in our organisation.

Stability | Sustainability | Scalability

The group's key risks and mitigations are set out below:

	Risk description	Mitigation	Strategic objective
1	**Interruption of operations (COVID-19)** Interruption of operations due to the COVID-19 global pandemic resulted in temporary closure of operations and production losses. Broader operational environment affected by level of perceived risk or exposure to incidence of COVID-19 impacting operations in the form of additional mitigation initiatives or rates of absenteeism of critical operators. Wescoal operations continued throughout, with some decline in export sales via Richards Bay Coal Terminal Proprietary Limited and in domestic sales through the Trading division.	• Managing essential controls and ways to ensure safe working environment of essential activities • Monitored developments in terms of force majeure notice received from Eskom which had no significant direct impact • Continuous monitoring and adjustment to ensure full alignment with COVID-19 guidelines as they evolve • Established ways to largely have non-production staff working remotely • Extensive measures in terms of various initiatives to manage the exposure and risk of transmission (including community programmes) • Initiatives to be prepared to manage and treat potential COVID-19 incidence • Established guidelines and standard operating procedures and conduct, including training and monitoring of activities and contacts	
2	**Funding and liquidity** Breach or non-adherence to funding covenant agreements resulting in additional interest charges, drawdown restrictions or termination of funding (liquidity risk) and deferral of expansion and growth initiatives. The risk is influenced and increased by reduced level of profitability during FY20, economic pressures experienced by contractors and specifically the global and domestic impact of COVID-19.	• During June 2019, the company concluded R1.1 billion long-term debt facilities, significantly improving the liquidity and capital structure • Managing project execution and timing of investment outflows to optimise utilisation of debt facilities for operational improvement, extension and expansion projects • Continued focus as to profitability of the Trading division • Continued focus to further optimise the group's funding in respect of mining equipment and upstream or supply chain aspect of working capital	
3	**CSA commitments** Unavailability of sufficient coal of suitable quality to honour minimum contractual export coal supply obligations resulting in financial losses, penalties or litigation. The risk is influenced by unavailability of suitably priced coal of the required specification and by non-performance of third-party suppliers in terms of coal procurement agreements.	• Direct negotiations with counterparties to pursue potential alternate arrangements, manage relationships and expectations • Managing supplier performance, additional sources of coal and multiple coal source blending options • Increasing sized material availability at lower cost being offered to customer due to reduction in export price	
4	**Eskom exposure (delayed payments)** Delays in payments from Eskom, reduced or interrupted coal offtake by Eskom as main customer, impacting cash flows and profitability as well as efficiency of production at potentially reduced volumes. The risk is influenced by the financial standing and strategic approach of Eskom and, more recently, the effect of COVID-19 on electricity demand. Management, based on experience to date and information available, remains confident of Eskom as a preferred customer, uninterrupted offtake and that Wescoal CSAs are reasonable and competitively priced.	• Sound relationship maintained with Eskom • Continuous engagement on operational level with contract managers to effectively manage to coordinate offtake commitments and production scheduling • Proactively monitoring supply and delivery schedules • Monitoring and expediting processes for new and timeous extension of existing CSAs • Continued focus to further optimise the group's funding in respect of mining equipment and upstream or supply chain aspect of working capital	

	Risk description	Mitigation	Strategic objective
5	**Counterparty risk** Financial pressures experienced generally by contractors impacting production efficiency, quality and surety of service and compliance to performance targets causing production losses, increase of contractor-based mining rates and termination of contract mining agreements. The risk has increased as a result of the continued weakness of the domestic economy, the declining trend of the mining industry and, more recently, the impact of the global effects of COVID-19.	• Integrated operational planning and performance targets • Performance management assessment processes regarding outputs as well as utilisation and productivity efficiency measures as leading indicators of economic viability • Information undertakings and monitoring of indicators of key financial and operational risk aspects • Jointly beneficial and integrated profit-sharing contracting strategy to progress benefits of transition to cooperative mining contractor model and progressive insourcing of mining activities	
6	**Stakeholder engagement (community and labour instability)** Lack of community buy-in causing community unrest resulting in business disruptions or production losses. Labour unrest at mines leading to production inefficiencies, production losses, termination of employee services or damage to business assets. The risk of community unrest is integral to mining operations and the level of risk is influenced by factors such as effectiveness of community programmes and stakeholder management, the proximity of community villages to operations, conditions of economic, political and local traditional leadership structures, local procurement initiatives and by actions and programmes of other mines both on a national and regional basis. The risk of labour unrest is integral to mining operations, closely related to community buy-in and the level of risk is influenced by factors such as contractor management, changes in working or employment conditions and wages, economic and political conditions, national industry level and employee union initiatives.	• Communication and coordination of SLP and community support initiatives • Effective regular engagement through structured forums such as Tripartite Forums with Wescoal, the contractor and the local community • Continuous proactive engagement and management of agreed actions • Identify services that can be rendered by local service providers • Establishing a process and platform to identify, screen and support local businesses to partner with as part of social economic development • Equitable local recruitment and procurement programmes and communication • Employee relations management through routine engagement and coordination with structured employee representative forums • Continuous proactive management of agreed actions • Operational supervisory leadership initiatives to promote clarity of united purpose, objectives and performance • Contractor management engagements to ensure effective proactive coordination regarding labour relation aspects, specific initiatives and, where relevant, rectification plans agreed with subcontractors • Community interaction as addressed under community buy-in to assist managing relationships	
7	**Retention of skills and staff** The risk of the loss of human capital investment in key skills required or the lack of continuity of operational strategic intent increased as a result of increased staff turnover during FY20.	• Review and improvement of retention strategy and benefits • Introduction of long-term incentive • Staff development and communication (face-to-face and newsletters)	
8	**Regulatory uncertainty** Unfavourable (to Wescoal) changes in the regulatory environment. The frequent rate of change with often limited consultation or notice periods impacting management of change. Extensive, complex and interconnected nature of requirements.	• Appropriate structures supported by systems and procedures are key to the compliance framework • Ongoing review of regulatory framework and status to ensure optimised resource requirements for compliance and address gaps • Third-party assurance reviews of the process and compliance status • Continuous monitoring of COVID-19 regulations to ensure full alignment with COVID-19 guidelines as they evolve	

Stability Sustainability Scalability

	Risk description	Mitigation	Strategic objective
9	**Environmental impact of water use** Excessive rain contributing to overflow of pollution control dam. Underground water supply deterioration. Regulatory uncertainty regarding water management.	• Completion of the construction of pollution control dam (PCD 2) at Elandspruit to provide additional capacity for dirty water management in line with our authorisations and GNR best practice guidelines and GNR 704 • Vanggatfontein has applied for environmental authorisations to upgrade the stormwater management infrastructure to support the VG5 and VG6 pit expansion • Continuous monitoring of water consumption remains an area of focus as is optimisation of water supply sources and systems	
10	**HDSA ownership** A key strategic objective of Wescoal is to exceed regulatory requirements and to be a leading HDSA controlled and managed mining entity.	• Effectively addressed through increasing to 58% HDSA ownership of which +50% is locked in through the empowerment SPV structure (FY19: 48%)	

Wescoal top 10 heat map

1 Interruption of operations (COVID-19)

2 Funding and liquidity

3 CSA commitments

4 Eskom exposure (delayed payments)

5 Counterpart risk

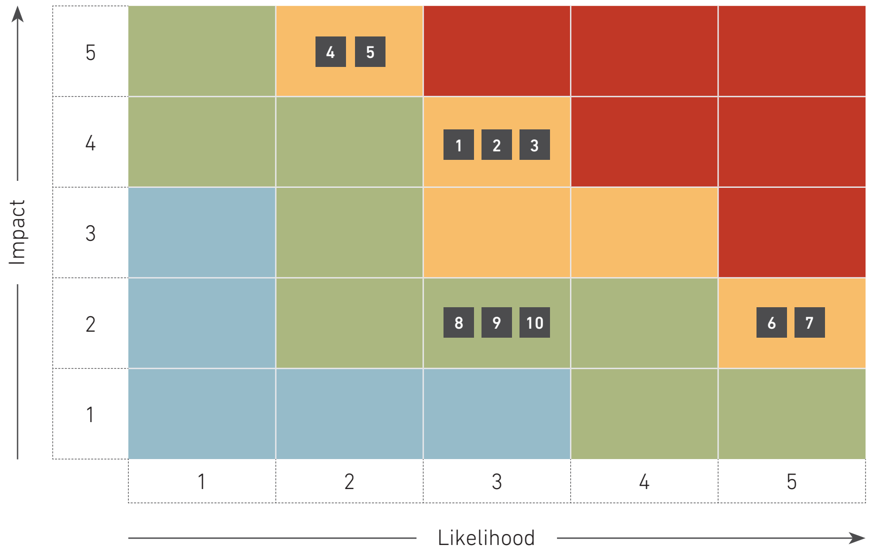
6 Stakeholder engagement (community and labour instability)

7 Retention of skills and staff

8 Regulatory uncertainty

9 Environmental impact of water use

10 HDSA ownership



Risk ratings legend		
15 – 25	**Extreme**	Board
9 – 12	**High**	CEO and executives
4 – 8	**Medium**	HODs
1 – 3	**Low**	Departmental supervisor

Remuneration committee report

The remuneration report is prepared in line with King IV principles and contains three sections:

Part 1: Background

Part 2: Remuneration policy

Part 3: Implementation report

PART 1: BACKGROUND

The committee was able to focus during the year on a comprehensive review of the remuneration policy at all levels. The remuneration consultant, Willis Towers Watson SA (previously PE Corporate Services SA) was engaged to assist in this process. Fundamental changes were approved to policies regulating performance management, the market positioning of guaranteed pay and the funding of variable pay. Non-financial performance criteria used within performance scorecards have been selected on the basis of recommendations by the social and ethics committee. A long-term incentive scheme has been introduced to augment retention strategy.

The remuneration committee's report apprises shareholders and other stakeholders of the work done by the committee in the period under review. The report also provides, in addition to the open dialogue approach that prevails with shareholders, a clear indication of progress in the implementation of the remuneration policy.

Wescoal's integrated remuneration strategy recognises that the ability to attract, retain and motivate employees is not wholly dependent upon remuneration but also considers overall employee satisfaction, performance and engagement. The approach adopted is designed to attract and retain people of quality who are capable of managing and growing the business and able to generate superior returns for the shareholders.

In this context, the committee continued its engagement with the independent remuneration specialist advisors throughout the period. The services covered the implementation and integrity of the application of the remuneration strategy and alignment with the business objectives and best practice.

Structure of the report

The report details the company's remuneration committee activities, which include among other things, the implementation of the remuneration policy. Similar to prior years, our remuneration policy will be put to shareholders for a non-binding advisory vote at the annual general meeting and proposed fees for non-executive directors will be put to a vote by special resolution at the annual general meeting.

Role of the remuneration committee

The composition and scope of the remuneration committee are set out in the written terms of reference which have been approved by the board. As recommended by King IV, the majority of committee members are independent non-executive directors. Members and meeting attendance are disclosed in the corporate governance section of the integrated annual report on page 60.

The remuneration committee comprises three non-executive directors who have a legal and general background of legal and corporate governance issues likely to affect remuneration policy. The committee met three times during the 2020 financial year with the CEO, the company secretary and the head of corporate affairs in attendance. The committee carries out its mandate to oversee the development and application of remuneration policy.

The committee invites executives, members of senior management and representatives of the independent advisors to attend meetings and to provide input and information.

Role and responsibilities

- The committee has an independent oversight role and makes recommendations to the board for its consideration and final approval. It does not assume the functions of management which remain the responsibility of the executive directors, officers and other members of senior management.
- Its key role is to assist the board by fulfilling the following roles:
  - Determining the group's remuneration structure and policies, and assessing their cost;
  - Oversight of the annual remuneration benchmarking procedure;
  - Reviewing and determining base salary adjustments;
  - Ensuring the company remunerates directors, executives and employees fairly and responsibly;

- Considering and recommending the approval of executives and senior managers' salaries, annual increases and bonuses;
- Reviewing the remuneration strategy and policy including salaries, benefits, termination benefits, contractual engagement and consultancy packages;
- Ensuring the remuneration policy is put to a non-binding advisory vote at the annual general meeting of shareholders every year;
- Considering the performance evaluation results of the CEO and other executive directors, both as directors and as executives, in determining remuneration;
- Selecting an appropriate comparator group when setting remuneration levels and considering annual salary benchmarking to ensure the organisation remains competitive on remuneration;
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules;
- Advising and making recommendations on the remuneration of non-executive directors;
- Overseeing the operation of the group's short- and long-term incentive plans for executives and senior managers, including the approval of awards and setting performance criteria; and
- Overseeing the preparation and recommendation of the remuneration report to the board, to be included in the integrated annual report.

Key activities for the period under review

- Annual salary adjustment
  - The committee recommended an average of 7% for all lower level employees (Grade A1 – D2); and
  - Executives and senior managers (Grade D3 – F1) received 5%;
- The committee has revised its terms of reference to clearly encapsulate its responsibilities. In terms thereof, the committee will conduct a self-assessment of its effectiveness every second year and have an independent evaluation of its performance conducted in the alternate years;
- Cross-committee collaboration for alignment and ethical leadership with the nomination committee and social and ethics committee, as well as the audit, risk and compliance committee, when applicable, occurs on an ongoing basis;
- Determining the mix of short- and long-term incentive plans for executives;
- Review of the long-term incentive ("LTI") scheme and applicable performance measures;
- Executive and senior management independent remuneration benchmarking; and
- Approval and recommendation of the remuneration report.

Due to COVID-19, both the board and management have agreed not to award executives any salary increase this financial year and have further agreed not to award any bonuses for FY20. A portion of employee salary increases are to be paid as gratuity payments with an additional award for employees in operations. Remuneration and salary revisions for executives and the CEO are to be finalised during FY21.

Non-executive directors' fees have not been revised for two years and external consultants are reviewing and advising on the matter. No bonuses were paid to executives due to financial losses.

PART 2: REMUNERATION POLICY

Remuneration policy

The remuneration committee is responsible in an advisory and oversight capacity for the development and administration of the remuneration policy at all levels within the group in terms of its mandate.

The board is committed to ensuring that the remuneration policy is considered fair and equitable by all stakeholders including shareholders and employees. As required by King IV, the remuneration policy and implementation report will be tabled annually for separate non-binding advisory votes by shareholders at the annual general meeting, and an engagement process will be conducted in the event that either are voted against by 25% or more of the voting rights exercised at the meeting. The remuneration policy is available on the website **https://www.wescoal.com**.

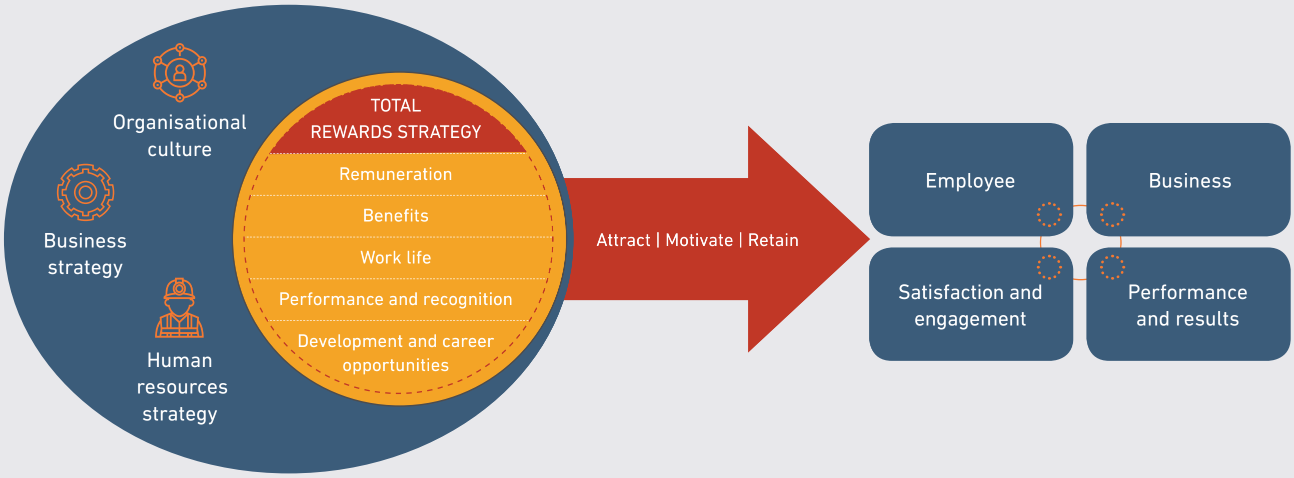
At the annual general meeting of the company in FY19, 95% of the votes were cast in favour of the policy and 96% in favour of levels of pay. No representations were made by shareholders to the company secretary following the meeting.

The board is responsible for ensuring Wescoal's remuneration structures are equitable and aligned with the long-term interests of the company and its stakeholders. To ensure compliance, the board has tasked the remuneration committee to assist it in making decisions affecting employees' remuneration.

The committee was established to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of executives and employees at all levels, while complying with all requirements of law and regulation.

As we focus on scaling our coal resource to better our competitive position in coal production, and being a low-cost producer, we require the best and most efficient human resources. Our growth objectives include absorbing the "best-in-class" into a "best-in-class" environment.

Total rewards approach



The remuneration philosophy

The following principles are observed by the committee in the development of remuneration policy:

- Remuneration offered to employees at all levels must be fair and market-related and defined within packages that are successful in motivating and retaining key employees in key positions;
- Variable pay should be on a meaningful scale so as to influence behaviour and reward any special contribution by employees but should, at the same time, achieve an appropriate balance between organisational goals and environmental, social and governance factors in the economy; and
- There should be a policy focus on both individual and team-based performance, recognising the dual roles of leadership and team support within the context of a production environment.

Forms of remuneration

Three different forms of remuneration may be negotiated with employees, including:

- a guaranteed pay package, which includes retirement funding and medical aid benefits, and is used as the base for other forms of remuneration;
- a performance-based short-term incentive in the form of a performance bonus or a production bonus; and
- a long-term share-based incentive.

The Paterson job evaluation and grading system is used to grade positions and regulate remuneration policy.

To this end, the total cost of employment of each employee, which includes both fixed and variable components of pay, is controlled based on pay-scales that are reviewed annually and aligned with the medians given by market surveys.

As a general rule, variable pay will be granted on a greater scale to employees who put more of their guaranteed pay at risk in relation to the achievement of targets compared to others, giving the following approved target profile of package structures for the 2021 financial year:

Element of package (% of TCE)	Executive directors	Other senior executives	Senior line managers and professional staff	Technical specialists	Admin support staff	Workers
Paterson grade (bands)	F	D5 and E	D2 to D4	C	C	A and B
Annual total package	60	70	80	92	92	92
STI at target	40	30	20	8	8	8
Total cost of employment	100	100	100	100	100	100
Maximum STI	80	60	40	16	16	16*
Fair value of LTI on date of grant	40	30	20	–	–	–

** Subject to negotiation.*

Individual performance is recognised by a performance management system which is linked to the financial reward system through the graduation of performance ratings above and below approved target levels.

In addition, a merit increment grant policy formally allows for employees to be appointed at levels of pay below median, but they receive additional increases above the general increase every year provided they meet expectations until their pay is in line. Employees earning at or above median levels may be granted additional increases to the extent that specialised skills are developed or special contributions made exceeding expectations.

Performance review process and variable pay

Competitive remuneration linked to performance and shareholder value creation underpins the organisation's high-performance culture philosophy. This year, we approved terms of reference to effect amendments to be in line with our improvements.

In a predefined framework, Wescoal monitors performance across a range of predetermined, contracted objectives that are structured into the variable pay policy.

Management is remunerated for achieving the following:

- Zero harm and licence to operate conditions;
- Financial and shareholder value sustainability;
- Operational and customer sustainability; and
- Transformation.

FY21 strategic emphasis and priority is on enabling the business to operate at a steady state level, focusing on stability (sustained and predictable performance levels), sustainability (achieve licence to operate and zero harm) and scalability (growth).

These business imperatives are embedded in a performance contract framework that concentrates on:

- stabilising the business while setting the capacity and capability to move towards the future role of Wescoal;
- increased ownership as all strategic initiatives are allocated to an executive or manager and he/she is contracted accordingly; and
- increased accountability – performance will be measured and periodically reviewed.

The DNA of the variable pay policy (FY21) is anchored by:

- market P50 as a determining variable;
- the incorporation of a short- and long-term incentive combination;
- performance-based metrics differentiated by output and capped; and
- the clawback clause in the phantom share LTI scheme in alignment with best practice.

The remuneration packages of senior executives are benchmarked annually by the committee on the basis of a reputable salary survey. The benchmarking in the year under review was undertaken on the basis of the Willis Towers Watson SA Senior Executive Salary Survey.

The following steps will be undertaken annually in future in this annual review process:

- The total pay of each senior executive will be benchmarked against the market on the basis of a reliable survey prior to the financial year-end;
- The CEO will submit recommendations to the committee concerning changes to be introduced in the next financial year affecting the guaranteed pay package of each senior executive, excluding his own;
- In the case of the remuneration of the CEO, the committee will submit its recommendations to the board and these will be approved by the board; and

- The guaranteed pay package increase of each senior executive to apply in the next financial year will be agreed with him or her before the commencement of the year.

Short-term incentive scheme

In support of the short-term strategy, objectives are set for the individual executives participating in the short-term incentive scheme which is discretionary. Changes to policies regarding the short-term and long-term incentive schemes have been implemented this year.

The chairman, in consultation with the remuneration committee, set the measures for the CEO and the CFO. The CEO and CFO, in consultation with the remuneration committee, determine the individual measures and objectives for the rest of the executive team and senior management.

All senior executives are eligible to receive a performance bonus at the end of the financial year based on a scorecard of corporate (financial) and personal or job-related (non-financial) performance criteria that are approved by the CEO at the commencement of the financial year. The performance criteria applying to the CEO are approved by the committee in liaison with the group chairman.

An equal weight will be applied to financial and non-financial criteria in FY21.

The non-financial criteria in FY21 will, in the case of senior executives, be a rating by the CEO of pre-agreed strategic and job-related objectives and, in the case of the CEO, a rating by the board of his leadership effectiveness. The awards will be modified and reduced if any fatalities occur on any of the excavation sites.

The accrual of the STI bonuses is subject further to an affordability condition that net profit before bonuses, interest, depreciation and taxation for the year must exceed 80% of budget.

No short-term incentives were granted in respect of FY20. The implementation report contains information as to short-term incentives paid during August 2019 in respect of FY19 performance.

Long-term incentives

Share-based incentives will be reintroduced in FY21, with all senior executives, all line managers and senior professional staff qualifying. The objective of this incentive is to encourage and reward the achievement of long-term strategic goals and to retain key employees over the long-term in order to influence the financial earnings capacity of the group.

These incentives take the form of three-year full-value conditional share rights, granted as follows and subject to the following performance vesting conditions:

- 50% of the package entitlement will be allocated on the basis that there are no performance vesting conditions attaching to them (called “retention shares”); and
- 50% on the basis that there are performance vesting conditions (called "performance shares").

No share-based rights or other long-term incentives were granted during FY20.

The level of senior executive remuneration in relation to that of other employees

The committee reaffirms its commitment to monitor and control the broader income gap within the organisation. Since pay-scales are based on a grading system that recognises the responsibility level of every position, and on regular and systematic benchmarking, the system itself to a large extent ensures that the remuneration of every employee is market-related and equitable.

While this is the case, the income gap as it is may narrow as a result of changes from year-to-year attributable to the recognition by the remuneration system of enhanced skills assimilated by staff as a direct result of the company’s skills development programmes during the same period.

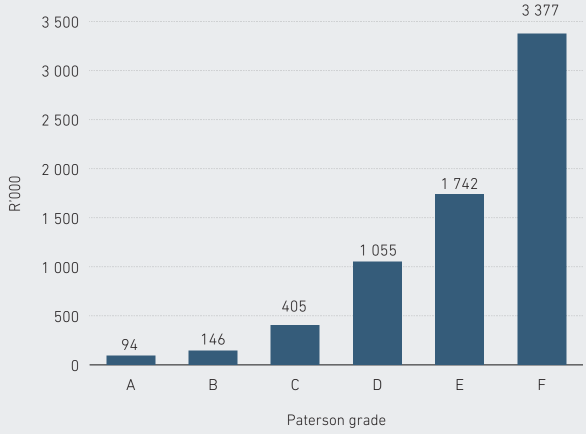
Top management costs (Paterson F band) accounts for 20% of total employment costs.

Key performance indicators (“KPIs”)

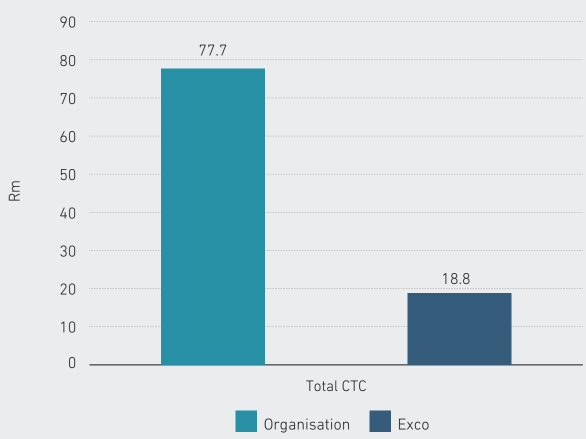
Financial		
Financial EBITDA (according to budget)	NPAT (according to budget)	Cost savings (15%)

Non-financial				
Divisional measures	Compliance and audit	Human capital	Health and safety	Leadership and culture

Annual cost to company – Median



Annual cost to company – Total



Contracts, severance and termination

Executive directors and prescribed officers have employment contracts which include notice periods of a minimum of 30 days. There are no balloon payments on termination, automatic entitlement to bonuses or automatic entitlement to share-based payments other than in terms of the company's approved share options incentive trust rules.

Remuneration packages, including entitlement to long-term incentives, are contracted with incumbents annually with effect from the beginning of each financial year in order to realign their commitment to the interests of shareholders.

Employment can be terminated following three months' notice, however, in the case of the CEO, a notice period of six months applies.

Malus and clawback conditions are included in all variable pay incentive scheme rules for the first time in order to facilitate the recovery of losses in situations where there have been fraud or bad faith on the part of senior executives.

No special severance arrangements apply to any senior executive currently. Restraint payments may, however, be approved from time to time in the future – this when a term employment contract is negotiated in order to ensure that there is a payback on the company's outlay.

Non-executive directors' fees

As recommended by King IV, the board fees include a base, fixed retainer fee and a meeting attendance fee, which are competitive to attract and retain suitably qualified individuals to complement the skill mix requirements of the board and its subcommittees. The fees are reviewed biannually by an independent remuneration advisor for approval by the board and the ratification of the shareholders at the annual general meeting. R4 281 270 remuneration was paid to non-executive directors during the year under review.

The remuneration of the chairman and other non-executive directors is reviewed annually by the committee, and is compared to the median of selected peer companies and sector benchmarking.

Remuneration will continue to be offered in the form of an annual fee (or retainer) plus attendance fees per meeting.

Approval for the tariff covering scheduled meetings for the year, together with and approved annually in advance for ordinary membership of the board of directors and of every subcommittee of the board, will again be sought at the forthcoming annual general meeting. A higher fee is fixed and approved in the same way for the chairman of the board and for the chairpersons of each subcommittee in recognition of the additional time involvement that they have in preparing for each meeting and in following up actions. A fee for the attendance of special board meetings and/or ad hoc strategy sessions has been maintained.

The travel and accommodation expenses of non-executive directors and premiums for directors and officers' insurance cover are paid by the company in terms of a formal approved policy.

The resolutions relating to the company's non-executive director fees for the 12-month period commencing on 1 September 2020 are available in the 2020 notice of annual general meeting at **www.wescoal.com**.

PART 3: IMPLEMENTATION REPORT

A summary of the outcomes of the implementation of the remuneration policies affecting the remuneration of executive directors, prescribed officers and non-executive directors in the financial year under review is set out in this section of the report.

Guaranteed remuneration

All staff outside of the executive received an average 7% increase to total guaranteed pay. The executive directors' (F bands) guaranteed annual total package has been revised to 60% to encourage performance.

Short-term incentives

No short-term incentives were awarded for FY20.

Long-term incentive grants

No share-based rights or other long-term incentives were granted during FY20.

Total remuneration outcomes

The following remuneration costs of executive management were recognised by the accounting system based on IFRS 2 rules during the financial year under review:

	Financial year options granted	Strike price	Balance as at 31 March 2020 R'000	Number of shares '000	Current year expense R'000
Thivha Tshithavhane	2017	2.41	442	850	37
	2018	2.13	480	205	69
			922		**106**
Izak van der Walt	2016	1.11	10	75	(15)
	2018	2.13	722	957	352
			732		**337**
Mike Berry	2016	1.11	27	200	(38)
	2018	2.13	155	205	64
			182		**26**
Nthabiseng Mbekeni	2018	2.13	87	87	42

Unvested share awards

The unvested share rights held by executive management, which are required to be disclosed in terms of JSE Listings Requirements, are illustrated in the table above.

Remuneration of non-executive directors

The following remuneration was paid to non-executive directors during the year under review:

	Apr R	May R	Jun R	Jul R	Aug R	Sep R	Oct R	Nov R	Dec R	Jan R	Feb R	Mar R	Total
KM Maroga	50 979	9 060	39 773	34 037	87 150	18 113	–	109 081	32 870	32 870	63 000	51 130	528 061
HLM Mathe	106 290	11 249	40 957	495 486	49 973	48 544	9 035	164 850	61 950	61 950	21 000	48 300	1 119 583
JG Pansegrouw	50 952	10 547	40 224	40 728	63 660	9 060	1 224	11 034	–	–	–	–	227 428
MR Ramaite	36 225	15 750	77 175	15 750	7 875	7 875	24 150	10 500	10 500	24 150	10 500	10 500	250 950
C Maswanaganyi	51 270	9 725	39 773	19 298	9 060	8 136	–	19 414	10 500	24 150	10 500	51 450	253 275
ET Mzimela	51 270	40 437	39 773	30 491	39 773	25 335	1 224	19 559	21 000	21 000	21 000	44 739	355 599
N Siyotula	–	61 950	99 750	–	–	–	–	184 850	58 800	–	–	192 151	597 501
N Mnxasana	–	–	–	–	–	–	–	–	–	–	79 800	72 450	152 250
A Mabizela	–	–	–	–	–	–	–	–	–	–	39 261	63 000	102 261
DMT van Gaalen	92 676	45 419	91 556	113 156	149 848	82 107	119 600	–	–	–	–	–	694 362
	439 661	**204 136**	**468 979**	**748 945**	**407 338**	**199 170**	**155 232**	**519 287**	**195 620**	**164 120**	**245 061**	**533 721**	**4 281 270**

Nomavuso Mnxasana
Remuneration committee chairperson

24 August 2020

Nomination committee report

Achievements for FY20:

New independent non-executives and a new lead independent director were appointed

Board composition improved in terms of diversity transformation and skills

The terms of reference were approved by the board during the year

Focus areas FY21:

- Succession planning for the CEO and chairman as well as board long term
- Alignment with approach to divisional CEOs – clarity of roles
- Skills assessment and development from a people perspective
- Currently benchmarking non-executive directors' fees (external advisors)
- Continually assess independence of directors
- Continuous development of directors
- Continuous evaluation of board and subsidiary boards

Following the appointment of new independent non-executive directors to the board, and a review of all committees, the board determined to separate the remuneration and nomination committee into two committees to enable each committee to focus on its core mandate. The nomination committee plays the role of facilitator in meeting the transformation objectives of the organisation with a focus on gender and race diversity representation throughout all levels of the business and its operations. The board's short- to medium-term imperative is ensuring transparency in the process.

The committee is chaired by independent non-executive director Ms Nonzukiso Siyotula and further comprises independent non-executive directors Ms Kabela Maroga and Ms Nomavuso Mnxasana and non-executive director Dr Humphrey Mathe. The committee held one meeting during the year and attendance is set out on page 60.

The role of the committee

The committee exists to assist the board in the effective discharge of its responsibility to ensure that the board has the right composition, size, skill set and experience and represents the appropriate diversity of people in gender, age, experience, skills and culture. The committee's authority is derived from the delegated authority of the board as contemplated in the terms of reference (charter) and in accordance with section 72(1)(b) of the Companies Act.

It therefore comprises people with knowledge and a range of independence, as well as varied and informed views. The directors have appropriate backgrounds for the task as well as the level of commitment that is required. The responsibilities of the committee extend to the election and installation of new directors, director re-election and the recruitment of key members of the executive management team to ensure the necessary skills and experience are available to direct the company in the successful execution of its strategy.

During the year, the board approved terms of reference for the incorporation of the nomination committee. The purpose of approval is for setting out the committee's role and responsibilities as well as the requirements for its composition, meetings and other procedures, which are subject to the provisions of the Companies Act, the company's Memorandum of Incorporation, King IV, the JSE Listings Requirements, the board charter and any other applicable law or regulatory provision.

Election of directors

A rigorous selection process leads to the appointment of all directors by the board and their recommendation by the nomination committee. This includes:

- identification of a vacancy and profiling of the requirements;
- recruitment of candidates;
- the selection process and fit find of candidates to a shortlist based on a predetermined matrix in an open and transparent process;
- interviews;
- final recommendation to the board; and
- support of the induction and installation.

The performance of each director, the board and each committee is reviewed biannually as part of the board evaluation process. The findings lead to the recommendation of election and re-election of all directors who are standing for re-election at the group's annual general meeting.

The nomination committee plays the role of facilitator in delivering the transformation objectives of the organisation.

Focus on gender and race diversity that is representative throughout all levels of the business, operations and including the board has been set as the short- to medium-term imperative while ensuring transparency in the process. A broader diversity policy has been adopted in line with JSE Listings Requirements and will be applied in FY21.

Nonzukiso Siyotula
Nomination committee chairperson

24 August 2020

Social and ethics committee report

Membership

The committee consists of three non-executive directors, two executive directors and invited executives of the company, namely:

Andile Mabizela	Eric Mzimela	Cecil Maswanganyi	Reginald Demana	Thivha Tshithavhane
Chairman and independent non-executive director Appointed chairman with effect from 6 December 2019	*Non-executive director*	*Non-executive director*	*CEO, executive director*	*Executive director*

By invitation

Freddy Ndou	Ntombi Mphahlele	Izak van der Walt
Executive head: corporate services	*General manager: human resources*	*Chief financial officer*

Established in 2014 and constituted in terms of section 72(4) of the Companies Act, and its accompanying regulations, the committee operates under a formal mandate from the board and is guided by its own terms of reference. It enhances Wescoal's oversight of key operational issues, including the sustainability of its long-term strategy.

ESG covers a wide range of critical issues that affect our business in the context of people, prosperity and the world we live in. Wescoal has embraced ESG as a principal pillar of sustainability, as an enabler of stability and precursor to strong scalability.

The board has mandated the ESG initiative under the custodianship of the social and ethics committee to guide its progress. Directors, executives and senior managers have identified and evaluated the organisation's current ESG position and the opportunities it presents. The process is key to determining a long-term strategic outlook for the company.

Areas of high importance and achievement in FY20 included strengthening the responsibilities of the committee as evident in the ethics governance framework which was adopted by the board during the year.

Wescoal's commitment to sustainable development is demonstrated in its subscription to the six-capital model of sustainable development that has been translated into the balanced scorecard metrics applied to senior staff and the executive on the performance management programme.

Committee responsibilities

The committee meets a minimum of twice a year and performs all the functions necessary to fulfil its role, including:

- Monitoring the company's position and reputation in terms of the goals and purposes of:
  - The Employment Equity Act;
  - The Broad-based Black Economic Empowerment Act;
  - The Organisation for Economic Co-operation and Development recommendations regarding corruption;
  - Together with the Wescoal audit, risk and compliance committee, rigorously implements the whistle-blowing ethics hotline reports; and
  - The licence to operate in terms of the prospecting rights, mining rights, the SLPs and the Mining Charter.
- Monitoring the company's:
  - Reduction of corruption, prevention of unfair discrimination and promotion of equality;
  - Active contribution to the development of the communities in which its operations are predominantly located and within which its coal products are predominantly marketed;
  - Recording of sponsorships, donations and charitable giving;
  - Employment relationships and its contribution to the educational development of its employees;
  - Health, safety and environmental performance, including engagement in and strengthening the culture of safety;
  - Labour and employment;
  - Good corporate citizenship; and
  - Consumer relationships.
- Drawing matters within its mandate to the attention of the board; and
- As and when the occasion requires, reporting, through one of its members, to the shareholders at the company's annual general meeting on matters within its mandate.

Achievements outside of the committee mandate:

- Our support of education projects (skills projects, ABET mentors, scholarships and bursaries) totalling R6.5 million; and
- Spend on community projects (housing, poultry, bakery, sewing) totalling just over R3 million.

Socio-economic development and corporate citizenship

The key component of the Wescoal business strategy is to be a responsible and contributing corporate citizen guided by ethical business philosophy and core values. Through its community investment strategy, Wescoal is committed to the empowerment, development and growth of disadvantaged communities. Refer to page 46 for further information on Wescoal's programmes of shared objectives of corporate social investment.

Ethics management and code of conduct

Wescoal has an approved code of conduct policy that has been distributed to both the employees and suppliers of the company. The company has a zero-tolerance approach to any unethical behaviour and is committed to ensuring that its employees uphold the company's good reputation. The company strives to operate in accordance with the highest ethical standards and in compliance with all applicable laws.

The code of conduct covers, among others, the following areas:

- Honesty and ethical conduct;
- Conflicts of interest;
- Safety, health and environmental protection;
- Compliance with laws, rules and regulations;
- Competition and fair dealing;
- Unfair competition/anti-trust behaviour;
- Insider trading;
- Employment;
- Bribes, gifts and gratuities; and
- Respect for the basic rights of employees.

The company's bribery and anti-corruption policy, together with the ethics hotline, is bearing fruit in that it is actively used to report dubious, fraudulent, unethical (ethics violation) and corrupt activities that have been investigated and have resulted in drastic action being taken against the perpetrators.

Our goal this year was to ensure that our ethics governance framework moved from policy to being embedded into daily practices in the organisation and to ensure ethical practices and focus.

Our ongoing focus areas include corporate citizen, ethics, governance, safety and stakeholder engagement.

Health, safety and environment

Wescoal's executives, management and employees are committed to maintaining a safe and healthy working environment. To enforce compliance with HSE, all employees are measured on HSE in their performance management programmes. Wescoal's HSE performance is covered elsewhere in this integrated annual report (refer to pages 44 and 45).

This year we aimed to pay closer attention to safety practices on-site. This includes safety drives, approaches and practices at mine level. The contractor model means Wescoal is reliant on contractors' own practices, therefore, putting a lot more emphasis on alignment of our expectations regarding safety practices and those of the contractors.

The monitoring of our verification of health and safety performance is ongoing.

COVID-19

Post year-end, the global COVID-19 pandemic made its presence felt in the country. Wescoal, following negotiations with the DMRE, adjusted its SLP focus to address community needs in response to the COVID-19 crisis.

As a good corporate citizen, Wescoal addressed immediate challenges in the communities in which we operate, through, among others, the supply of food parcels to indigent families, assistance to local healthcare facilities, water supply and cloth mask distribution. Wescoal staff collected R41 000 for COVID-19 interventions as an immediate reaction to the crisis.

Legal and statutory licences

Wescoal's Mining division complies with all legal and statutory requirements of the DMRE. All mining operations have current and valid mining rights, compliant environmental licences, including water use licences.

All exploration projects have valid prospecting rights. Of great concern to the social and ethics committee, however, is the slow implementation of the SLPs of the various operations.

This has been escalated to the board and there is now visible movement. The committee monitors the implementation of the SLPs very closely.

Wescoal's Trading division complies with all applicable legal and statutory requirements of the relevant regulatory authorities. The status of various statutory licences is discussed on page 62).

B-BBEE

Wescoal views its B-BBEE status as a strategic and competitive lever that positions it advantageously in the market and general business enterprise. Wescoal is committed to B-BBEE from a compliance, strategic, core values, ownership profile, licence to operate, enterprise and supplier development perspective.

In terms of the Amended Codes of Good Practice, the various Wescoal entities have retained their level of contributor status:

- Wescoal Trading is a B-BBEE Level 4 contributor;
- Wescoal Mining is a B-BBEE Level 5 contributor; and
- Wescoal Holdings has a B-BBEE Level 2 ownership status.

Wescoal is a member of the Black Business Council and has broadened its collaboration network and commitment to the transformation agenda of the country.

The social and ethics committee has an oversight role and aims to align our improvement of scorecard and B-BBEE rating Level 2 to our target of Level 1. Our employment equity compliance is continuously monitored, and reports are submitted to the DMRE and the Department of Labour.

Employment

Wescoal recognises that an important resource is its employees whose commitment, skills and energy are central to its business goals, therefore, the workplace must remain free from all forms of discrimination, intimidation and harassment.

With regard to employment, Wescoal endeavours to meet all applicable laws, rules and regulations, especially those rules and regulations governing working conditions, wages, hours, benefits and minimum age for employment. The individual employment experience of each employee of Wescoal remains a critical measure of Wescoal's employer of choice value proposition.

This year, we lost valuable senior women managers at Wescoal. Despite this, our women in mining went up 28% from our target of 10% in line with our transformation plan of market participation of women in mining. We also achieved a historical milestone with 70% of management coming from HDSA backgrounds.

Enterprise and skills development

Wescoal takes enterprise and skills development very seriously and has provided tangible opportunities to community-based businesses at its operations. Wescoal has also participated in the incubation of community-based initiatives that will provide long-term contractual services to its operations. The enterprise development programme has been repositioned to include a more active engagement of communities together with Wescoal's human resources functionaries to facilitate more cohesive enterprise development initiatives.

Wescoal remains committed to skills development within and outside of the company. The approach to skills development is to:

Ensure commitment by all staff to the company's strategy execution and implementation; and
Ensure that external recipients of skills development initiatives are positioned to appropriate market opportunities for employment or enterprise development by translating portable skills to revenue-generating activities, thus contributing to employment creation and an entrepreneurial spirit that increases the economy of the country.

Wescoal takes enterprise and skills development very seriously and has provided tangible opportunities to community-based businesses at its operations.

Supplier development

The company remains committed to aligning its supplier profile to its intended B-BBEE profile which is largely black.

Wescoal's B-BBEE approach includes reviewing supplier needs and standards regularly to ensure that these are well known and attainable by suitably qualified and resourced potential businesses and black participants. Wescoal has been successful in integrating mainly black core activity contractors in the mining environment and is continuously reviewing its value chain to identify opportunities to integrate enterprise development beneficiaries into its supply chain. Wescoal has provided opportunities to community-based and locally situated businesses that are appropriately profiled. In this way, equally yoked participants explore opportunities and initiatives for the benefit of both parties and, by extension, the country.

Committee assurance

Wescoal's social and ethics committee is satisfied that it complied with its legal, regulatory and other responsibilities during the current financial year.

Andile Mabizela
Social and ethics committee chairman

24 August 2020

MINERAL RESOURCES AND MINERAL RESERVES

Resources and reserves summary

Purpose

Miptec Proprietary Limited ("Miptec") was commissioned by Wescoal Mining Proprietary Limited, ("Wescoal"), a wholly-owned subsidiary of Wescoal Holdings Limited, a coal mining and exploration company with thermal coal assets located in the Mpumalanga and KwaZulu-Natal provinces of South Africa, to produce a coal resource and reserve update statement for their Elandspruit Colliery ("Elandspruit"), Khanyisa Colliery ("Khanyisa") as well as the Keaton Energy Holdings Limited assets namely the Vanggatfontein Colliery ("Vanggatfontein"), Moabsvelden Development Project ("Moabsvelden"), Sterkfontein Project ("Sterkfontein") and Leeuw Braakfontein Colliery Projects ("LBC"), in order to meet the JSE Listings Requirements, as agreed with their JSE sponsor, reflective of the 31 March 2020 status.

Work conducted

No explorational drilling was undertaken at Elandspruit or Vanggatfontein. As such, the geological models were not updated with new information, only with the surveyed positions of the mined-out faces as at 31 March 2020. The coal resources for these areas were updated by Katherine Black (BSc (Hons), Pr Sci Nat, of KJB GeoServices ("KJB") based on the 2018 and 2020 geological models respectively, net of depletion. The coal reserves for these assets were estimated by Miptec in the scheduling models net of depletion as at 31 March 2020, following the parameters as stipulated in the reports. Leonardt Raaths, a full-time employee of Miptec, is responsible for all the coal reserve estimations.

During FY20, six fully cored boreholes were drilled within Khanyisa's Triangle North Pit. The purpose of these boreholes was to increase the geological knowledge over the area for both modelling and mine planning purposes. All boreholes were wireline logged, sampled and analysed.

Drilling at Moabsvelden, during FY2019/20, focused on firming up the geological confidence within the box cut area. As such, five fully cored boreholes were drilled, logged and sampled by Miptec.

The coal resources for the remaining two projects, namely Sterkfontein and LBC, were added to this report as per the 31 January 2017 Venmyn Deloitte Competent Persons' Report ("CPR"). It has been stated, by Wescoal to the CP's, that no work was conducted on these two projects to suggest a change in previously declared coal resources. A permitting change was initiated through the submission of an application for two mining rights over the total Sterkfontein prospecting areas together with a section 102 application to consolidate the mining right when executed. Sterkfontein can only resume further field work once the mining right has been granted.

Coal resource and reserve summary

As at the end of March 2020, Wescoal holds a total managed coal resource of 228.09mt and an inclusive managed coal reserve of 70.34mt net of 5.69mt depleted for the reporting period.

Coal resource and coal reserve estimates for the period ending 31 March 2020 are included as follows. The estimates for FY20 are compared to FY19 estimates and a reconciliation provided in each of the asset sections as follows.

Legal, licencing and permitting

Wescoal, on behalf of the directors, provided a statement confirming that there are no legal proceedings or other material conditions that may impact the company's ability to continue mining or exploration activities. Miptec compiled a summary of critical licencing and permitting aspects of all mining areas covered in this report. Based on this information, Miptec has concluded that Wescoal has the legal entitlement to coal resources and reserves as reported in this report.

Table 1: Wescoal resource and reserve summary
as at 31 March 2020

	Coal resource (MTIS) (ADB)				ROM coal reserve (AR)		
	Inferred mt	Indicated mt	Measured mt	Total coal resource mt	Probable mt	Proved mt	Total ROM coal reserve mt
Elandspruit Colliery	**–**	**–**	**14.65**	**14.65**	**1.78**	**12.28**	**14.06**
Elandspruit opencast	–	–	12.63	12.63	0.59	12.28	12.87
4 seam			1.13	1.13		0.92	0.92
3 seam			0.44	0.44	0.01	0.46	0.47
2U seam			1.88	1.88	0.19	1.80	1.99
2L seam			3.85	3.85	0.20	3.77	3.97
1 seam			5.33	5.33	0.19	5.33	5.52
Elandspruit underground	–	–	2.02	2.02	1.19	–	1.19
1 seam			2.02	2.02	1.19		1.19
Khanyisa Colliery	**–**	**–**	**2.98**	**2.98**	**–**	**2.44**	**2.44**
Triangle opencast	–	–	2.73	2.73	–	2.27	2.27
4U seam		–	0.76	0.76		0.41	0.41
4L seam		–	0.73	0.73		0.62	0.62
2 seam		–	1.24	1.24		1.24	1.24
Catwalk opencast	–	–	0.25	0.25	–	0.17	0.17
2 seam			0.25	0.25		0.17	0.17
Vanggatfontein Colliery	**0.34**	**1.64**	**26.82**	**28.80**	**2.18**	**22.64**	**24.82**
Vanggatfontein opencast	0.34	1.64	21.56	23.54	–	22.64	22.64
5 seam	–	0.04	0.74	0.78		0.63	0.63
4 seam	0.18	0.82	9.15	10.15		11.08	11.08
2 seam	0.16	0.78	11.67	12.60		10.94	10.94
Vanggatfontein underground	–	–	5.26	5.26	2.18	–	2.18
4 seam			4.67	4.67			–
2 seam			0.59	0.59	2.18		2.18
Moabsvelden Project (74% ownership)		**2.00**	**28.84**	**30.84**	**4.98**	**24.04**	**29.01**
Moabsvelden opencast		2.00	28.84	30.84	4.98	24.04	29.01
5 seam		0.16	2.44	2.60	0.31	2.45	2.76
4 seam		0.86	13.18	14.04	2.43	10.02	12.45
2 seam		0.98	13.23	14.21	2.24	11.56	13.81
Leeuw Braakfontein Project	**–**	**60.06**	**–**	**60.06**	**–**	**–**	**–**
Leeuw Braakfontein opencast	–	11.43	–	11.43			
Top seam		6.90		6.90			–
Bottom seam		4.53		4.53			–
Leeuw Braakfontein underground	–	48.63	–	48.63			
Top seam		29.73		29.73			–
Bottom seam		18.90		18.90			–
Sterkfontein Project	**40.64**	**50.29**	**–**	**90.93**			
Sterkfontein underground	40.64	50.29	–	90.93			
4U seam	0.12	0.99		1.11			–
4L seam	40.52	49.30		89.82			–
Total (100% basis)	**40.98**	**113.99**	**73.29**	**228.26**	**8.94**	**61.40**	**70.34**
Wescoal attributable	**40.98**	**113.47**	**65.79**	**220.24**	**7.65**	**55.15**	**62.79**

Compliance

The respective coal resource and coal reserve estimates are classified and signed off by suitably qualified CPs. Each CP has sufficient, relevant experience in the style of mineralisation, type of deposit, mining method and activity for which they have taken responsibility, to qualify as a CP as defined in section 9 of the SAMREC Code. All CPs consent to the inclusion of information into this report in the form and context in which they appear. Each CP is independent of the issuer and does not have a material interest capable of affecting their ability to give an unbiased opinion on the projects for which they take responsibility, and have not received, and will not receive, any pecuniary or other benefits in connection with the estimates presented, other than normal consulting fees. Wescoal has written confirmation from the lead competent person that the information disclosed in terms of these paragraphs is compliant with the SAMREC Code.

Competent persons

The CP responsible for the coal resource estimations for Elandspruit, Khanyisa, Vanggatfontein and Moabsvelden, as contained in this report, is Ms Katherine Black (BSc (Hons), Pr Sci Nat. Ms Black has 13 years' experience in the mining industry as a coal geologist. Over the last 13 years, Katherine has primarily been involved in the compilation and management of coal databases, the construction of geological models, and the estimation of coal resources for various greenfield operations in South Africa, Botswana and Mozambique, as well as a number of operating coal mines in South Africa. Ms Black is currently the owner of KJB GeoServices (60 Curvy Road, Johannesburg, 2194) and an associate of Miptec. She is registered with the South African Council for Natural Scientific Professions (SACNASP Reg. No. 400295/12) and is a member in good standing with the Geological Society of South Africa. SAIMM: Chamber of Mines Building, 5 Hollard Street and cnr Sauer and Marshall Street, Marshalltown, Johannesburg, 2001 SACNASP: 280 Pretoria Road, Silverton, Pretoria, 0184.

In accordance with the SAMREC Code, this report has been prepared under the direct supervision of a lead competent person, Mr Leonardt Raaths, who assumes overall responsibility for this report. Mr Raaths is responsible for all the coal reserve estimations. Mr Raaths holds a BTech Mining degree from the University of Johannesburg, a BSc in Operations Research from Unisa and an MBL from Unisa SBL. Mr Raaths is registered with the Southern African Institute of Mining and Metallurgy (SAIMM) (registration number 702015). Mr Raaths has 29 years' experience in coal mining, the largest portion of which was on technical and project disciplines, where the determination of coal reserves was part of his responsibility. This was largely for BHP's South African collieries, Xstrata South Africa, CIC Energy and now as an independent consultant at Miptec Consulting Proprietary Limited, 19 Jan Frederik Street, Witbank (PO Box 40084, Reyno Ridge, 1049).

As lead CP, it can be stated that this coal resource and coal reserve update report provides a true reflection of the resources and reserves held by Wescoal.

Geological setting and model

All resources exclusive of LBC and Sterkfontein were modelled from borehole logs, analysis and survey information in Ventex Stratmodel software. All assets modelled form part of the Witbank coal field where coal seams 5, 4, 3, 2 and 1 horizons constitute the resource either in part or in full depending on the coal deposit and mining methodology. For LBC and Sterkfontein, the resources were extracted from the Venmyn 2017 CPR with no change to the quanta.

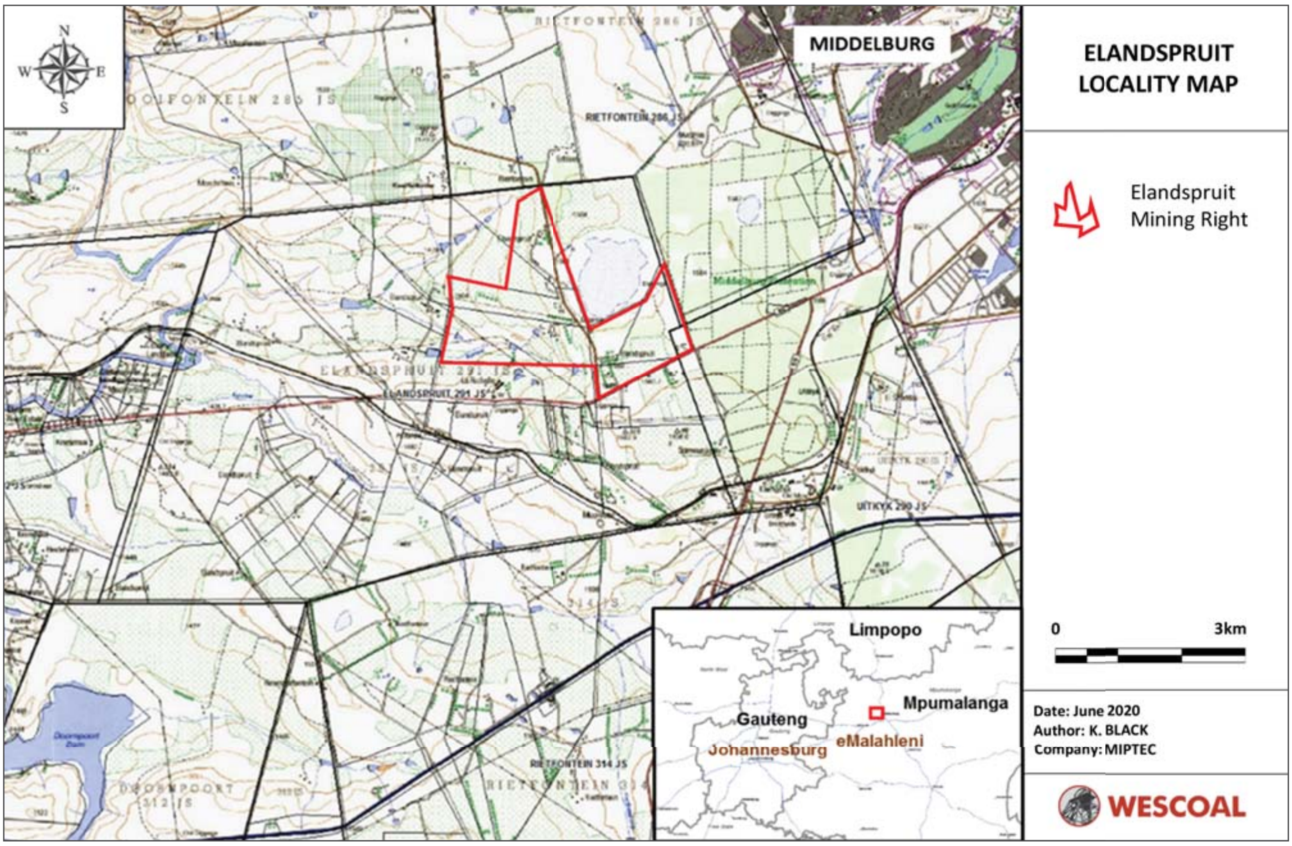
Of the total coal resources estimated at 228.09mt, approximately 32% is in the measured category. Wescoal manages an ongoing drilling programme as part of their short-term technical control processes to validate the mining and coal quality parameters on the operating assets. All operating assets have coal resources in excess of 93% in the measured category.

Both LBC and Sterkfontein contain no coal resources in the measured category. Over and above the normal working cost budget for drilling, a further R4.5 million is planned on exploration, focused on the Vanggatfontein east and west areas together with Elandspruit.

Elandspruit Complex

The Elandspruit Complex comprises both opencast and underground operations and is 100% owned by Wescoal. It is located approximately 8km west of the town of Middelburg on the farm Elandspruit 291 JS and encompasses an area of 538 hectares. Location 25.80982°S latitude and 29.38474°E longitude.

Figure 1: Elandspruit locality map



Wescoal holds the mining right that was granted in October 2010 for a period of 16 years. A WUL was granted in May 2015. The life of mine plan for Elandspruit is in line with the current mining strategy regarding both opencast and underground operations.

Coal resources

Currently all seams present within the delineated opencast areas are scheduled for mining, namely the No. 4 Lower coal seam, No. 3 coal seam, No. 2 Upper and Lower coal seams and the No. 1 coal seam. Within the underground mining area, only the No. 1 coal seam is targeted for mining. As such, all other seams have been excluded from the UG estimations. This decision was made based on the principal that all seams should have the potential for economic extraction.

Table 2: Elandspruit resource summary as at 31 March 2020 (100% attributable)

	Coal resource estimate (MTIS) (ADB)				ROM coal reserve (AR)			
	Inferred mt	Indicated mt	Measured mt	Total mt	CV MJ/kg	Ash %	VM %	TS %
Elandspruit Colliery total	**–**	**–**	**14.65**	**14.65**	**21.42**	**29.47**	**22.07**	**0.99**
Opencast total	–	–	12.63	12.63	21.46	29.15	21.93	1.00
4L seam			1.13	1.13	25.28	17.50	21.49	1.05
3 seam			0.44	0.44	27.47	15.60	30.85	3.00
2U seam			1.88	1.88	18.92	34.53	21.25	1.23
2L seam			3.85	3.85	21.76	27.83	20.93	0.84
1 seam			5.33	5.33	20.84	31.78	22.26	0.85
Underground total			2.02	2.02	21.21	31.45	22.94	0.95
1 seam			2.02	2.02	21.21	31.45	22.94	0.95

Reconciliation

Table 3: Elandspruit comparison of resource estimates – reconciliation March 2019 to March 2020

	Coal resource estimate (MTIS) (ADB)			FY actual mining	Loss/ gain
	March 2019 mt	March 2020 mt	Variance mt	ROM (AR) mt	mt
Elandspruit Colliery total	**16.71**	**14.65**	**2.06**	**2.68**	**0.62**
Opencast total	14.69	12.63	2.06	2.68	0.62
4L seam	1.23	1.13	0.10	0.23	0.13
3 seam	0.49	0.44	0.05	0.07	0.02
2U seam	2.04	1.88	0.15	Added to S2L	
2L seam	4.60	3.85	0.75	1.31	0.41
1 seam	6.34	5.33	1.01	1.07	0.06
Underground total	2.02	2.02	–	–	–
1 seam	2.02	2.02	–	–	–

The total change in coal resource estimates is 2.06mt, whereas 2.68mt was surveyed as ROM mined ("AR"). The gain of approximately 0.15mt on the No. 4L and No. 3 seams, is predominantly attributed to where mining occurred outside of the predicted model extent, in the areas close to where the seam sub-crops against the limit of weathering. The gains on the No. 2U seam (0.4mt), is due to mining the entire No. 2U seam regardless of the in situ coal qualities. Within the Yoctolux North and Pit 2, the No. 2U seam coal resource was considerably reduced by removing coal with a raw volatile content of less than 18%. In practice, these areas are mined thereby resulting in a gain. The surveying of seams and the consistency to identify seams mined correctly also contribute to the variances noted in the modelled versus actual tonnes.

Coal reserves

Coal reserves for Elandspruit are based on the current mining strategy with regard to both opencast and underground operations. Opencast operations are based on the standard strip mining and roll over methodology, with underground being based on standard bord and pillar methodology with no secondary extraction.

Elandspruit only generated ROM mined from opencast of 2.68 million tonnes for FY20. Mining underground is still on hold pending the selection of underground mining contractors.

Table 4: Elandspruit reserve estimate summary as at 31 March 2020 (100% Wescoal attributable)

Elandspruit reserve estimate (100% Wescoal attributable)						Saleable qualities (4L and 3 seam raw, 2U seam 20MJ/k and 20% vol seam 1 and 2L max 26% ash)					
Project	Reserve category	Seam	Reserve block	MTIS (AD) mt	ROM (AR) mt	Saleable (AR) mt	Yield %	CV (AD) MJ/kg	Ash (AD) %	Vol (AD) %	TS (AD) %
Elandspruit opencast	Probable	SAL	Pit 2	0.02	0.02	0.02	98	25.68	17.32	21.84	0.88
			Yoc. N	0.09	0.10	0.10	98	25.44	17.61	21.42	0.94
			Yoc. E	0.61	0.66	0.65	98	25.49	17.35	21.88	1.12
			GrasP S	0.13	0.14	0.13	98	27.42	15.00	31.10	1.91
		Total 4L seam		0.85	0.92	0.90	98	25.78	17.03	23.20	1.21
		S3	Pit 2	0.05	0.05	0.05	98	27.35	14.82	30.26	3.27
			Yoc. N	0.08	0.09	0.09	98	27.80	14.15	31.24	2.57
			Yoc. E	0.25	0.27	0.26	98	27.57	16.79	31.01	3.06
			GrasP S	0.05	0.05	0.05	98	26.76	16.92	30.82	2.62
		Total 3 seam		0.42	0.46	0.45	98	27.51	16.06	30.95	2.94
		S2U	Pit 2	0.19	0.20	0.14	71	20.50	30.61	19.79	0.56
			Yoc. N	0.15	0.16	0.10	60	20.50	30.19	20.65	0.36
			Yoc. E	1.09	1.18	0.82	69	20.50	29.99	21.80	0.97
			GrasP S	0.24	0.26	0.21	82	20.50	27.29	22.29	1.93
		Total 2U seam		1.67	1.80	1.27	71	20.50	29.62	21.57	1.04
		S2L	Pit 2	0.87	0.95	0.77	81	22.51	25.88	20.78	0.66
			Yoc. N	0.57	0.62	0.50	80	22.66	25.89	20.69	0.59
			Yoc. E	1.73	1.87	1.45	78	22.68	25.88	20.95	0.61
			GrasP S	0.31	0.34	0.26	78	23.02	25.83	22.03	0.89
		Total 2L seam		3.49	3.77	2.98	79	22.66	25.88	20.96	0.64
		S1	Pit 2	1.29	1.39	1.11	80	22.86	25.85	22.73	0.76
			Yoc. N	1.02	1.10	0.88	79	22.98	25.86	22.46	0.63
			Yoc. E	2.30	2.49	1.82	73	23.16	25.90	22.88	0.54
			GrasP S	0.32	0.35	0.23	66	23.86	25.90	26.84	0.41
		Total 1 seam		4.93	5.33	4.03	76	23.07	25.88	22.97	0.61
	Total proved			**11.35**	**12.28**	**9.63**	**78**	**23.07**	**25.09**	**22.56**	**0.84**
	Probable	3 seam	GrasP N	0.01	0.01	0.01	98	26.95	16.57	30.92	9.07
		2U seam	GrasP N	0.18	0.19	0.16	84	20.50	28.14	21.71	1.61
		2L seam	GrasP N	0.18	0.20	0.15	80	22.98	25.74	22.26	1.11
		1 seam	GrasP N	0.18	0.19	0.13	69	23.49	25.90	25.89	0.49
	Total probable			**0.55**	**0.59**	**0.44**	**75**	**22.33**	**26.45**	**23.28**	**1.27**
Total/average Elandspruit opencast				**11.90**	**12.87**	**10.08**	**78**	**23.03**	**25.15**	**22.59**	**0.86**
Elandspruit underground	Probable	1 seam	Primary mining	1.10	1.19	0.87	73	23.38	25.87	24.13	0.57
	Total/AVG Elandspruit underground			**1.10**	**1.19**	**0.87**	**73**	**23.38**	**25.87**	**24.13**	**0.57**
Total/average Elandspruit Colliery reserves				**13.00**	**14.06**	**10.95**	**78**	**23.06**	**25.21**	**22.71**	**0.84**

Environmental management and closure funding

Elandspruit's environmental liability was assessed by Jaco Kleynhans (Jaco-K Consulting) as at May 2020. The report reflects the DMRE guideline assessment of R92.6 million including value added tax, an increase of R13.8 million on an equivalent base from the FY19 assessment. Rehabilitation backlog is increasing year-on-year. Wescoal Processing mainly processes ROM from the Elandspruit operation and has a closure liability of R19.4 million. This is not included in the Elandspruit Colliery closure assessment quantum of R92.6 million.

Environmental guarantees from Lombard Insurance are in place as at 31 March 2020 for Elandspruit to the value of R78.8 million, Wescoal Processing to the value of R15.8 million and Yoctulux to the value of R15.3 million. These are in the process of being updated to the revised assessment value.

Future work

- Completion of the environmental applications relating to the relaxation of the pan buffer and exclusion zones. On approval, the coal resources and coal reserves could potentially increase; and
- Finalisation of underground contractor selection and strategy for Wescoal to allow for the continuation of underground mining at Elandspruit.

Risk

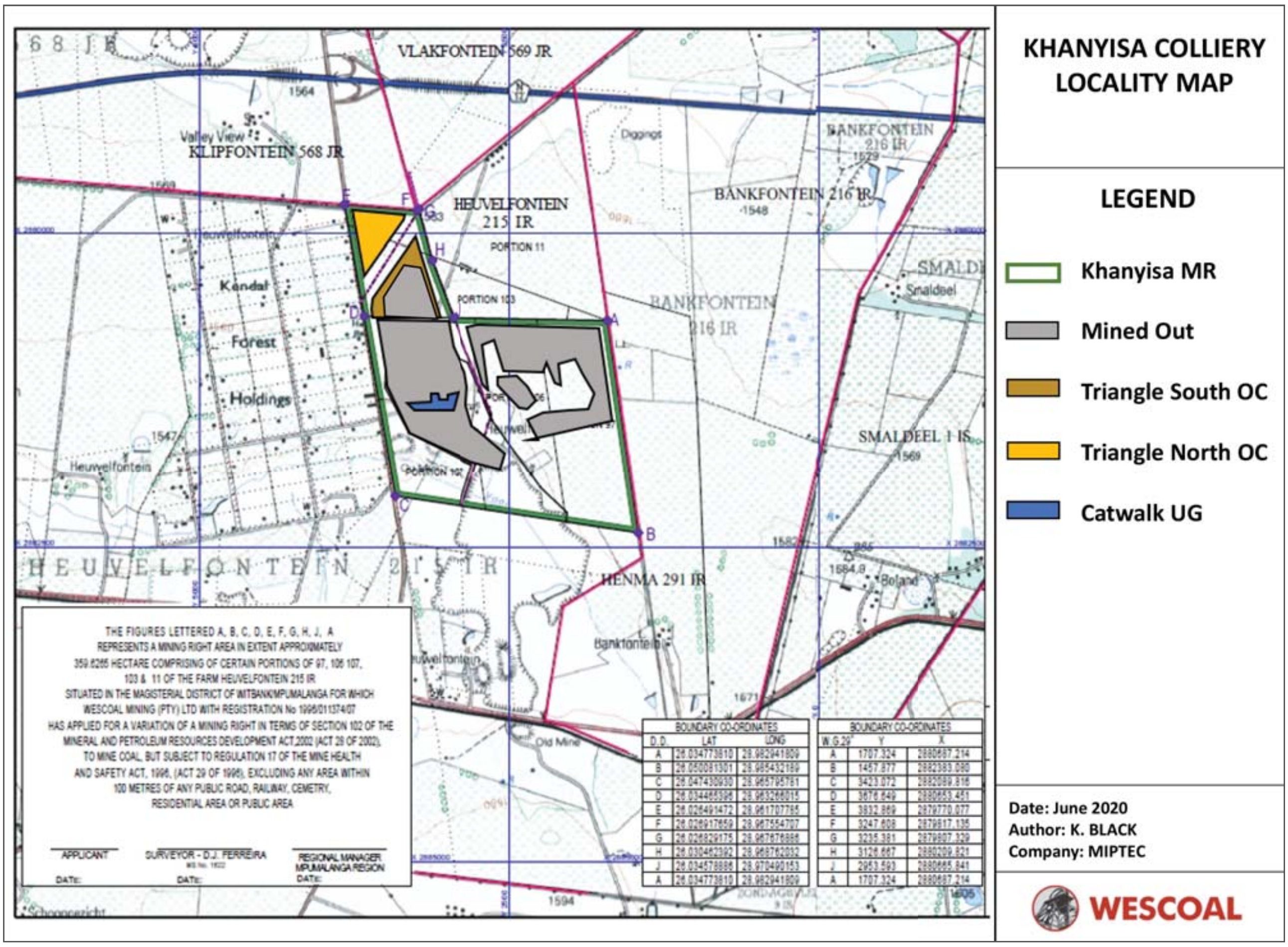
Table 5: Elandspruit risk

Type of risk	Risk	Mitigation	Level of risk
Profitability	Increase in strip ratio	Mining to an average strip ratio	Medium
Rehabilitation	Increase in backlog, resulting in financial risk, especially with the June 2021 expected legislation that will move the assessment to a volume-based approach	Reduce backlog on rehabilitation	High
Quality	Mining coal measures not included in the resource model	Include coal qualities in the mine planning process	Low

Khanyisa Complex

The Khanyisa Complex comprises the Triangle resource area and the Catwalk resource area, which Wescoal effectively owns 100%. The complex is located some 10km west of the town of Ogies in Mpumalanga. It comprises portions of the farm Heuvelfontein 215 IR. The location of the complex is 26.042950°S latitude and 28.973325°E longitude.

Figure 2: Khanyisa Complex locality map



A WUL for the total integrated mining area was awarded in May 2016. The consolidated mining right was awarded in March 2017.

Both Triangle and Catwalk areas are mined opencast, with the difference being that Catwalk extracts mainly the No. 2 seam pillars and roof coal left by previous underground mining.

Coal resources

Current mining in Triangle is taking place on the remainder of Triangle South as well as Triangle North (No. 4 and No. 2 seams).

The Catwalk area to the south of the Triangle resource area has opencast coal resources comprising roof and pillar coal in the previously underground mined-out areas. As per the diagram below, current mining is only taking place in Catwalk South on the No. 2 seam roof and pillars.

Table 6: Khanyisa resource estimate summary as at 31 March 2020

	Coal resource estimate (MTIS) (ADB)			Raw coal qualities (ADB)			
	Indicated mt	Measured mt	Total mt	CV MJ/kg	Ash %	VM %	TS %
Khanyisa Colliery total	**–**	**2.98**	**2.98**	**20.47**	**30.81**	**21.25**	**1.08**
Triangle total	–	2.73	2.73	20.33	31.21	21.26	1.07
Triangle opencast total	–	2.73	2.73	20.33	31.21	21.26	1.07
4U seam		0.76	0.76	17.31	39.11	18.87	0.77
4L seam		0.73	0.73	22.85	24.35	23.42	1.26
2 seam		1.24	1.24	20.70	30.38	21.47	1.14
Triangle underground total	–	–	–	–	–	–	–
4L seam	–	–	–	–	–	–	–
2 seam	–	–	–	–	–	–	–
Catwalk total	–	0.25	0.25	22.01	26.53	21.15	1.19
2 seam	–	0.25	0.25	22.01	26.53	21.15	1.19

Reconciliation

Table 7: Khanyisa resource estimates – reconciliation March 2019 to March 2020

	Coal resource estimate (MTIS) (ADB)			FY actual mining	Loss/ gain
	March 2019 mt	March 2020 mt	Variance mt	ROM (AR) mt	mt
Khanyisa Colliery total	**3.94**	**2.98**	**0.96**	**0.82**	**(0.14)**
Triangle opencast	3.29	2.73	0.56	0.63	0.07
SS	–	–	–	0.02	0.02
4U seam	0.46	0.76	(0.30)	0.07	0.37
4L seam	0.89	0.73	0.16	0.16	0.00
2 seam	1.94	1.24	0.70	0.38	(0.32)
Catwalk total	0.65	0.25	0.40	0.19	(0.21)
2 seam	0.65	0.25	0.40	0.19	(0.21)

Table 7 indicates a change in the Triangle resource of 0.56mt ("MTIS"), which is less than the mined-out total of 0.63mt, indicating a gain of 0.07mt which is predominantly due to a total gain of 0.37mt on the No. 4 Upper seam. The gain on the low-quality No. 4 Upper seam is due to a 18% minimum volatile cut-off applied to the coal resource estimate, whereas in practice, this coal is mined. The losses on the No. 2 seam in Triangle (0.7mt) is potentially due to coal being left in the floor, however, may also be due to thinning of the seam in places. The No. 5 coal seam was mined at Triangle North, although it was not included in the coal resource estimates. The boreholes drilled in Triangle North drilled though the No. 5 seam with the Tricone bit (no core recovery) as it is located close to surface (~10m deep) within the weathered horizon. As such, No. 5 seam was recovered during the drilling, and therefore it was not included in the geological model.

Within the Catwalk area, there is a mining loss of 0.21mt. The loss is due to the poor recovery of the No. 2 seam roof coal. The in situ pillars on the end walls were not mined and subsequently removed from resources.

Coal reserves

Coal reserves for the Khanyisa Complex were based on the proven opencast strip and pillar mining strategies, and operations were executed as such throughout FY20. Mining focused on the Triangle South Block and the Catwalk South pillar mining area. Work has commenced on the Triangle North Block with the extraction of some unplanned No. 5 seam. No. 5 seam was not planned as it was not evident in the recently drilled boreholes.

Table 8: Khanyisa reserve estimate summary as at 31 March 2020

Khanyisa Triangle reserve estimate					Saleable qualities (all seams based on a raw crushed and screened product)					
Project	**Reserve category**	**Seam**	**MTIS (AD) mt**	**ROM (AR) mt**	**Saleable (AR) mt**	**Yield %**	**CV (AD) MJ/kg**	**Ash (AD) %**	**Vol (AD) %**	**TS (AD) %**
Triangle and Catwalk opencast	Proved	4U seam	0.04	0.04	0.04	98	16.55	39.55	17.83	0.56
		4L seam	0.09	0.09	0.09	98	21.58	26.06	23.54	1.40
		2 seam	0.34	0.35	0.35	98	19.80	31.80	20.10	0.92
		Triangle South total	0.47	0.49	0.48	98	19.83	31.44	20.53	0.97
		4U seam	0.35	0.36	0.35	98	15.87	41.69	17.71	1.17
		4L seam	0.51	0.53	0.52	98	20.43	28.40	22.42	1.27
		2 seam	0.85	0.89	0.87	98	18.21	35.35	20.84	0.59
		Triangle North total	1.71	1.78	1.75	98	18.40	34.55	20.68	0.91
		4U seam	0.39	0.41	0.40	98	15.95	41.45	17.72	1.10
		4L seam	0.60	0.62	0.61	98	20.60	28.06	22.59	1.29
		2 seam	1.19	1.24	1.21	98	18.66	34.34	20.63	0.68
		Triangle total	2.18	2.27	2.22	98	18.71	33.88	20.65	0.93
		Catwalk Peripheral	0.06	0.06	0.06	98	20.32	31.28	20.00	1.02
		Catwalk South pillars	0.10	0.11	0.11	98	21.17	29.31	19.82	1.02
		Catwalk total	0.16	0.17	0.16	98	20.88	30.00	19.88	1.02
			0.39	0.41	0.40	98	15.95	41.45	17.72	1.10
			0.60	0.62	0.61	98	20.60	28.06	22.59	1.29
			1.35	1.41	1.38	98	18.92	33.82	20.54	0.72
		Mine total	2.34	2.44	2.39	98	18.86	33.62	20.60	0.93

Environmental management and closure funding

An assessment update of the current rehabilitation liability was made by Jaco Kleynhans dated May 2020. On basis of the DMRE guidelines, it amounts to R54.8 million (including value added tax), an increase of R15.6 million on a comparative basis from the FY19 assessment. The assessment was based on the DMRE guidelines.

Rehabilitation backlog is increasing year-on-year, construction of the box cut in Triangle North has commenced, resulting in increased areas disturbed. It is possible for both Triangle South and Catwalk to be depleted during FY21, that will provide considerable areas for backlog to be reduced.

Environmental guarantees from Lombard Insurance are in place as at 31 March 2020 to the value of R39,2 million and are in the process of being updated to the revised assessment value.

Future work

- Complete box cut in Triangle North and move to steady state mining;
- Drilling to attempt to delineate the extent and quality of the No. 5 seam located close to surface within Triangle North;
- Reconcile the geological model with the surveyed seam thicknesses in order to understand the large losses on the No. 2 seam;
- Obtain permission from SANRAL to mine up to the road servitude and inform the DMRE of such permissions granted. If a negative response is received, adjustment to opencast reserves must be implemented; and
- Complete assessment of moving the Transnet pipeline to unlock the coal currently sterilised.

Risk

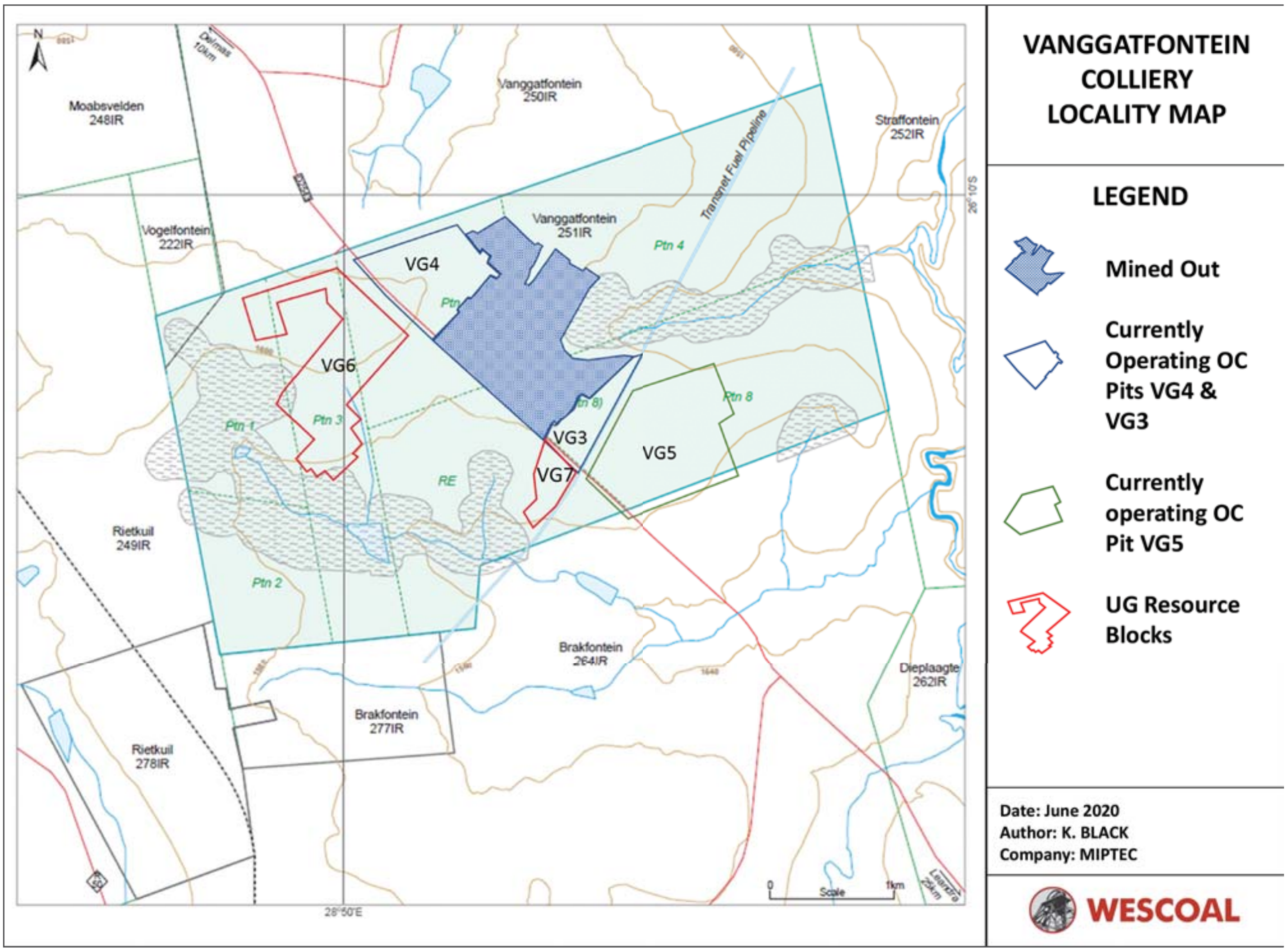
Table 9: Khanyisa risk

Type of risk	Risk	Mitigation	Level of risk
Recovery Triangle 2 seam	Financial risk, losses on the No. 2 seam in the floor resulting in coal reserves reduction and increase strip ratios	Mine to monitor extraction of No. 2 seam and coal recovery	High
Recovery Catwalk 2 seam	Financial risk, lower recovery, increased strip ratio with the loss of roof coal as well as pillars that scaled	Stockpile material cleaned between pillars and wash it	Medium
Rehabilitation backlog increasing year-on-year	Increased liability that could have a major financial impact once the new legislation has been promulgated (June 2021)	Plan rehabilitation and reduce the backlog	High

Vanggatfontein Colliery

The Vanggatfontein Colliery is an opencast coal mining operation, 100% owned by Wescoal and situated in the Witbank Coalfield. This Colliery is located approximately 16km east-south-east of the town of Delmas in the Mpumalanga province. It is situated on the farm Vanggatfontein 251 IR and covers an area of 1652ha. Location is 26.173055S, 28.83555E.

Figure 3: Vanggatfontein Colliery locality map



In June 2009, Prospecting Right MP/30/5/1/1/2/1/416PR was successfully converted into a 20-year mining right (MP/30/5/1//2/2/309MR). The mining right was executed on 23 February 2010 and, unless cancelled or suspended in terms of clause 13 of the mining right, or section 47 of the MPRDA (Act 28 of 2002), will continue in force for a period of 20 years, ending on 22 February 2030.

Coal resources

As the Eastern Resource Block ("ERB") is delineated as an opencast area (strip ratio < 4 bcm waste: tonne coal), all coal seams are included for mining, namely the No. 5 coal seam, No. 4 coal seam and No. 2 seams. The Western Resource Block ("WRB"), is designed as an underground area ("VG6"), and as such, mining only the No. 4 seam and the No. 2 seam within Pit VG7 are included as coal resources. The coal seams within Vanggatfontein area are defined as multiple seam type as per SANS10320:2004. Coal resources are declared for the No.2, No. 4 and No. 5 seams.

Table 10: Vanggatfontein resource estimate as at 31 March 2020 (100% attributable)

	Coal resource estimate (MTIS) (ADB)				Raw coal qualities (ADB)			
	Inferred mt	Indicated mt	Measured mt	Total mt	CV MJ/kg	Ash %	VM %	TS %
Vanggatfontein total	**0.34**	**1.64**	**26.82**	**28.80**	**18.48**	**35.06**	**19.73**	**1.09**
Eastern Resource Block	0.34	1.64	21.56	23.54	17.99	36.33	19.57	1.08
5 seam	–	0.04	0.74	0.78	21.34	28.26	23.14	1.34
4 seam	0.18	0.82	9.15	10.15	16.69	39.66	17.82	1.09
2 seam	0.16	0.78	11.67	12.60	18.82	34.14	20.76	1.06
Western Resource Block	–	–	5.26	5.26	20.71	29.40	20.44	1.16
5 seam	–	–	–	–	–	–	–	–
4 seam	–	–	4.67	4.67	20.43	29.99	20.28	1.16
2 seam	–	–	0.59	0.59	22.88	24.75	21.74	1.22

Reconciliation

Table 11: Vanggatfontein resource estimates – reconciliation March 2019 to March 2020

	Coal resource estimate (MTIS) (ADB)			FY actual mining	Loss/ gain
	March 2019 mt	March 2020 mt	Variance mt	MTIS (AR) mt	mt
Vanggatfontein total	**31.11**	**28.80**	**2.31**	**2.19**	**(0.12)**
Eastern Resource Block	25.85	23.54	2.31	2.19	(0.12)
5 seam	0.91	0.78	0.12	0.12	0.00
4 seam	11.32	10.15	1.17	1.27	0.10
2 seam	13.62	12.60	1.02	0.80	(0.22)
Western Resource Block	5.26	5.26	–	–	–
5 seam	–	–	–	–	–
4 seam	4.67	4.67	–	–	–
2 seam	0.59	0.59	–	–	–

The change in coal resource estimates between FY19 (31.11mt) and FY20 (28.63mt) is predominantly due to mining depletion. The WRB remains unchanged in terms of the underground coal resource estimation as no mining took place. The large losses on the No. 2 seam are standard for Vanggatfontein, where recovery on the No. 2 seam is known to be poor.

Coal reserves

Vanggatfontein is currently operated as an opencast mining operation based on contractor truck and shovel strip mining and roll over methodology. Opencast mining at Vanggatfontein contributed to 2.19mt ROM being extracted during FY20. Box cut operations commenced at the VG5 pit with initial 4U and 4 seam ROM extracted.

The current remaining coal reserves of 24.82mt ROM at the planned production rate provides for a six-year life on the Vanggatfontein opencast operations.

Construction on the Vanggatfontein underground section on the WRB will commence with the construction of the coal handling and processing plants, followed by the construction of the underground access.

Table 12: Vanggatfontein reserve estimate as at 31 March 2020

Project	Reserve category	Seam	MTIS (AD) mt	ROM (AR) mt	Saleable (AR) mt	Yield %	CV (AD) MJ/kg	Ash (AD) %	Vol (AD) %	TS (AD) %
Vanggatfontein Colliery opencast proven	VG3	5 seam				–				
		4 seam	0.56	0.58	0.35	60	21.50	27.65	18.13	1.19
		2 seam	0.77	0.81	0.56	69	21.50	27.31	21.93	0.85
		Total	1.33	1.39	0.91	66	21.50	27.44	20.47	0.98
	VG4	5 seam	0.60	0.63	0.50	80	21.72	27.25	23.42	1.31
		4 seam	5.07	5.27	2.74	52	21.50	26.34	22.44	0.62
		2 seam	4.36	4.53	2.82	62	21.50	26.78	22.09	0.62
		Total	10.03	10.44	6.07	58	21.52	26.62	22.36	0.68
	VG5	5 seam	–			–				
		4 seam	5.02	5.22	3.24	62	21.50	27.91	17.86	1.12
		2 seam	5.39	5.60	4.11	73	21.50	27.35	22.74	1.02
		Total	10.41	10.82	7.34	68	21.50	27.60	20.59	1.06
	VGF opencast	5 seam	0.60	0.63	0.50	80	21.72	27.25	23.42	1.31
		4 seam	10.65	11.08	6.33	57	21.50	27.22	19.86	0.91
		2 seam	10.52	10.94	7.49	68	21.50	27.13	22.43	0.86
		Total	21.77	22.64	14.32	63	21.51	27.17	21.33	0.89
	VG6 UG probable	**Seam 4**	**2.10**	**2.18**	**2.18**	**100**	**20.41**	**29.97**	**20.47**	**1.14**
Total mine			**23.87**	**24.82**	**16.50**	**66**	**21.36**	**27.54**	**21.22**	**0.93**

Environmental management and closure funding

In May 2020, Jaco K Consulting provided an updated closure assessment for Vanggatfontein.

The current financial closure liability associated with Vanggatfontein based on the DMRE guidelines, is R194 million (including value added tax), an increase of R40.3 million from the FY19 estimate. The year-on-year increase in backlog is a concern and the commencement of operations in Pit VG5 has increased the areas disturbed. With VG3 pit nearing completion, this will provide an opportunity to reduce the backlog considerably.

Wescoal has a financial guarantee in place to provide for the current closure liability for Vanggatfontein in the event of unscheduled closure. The guarantee is provided by Centriq Insurance Innovation ("Centriq") and is valued at R153.7 million as at the end of March 2020. The guarantee is in the process of being updated to the new quantum.

Future work

- Plan rehabilitation of VG3;
- Project work at VG7;
- Finalise VG6 underground implementation plan; and
- Vanggatfontein extension (Leeuw Braakfontein)
  - Exploration drilling.

Risk

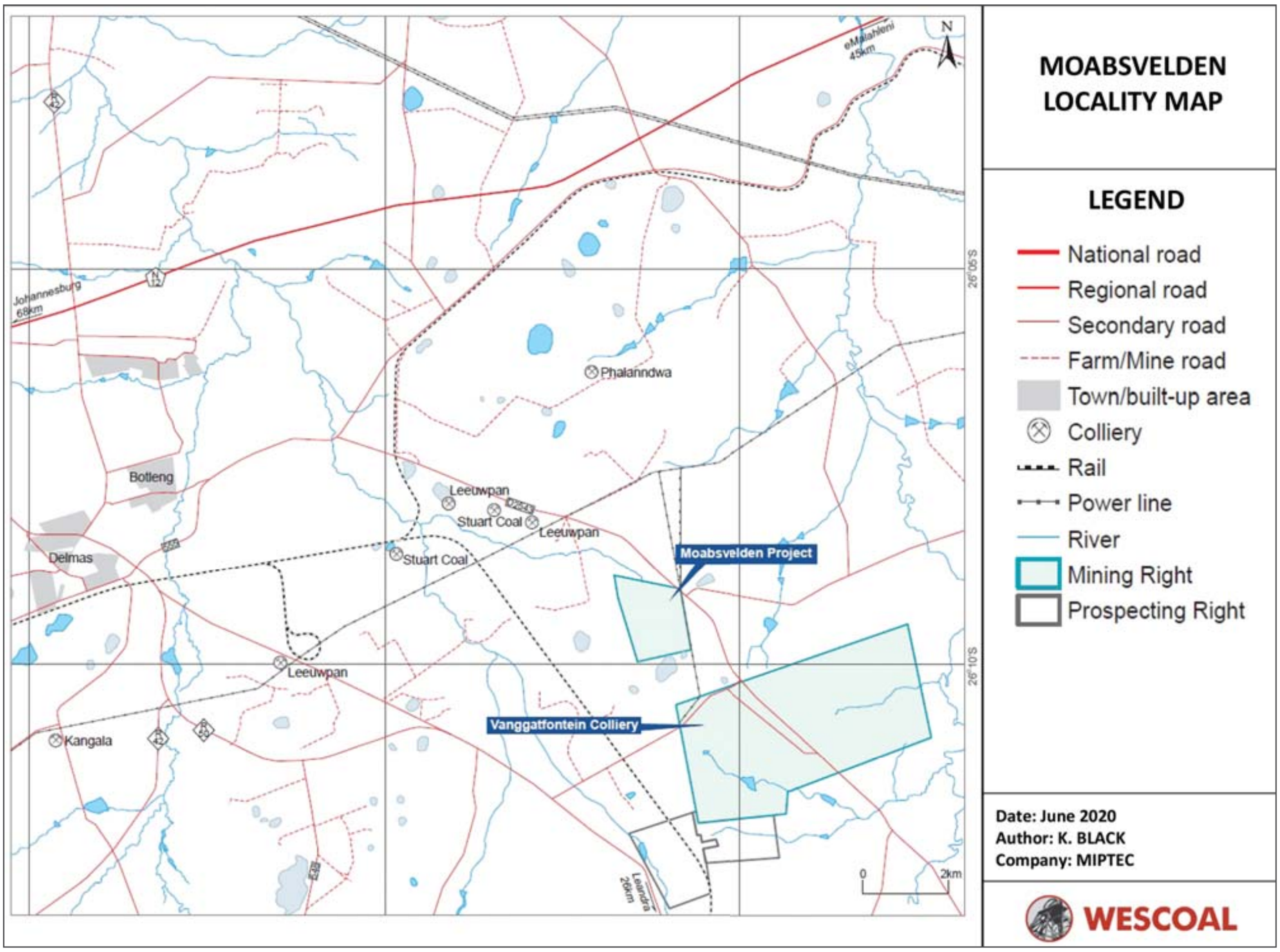
Table 13: Vanggatfontein risk

Type of risk	Risk	Mitigation	Level of risk
Operational – safety	Highwall failures	Implementation of the design offsets as established by the appointed rock engineer	Low
Reserves – coal recovery	Financial risk, reduced reserves and increase in strip ratio	Monitor recovery on a monthly and even short-term basis with associated regular inspections	Low
Increase in rehabilitation backlog	Financial, with the increased backlog comes increased liability and cost of financial guarantees	Plan to reduce backlog as part of operational execution	High

Moabsvelden Development Project

Moabsvelden is a development property situated in the Witbank Coalfield and 100% owned by Wescoal. It is planned to be operated as a satellite pit of neighbouring Vanggatfontein approximately 4km to the south along the district road. Moabsvelden ROM will be processed through a dedicated coal handling and processing plant to be constructed on the WRB. This processing facility will also process the planned future production from the Vanggatfontein extension. Moabsvelden is located approximately 55km south-west of Emalahleni and approximately 77km east of Johannesburg. More specifically, it is located approximately 15km east of the town of Delmas in the Mpumalanga province of South Africa. Location is 26.15166S, 28.81833E.

Figure 4: Moabsvelden locality map



On 23 April 2013, the Moabsvelden prospecting right (No. F 2008/07/14/006) was successfully converted into an 18-year mining right (No. 10025 MR) when it was issued in the name of Neosho Trading, 86 Proprietary Limited ("Neosho") (registration no. 2008/010470/07). The mining right covers an area of 249.4ha and was issued in terms of section 23(1) of the Mineral and Petroleum Resources Development Act, 28 of 2002, with an effective date of 16 October 2013, expiring on 15 October 2031.

Coal resources

Locally, three coal seams are developed across the licence area – namely the No. 5 seam, No. 4 seam and the No. 2 seam. The No. 2 and No. 4 seams are the primary economic targets, with the addition of the No. 5 seam where the thickness, quality and continuity allow. The No. 3 seam is not developed at all. Structurally notable as well, is the presence of a transgressive sill along the western and northern extents of the mining footprint. The coal seams in these areas are uplifted by as much as 20m. Currently all seams present within the delineated opencast areas (strip ratio < 4 bcm waste: tonne coal) are included for mining, namely the No. 5 coal seam, No. 4 coal seam and No. 2 seams. The coal seams within the Moabsvelden area are defined as multiple seam type as per SANS10320:2004. Coal resources are declared for the No. 2, No. 4 and No. 5 seams.

Table 14: Moabsvelden coal resource summary as at 31 March 2020 (74% attributable)

	Coal resource estimate (MTIS) (ADB)			Raw coal qualities (ADB)			
	Indicated mt	Measured mt	Total mt	CV MJ/kg	Ash %	VM %	TS %
Moabsvelden opencast total	**2.00**	**28.85**	**30.84**	**18.97**	**37.71**	**22.22**	**0.90**
5 seam	0.16	2.44	2.59	16.22	41.22	22.54	1.14
4UU seam	–	0.11	0.11	14.00	45.56	19.36	1.10
4U seam	0.39	6.08	6.48	12.90	47.44	17.52	0.54
4L seam	0.47	6.99	7.46	20.91	26.64	22.51	1.06
2U seam	0.66	3.86	4.51	15.80	40.31	19.18	0.58
L2 seam	0.32	9.37	9.69	19.84	30.81	22.01	0.88

There was no change to the resource. The addition of five exploration holes had no effect from the previous estimation.

Coal reserves

Moabsvelden is designed as an opencast mine adjacent to Vanggatfontein. It was planned to employ the roll over methodology after the initial box cut, similar to the adjacent Vanggatfontein.

No further changes were applied to the geological model during the update on the Moabsvelden coal resources which underpinned the update to the coal reserves in accordance with the SAMREC Code as of 31 March 2020 by Miptec, and therefore the coal reserves estimate remains unchanged from the 31 March 2019 estimate.

Table 15: Moabsvelden reserve estimate as at 31 March 2020

Project	Reserve category	Seam	MTIS (AD) mt	ROM (AR) mt	Saleable (AR) mt	Yield %	CV (AD) MJ/kg	Ash (AD) %	Vol (AD) %	TS (AD) %
Moabsvelden Project opencast	**Proven**	S5	2.40	2.45	1.77	72	19.03	34.33	24.84	0.93
		S4UU	0.39	0.40	0.40	100	21.10	30.61	28.94	2.84
		S4U	2.78	2.84	1.03	36	19.00	32.11	20.06	0.54
		S4L	6.63	6.78	6.78	100	20.95	26.25	22.84	1.04
		S2U	3.34	3.42	2.18	64	19.00	31.99	20.56	0.43
		S2L	7.97	8.15	8.15	100	20.34	29.41	22.80	0.83
		Total	23.51	24.04	20.31	84	20.23	29.22	22.73	0.89
	Probable	S5	0.30	0.31	0.21	69	19.00	34.31	23.75	0.79
		S4UU	0.10	0.11	0.10	99	22.55	26.17	29.86	4.28
		S4U	0.83	0.84	0.35	42	19.00	31.88	18.82	0.52
		S4L	1.45	1.48	1.48	100	20.78	26.18	21.52	1.14
		S2U	0.65	0.67	0.44	66	19.00	32.14	19.55	0.53
		S2L	1.54	1.57	1.57	100	19.44	31.70	20.89	0.86
		Total	4.87	4.98	4.16	84	19.89	29.79	21.17	0.98
		Mine	**28.38**	**29.01**	**24.47**	**84**	**20.18**	**29.32**	**22.47**	**0.90**

Environmental management and closure funding

As no mining activities have commenced as at the date of this report, there are no associated environmental risks or liabilities apart from what could result from exploration. For that, a guarantee is in place with Centriq to the value of R20 million as at 31 March 2020.

Future work

- Finalise contracts with mining contractor;
- Finalise processing contractors to design, build and operate the plant for both Moabsvelden and VG6 underground;
- Establish areas for out of pit dumping; and
- Commence with construction of infrastructure, ramps and box cut.

Risk

Table 16: Moabsvelden risk

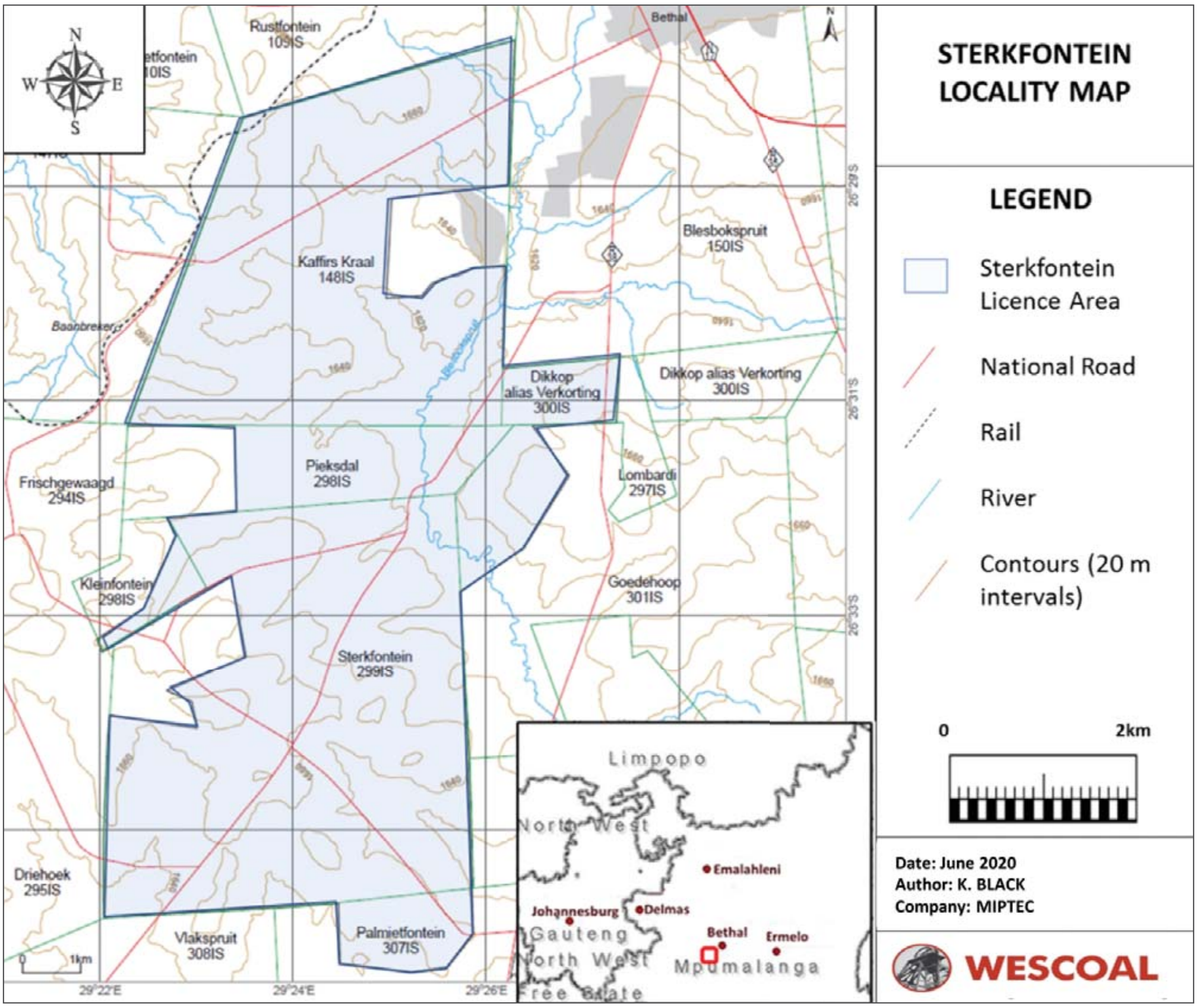
Type of risk	Risk	Mitigation	Level of risk
Operational	Waste dump space	Investigating use of neighbouring surface area	Medium
Dolerite intrusions	Although the sill has been extensively surveyed (aeromag) and drilled, there may be additional intrusive features that have not been identified. This may have an impact on reserves, mining and coal qualities	Careful analysis and wireline logging of the pre-split holes. Regular sampling of the ROM coal	Low

Sterkfontein Project

The Sterkfontein Project is situated in the Highveld Coalfield of South Africa. It extends over portions of 10 farms and covers a footprint measuring approximately 16km in a north-south direction, and approximately 9km in an east-west direction for a total area of 7.926 hectares.

The northern edge of Sterkfontein is located approximately 5km south-west of the town of Bethal in the Mpumalanga province of South Africa, approximately 149km east-south-east of Johannesburg. Location is 26.5166S, 29.40000 E.

Figure 5: Sterkfontein locality map



Sterkfontein comprises five prospecting rights held in the names of Keaton Mining Proprietary Limited ("Keaton Mining") and Labohlano Trading 46 Proprietary Limited ("Labohlano"). Most of these expired in 2017. Keaton timeously submitted two mining right applications during December 2017 together with a section 102 application to consolidate the rights when granted. Wescoal awaits the DMRE's response in this regard.

Coal resources

The coal resource estimates for Sterkfontein were most recently compiled by Dr EA Schneiderhan of CCIC Coal and included in the 31 January 2017 CPR compiled by Venmyn Deloitte entitled "Independent Competent Person's Report on the Coal Assets of Keaton Energy Holdings Limited". As no recent work has been conducted on the Sterkfontein Project, the coal resource estimates contained in this report are as per the 2017 Venmyn Deloitte CPR.

The coal seams within the Sterkfontein area are defined as multiple seam type as per SANS10320:2004. While both the No. 5 and No. 4 seams of the Highveld Coalfield are present, the main economic target is, however, only the No.4 (Upper and Lower) seam.

For the coal resource estimate, a minimum seam thickness of 1.4m has been used as a minimum practical mining height of a Joy 14HM15 continuous miner and/or conventional drill and blast mining.

A minimum cut-off of 50% ash and 24% dry ash free volatiles (to account for devolatilised coal as per the SANS10320:2004 guidelines) has been applied to all estimated coal resources. In order to convert gross tonnes in situ ("GTIS") to total tonnes in situ ("TTIS") geological losses of 10% and 15% have been applied to account for unexpected projected losses due to dolerite intrusions, geological structure and geological complexity. No modelling error was applied. The application of a 1.4m mining height was used to estimate the MTIS.

Table 17: Sterkfontein resource estimate as at 31 March 2020 (as per Venmyn 2017 CPR) (100% attributable)

	Coal resource estimate (MTIS) (ADB)				Raw coal qualities (ADB)			
	Inferred mt	Indicated mt	Measured mt	Total mt	CV MJ/kg	Ash %	VM %	TS %
Sterkfontein Project underground	**40.64**	**50.29**	**–**	**90.93**	**19.86**	**31.32**	**25.66**	**1.33**
Block 3	–	50.29	–	50.29	20.79	29.31	26.13	1.42
4U seam	–	0.99	–	0.99	18.89	33.23	21.13	1.80
4L seam	–	49.30	–	49.30	20.83	29.23	26.23	1.41
Block 2A	22.87	–	–	22.87	19.82	31.05	26.09	1.23
4U seam	0.12	–	–	0.12	20.68	28.48	25.93	1.59
4L seam	22.75	–	–	22.75	19.82	31.06	26.09	1.23
Block 2B	10.65	–	–	10.65	18.95	33.30	24.61	1.50
4U seam	–	–	–	–	–	–	–	–
4L seam	10.65	–	–	10.65	18.95	33.30	24.61	1.50
Block 1	7.12	–	–	7.12	14.74	43.39	22.53	0.71
4U seam	–	–	–	–	–	–	–	–
4L seam	7.12	–	–	7.12	14.74	43.39	22.53	0.71

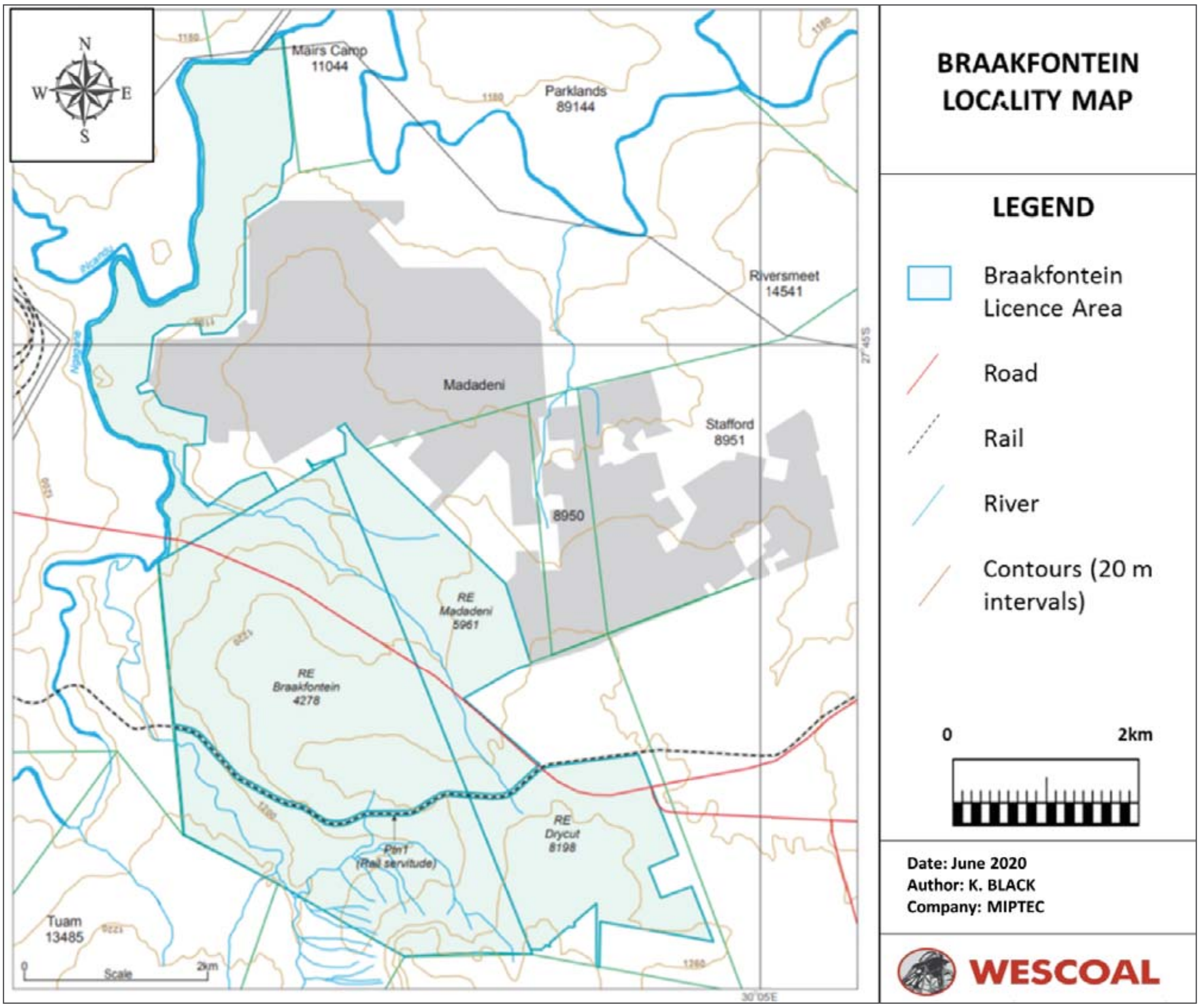
Coal reserves

No coal reserves have been declared for Sterkfontein.

Leeuw Braakfontein Colliery

LBC is an advanced-stage exploration property situated on the Klip River Coalfield in South Africa. It extends over portions of three farms and covers a total area of 1 951.66 hectares. LBC is located approximately 10km east-south-east of the town of Newcastle in KwaZulu-Natal province. Location is 26.2047S, 28.8325E.

Figure 6: Leeuw Braakfontein Colliery locality map



LBC targets the top and bottom seams of the Klip River Coalfield. It is planned for the LBC coal to be mined using predominantly underground mining methods, making use of the bord and pillar mining method, with the use of continuous miners. Shallow coal on the flanks of the coal resource area have the potential to be extracted using opencast methods. The coal is planned to be processed using a double-stage process targeting a primary export thermal product and a middlings product for potential sale to Eskom.

LBC is 100% owned by Wescoal and comprises a single mining right (KZN 30/5/1/2/2/143 MR) issued to LBC. Venmyn Deloitte has reviewed a copy of this mining right. The mining right was executed on 29 August 2007 and unless cancelled or suspended in terms of clause 13 of the mining right, or section 47 of the MPRDA, 28 of 2002, will continue in force for a period of 30 years, ending on 28 August 2037.

LBC holds an approved EMP (dated 29 August 2007) and mining right (KZN 30/5/1/2/2/143 MR), which was awarded on 29 August 2007. This mining right will continue in force for a period of 30 years, however, operations at LBC have not yet recommenced since the first box cut excavation in 2008. An EMP amendment will have to be conducted should Wescoal plan to proceed with activities.

Wescoal does not have an environmental authorisation at this stage. The EMP amendment process will have to run concurrently with the National Environment Management Act: Implementation Assessment in line with the one environmental system through the DMRE.

The current financial closure liability associated with LBC is R4.1 million.

Coal resources

The coal resource estimates for LBC were most recently compiled by Dr EA Schneiderhan of CCIC Coal and included in the 31 January 2017 CPR compiled by Venmyn Deloitte entitled "Independent Competent Person's Report on the Coal Assets of Keaton Energy Holdings Limited". As no recent work has been conducted on the LBC Project, the coal resource estimates contained in this report are as per the 2017 Venmyn Deloitte CPR.

Table 18: Leeuw Braakfontein Colliery resource estimate as at 31 March 2020 (no change from Venmyn 2017 CPR) (100% attributable)

	Coal resource estimate (MTIS) (ADB)				Raw coal qualities (ADB)			
	Inferred mt	Indicated mt	Measured mt	Total mt	CV MJ/kg	Ash %	VM %	TS %
Leeuw Braakfontein Colliery Project	**–**	**60.06**	**–**	**60.06**	**23.01**	**28.74**	**22.34**	**1.62**
Top seam opencast	–	6.90	–	6.90	21.96	31.21	20.76	1.95
Braakfontein No. 4278	–	4.65	–	4.65	21.53	31.52	21.11	1.85
Shuttleworth	–	0.37	–	0.37	22.96	30.02	21.29	2.13
Dry cut No. 8198	–	1.89	–	1.89	22.83	30.69	19.81	2.17
Top seam underground	–	29.73	–	29.73	22.86	29.56	22.17	1.86
Braakfontein No. 4278	–	24.61	–	24.61	22.87	29.57	22.29	1.81
Shuttleworth	–	3.38	–	3.38	22.66	29.99	21.21	2.04
Dry cut No. 8198	–	1.75	–	1.75	23.15	28.57	22.29	2.14
Bottom seam opencast	–	4.53	–	4.53	23.15	28.00	22.68	1.28
Braakfontein No. 4278	–	3.01	–	3.01	23.19	27.30	23.86	1.40
Shuttleworth	–	0.49	–	0.49	21.83	32.16	21.45	1.17
Dry cut No. 8198	–	1.04	–	1.04	23.68	28.07	19.82	1.00
Bottom seam underground	–	18.90	–	18.90	23.59	26.73	23.12	1.22
Braakfontein No. 4278	–	15.00	–	15.00	23.59	26.60	23.43	1.23
Shuttleworth	–	2.78	–	2.78	23.51	27.15	22.21	1.31
Dry cut No. 8198	–	1.12	–	1.12	23.84	27.36	21.22	0.92

For the coal resource estimate, a minimum seam thickness of 1.4m has been used as a minimum practical mining height of a Joy 14HM15 continuous miner and/or conventional drill and blast mining. A minimum seam thickness of > 0.5m was used for the opencast resources, and a strip ratio of < 6:1 was applied.

A minimum cut-off of 50% ash and 24% DAFVOL (to account for devolatilised coal as per the SANS10320:2004 guidelines) has been applied to all estimated coal resources. In order to convert GTIS to TTIS geological losses of 20% have been applied to account for unexpected projected losses due to dolerite intrusions, geological structure and geological complexity. No modelling error was applied. The application of a 1.4m mining height was used to estimate the MTIS.

Coal reserves

No coal reserves have been declared for LBC.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Directors' responsibilities and approval

The directors are required in terms of the Companies Act, 71 of 2008 ("the Companies Act"), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditor is engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with IFRS and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment to enable the directors to meet these responsibilities. The board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring that the group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. Any system of internal financial control, however, can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditor and their report is presented on pages 115 to 119.

The consolidated annual financial statements, set out on pages 105 to 197, which have been prepared on the going concern basis, were approved by the board on 17 July 2020 and were signed on its behalf by:

Reginald Demana
Chief executive officer

Izak van der Walt
Chief financial officer

Declaration by the company secretary

In terms of section 88(2)(e) of the Companies Act, I hereby certify that, to the best of my knowledge and belief, Wescoal Holdings Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2020, all such returns and notices as required in terms of the Companies Act, and that all such returns and notices are true, correct and up to date.

Yolande Lemmer
FluidRock Co Sec Proprietary Limited

Company secretary

17 July 2020

Directors' report

The directors submit their report for the year ended 31 March 2020.

Main business and operations

The main business of the company is that of an investment and management company with operating subsidiaries engaged in the mining, processing and trading of coal. The group operates principally in South Africa. The operating results and state of affairs of the group and company are fully set out in the consolidated financial statements.

Group results

The group has regrettably incurred a net loss of R137 million for the year ended 31 March 2020 (FY19: R88 million profit) which is a significant decline to the comparative period. There were various production related challenges experienced by the group across all the operations, with the Vanggatfontein operations having the most significant negative impact. Wescoal Trading, Elandspruit and Khanyisa had the most substantial positive contributions.

Details of operating segments in terms of IFRS 8: *Operating Segments* are disclosed in note 47.

COVID-19

Wescoal has developed a very comprehensive COVID-19 response plan that was initiated in March 2020 before the National Lockdown commenced, overseen by an Exco steering committee. All operations have developed COVID-19 standard operating procedures and have approved and implemented a Code of Practice in line with national legislation.

All business units have developed business continuity plans and are in a state of readiness for any eventuality. While the COVID-19 risk remains, Wescoal is continuously reviewing and revising its plans to safeguard its staff, contractors and its operations. The company has also secured facilities for quarantine in cases where our employees do not have facilities to self-isolate. To date, there have been a limited number of reported and confirmed case at Wescoal's sites. The health and safety of all our employees and the communities adjacent to our operations, remain our top priority.

The effect of COVID-19 on Wescoal operations to date has been minimal with limited business interruptions.

Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Post financial year-end events

JSE annual report extension

Shareholders are referred to the market notice issued by the Financial Services Conduct Authority on 3 April 2020, in respect of the extension of financial reporting periods. The company decided to utilise the two-month extension period afforded to issuers with year-ends of 31 December 2019 to 31 March 2020.

While every effort has been made to ensure business continuity, the controls and protocols that have been implemented to ensure the health and safety of all staff have had a pervasive impact on the company, particularly as it relates to our financial reporting timelines. Given the uncertainty as to the duration and extent of the impact of COVID-19, the board of directors of Wescoal considered it prudent and in the best interests of the company to utilise the two-month extension period.

Arnot transactions

The mine is on track to commence production activities during H2 2020 (previously expected H1 2020). Eskom's response on the coal supply tender for Arnot power station, submitted in April 2019, is still pending. Management continues to engage with Eskom and the DMRE on rehabilitation cost settlement terms. Arnot Mine has resources of c.190 million tonnes of coal and the operation is well positioned to supply coal directly to Eskom's Arnot power station, primarily via a conveyor belt. However, other markets for coal are also being considered.

Vanggatfontein mining contractor

The group received a statement of claim pertaining to losses incurred by Stefanutti Stocks Mining Services ("SSMS") in terms of the contract mining agreement concluded on 30 November 2018 and terminated effective 31 July 2020. The group, disclaiming the liability, initiated a counter claim regarding the recoupment of historical mining costs incurred in terms of the contract mining agreement. Wescoal has appointed a new mining contractor for the Vanggatfontein operation and does not foresee any long-term negative impact in production due to the change in contractor.

Refinanced debt package breach and debt waiver

As noted in note 22, Wescoal breached its debt covenants pertaining to net debt to EBITDA which is required to be below 2.5:1, however, at the reporting period, a 3.36:1 was achieved, this was due to the Eskom payment being received immediately after year-end. After informing the lenders, an application for waiver was requested and was concluded successfully on 3 June 2020.

The directors are not aware of any matters or circumstances arising since the end of the financial year relevant to an assessment of the consolidated annual financial statements as at 31 March 2020.

Directors' interest in contracts

During the year ended 31 March 2020, none of the directors had any interest in any contract or arrangement entered by the company or its subsidiaries.

Compliance with financial reporting standards

The Wescoal group and company consolidated annual financial statements comply with IFRS, the Companies Act and the JSE Listings Requirements.

Share incentive scheme

The directors are authorised to issue, allot and grant options to acquire up to a maximum of 29 186 272 ordinary shares of the issued share capital of the company in terms of the share incentive scheme. By 31 March 2020, a cumulative total of 19 333 732 (FY19: 19 333 732) share options (net of forfeited options) had been allotted to employees of the group, of which 12 056 000 (FY19: 12 041 000) had been exercised. As at 31 March 2020, unexercised share options under the scheme amounted to 5 034 000 (FY19: 7 292 723), representing 1.47% (FY19: 3.78%) of the issued shares of the group.

Options are exercisable in five equal tranches, annually on the anniversary date of the options. The market value of shares relating to share options outstanding at year-end amounts to R7 237 200 (FY19: R10 501 521). Options granted to employees have a five-year contractual life and are forfeited if not exercised on termination of employment.

The Wescoal Share Incentive Trust is consolidated into the group and company. The shares held by the trust are treated as treasury shares in the group and company. Refer to notes 8 and 21 for more information.

Borrowing limitations

In terms of the Memorandum of Incorporation ("MoI") of the company, the directors may exercise all the powers of the company to borrow money as they consider appropriate.

Share capital

Authorised

There was no change in the authorised share capital of the company during the year. The authorised share capital of the company is 500 000 000 ordinary no par value shares.

Issued

The movement of shares during the year was as follows:

	2020 R'000
Reported as at 1 April 2019	432 437
Shares issued from the treasury shares held by share trust for options exercised	15
Share buy-back	(22 394)
Reported as at 31 March 2020	**410 058**

Major shareholders of the company

Shareholder	31 March 2020 Number of shares	31 March 2020 % of shares	31 March 2019 Number of shares	31 March 2019 % of shares
K2016316243 (SA) Proprietary Limited	213 628 122	47.70	213 628 122	47.70
UBS Switzerland AG	23 542 923	5.26	23 545 923	5.26
Rutendo Holdings Proprietary Limited	19 660 642	4.39	20 180 642	4.51
Wescoal Holdings Limited	27 958 707	6.24	–	–

The percentage of share calculation is based on the issued share capital of 447 875 561, excluding shares bought back.

In terms of the authority granted by shareholders at the last annual general meeting held, all of the authorised but unissued share capital is placed under the control of the directors as a general authority to them in order to allot and issue the same, at their discretion, in terms of the company's MoI and the JSE Listings Requirements. This authority expires at the next annual general meeting where shareholders will be asked to renew this authority.

Shareholders also granted the directors authority at the last annual general meeting held, to allot and issue for cash, without restriction, authorised but unissued ordinary shares in the capital of the company placed under their control as they, in their discretion, may deem fit, subject to the following:

- The issue shall be to public shareholders and not related parties;
- A paid press release shall be published at the time detailing certain financial effects;
- That issues in the aggregate shall not exceed 15% of the number of shares of the company's issued share capital;
- That equity securities must be of a class already in use;
- The maximum discount permitted is 10% of the weighted average traded price of shares over 30 business days prior to issue; and

- The authority expires 15 months from the last annual general meeting or next annual general meeting, whichever is the earlier date.

Share buy-back

During the period between 31 August 2019 and 30 September 2019, the company purchased 22 393 777 of its ordinary shares on-market. The buy-back was approved by shareholders at the last annual general meeting (refer to note 21). The total repurchased shares (27 958 707) were delisted and cancelled in April 2020.

Corporate governance

The directors acknowledge the importance of sound corporate governance and the guidelines set out in the King IV Report on Corporate Governance for South Africa ("King IV") and the recommended practices set out in part 5 of the report. The directors therefore embrace King IV as far as it is appropriate, having regard to the size and nature of the various companies making up the group. The board will continue to take such measures as are practicable to comply with King IV.

Listing

The abbreviated name under which the company is listed on the Main Board of the JSE is "Wescoal" and the short code is "WSL".

Directors

The directors of the company during the reporting period were as follows:

Name		Nationality
MR Ramaite *(Chairman, non-executive)**	Appointed 20 November 2007	South African
JG Pansegrouw *(Independent non-executive)*	Retired 16 October 2019	South African
DMT van Gaalen *(Independent non-executive)*	Retired 16 October 2019	Costa Rican
KM Maroga *(Independent non-executive)*	Appointed 1 July 2013	South African
HLM Mathe *(Chairman, non-executive)***	Appointed 1 August 2013	South African
RL Demana *(CEO)*	Appointed 1 April 2019	South African
T Tshithavhane *(CEO mining)*	Appointed 4 April 2016	South African
IJ van der Walt *(CFO)*	Appointed 1 September 2017	South African
C Maswanganyi *(Non-executive)*	Appointed 17 November 2017	South African
ET Mzimela *(Non-executive)*	Appointed 17 November 2017	South African
M van Wijngaarden *(Independent non-executive)*	Resigned 31 May 2019	South African
N Siyotula *(Lead independent non-executive)*	Appointed 14 February 2019	South African
N Mnxasana *(Independent non-executive)*	Appointed 5 December 2019	South African
A Mabizela (*Independent non-executive*)	Appointed 5 December 2019	South African

* *Chairman until 30 June 2019.*
** *Chairman from 1 July 2019.*

Company secretary

FluidRock Co Sec Proprietary Limited and Computershare Investor Services Proprietary Limited are the company secretary and transfer secretary respectively.

Litigation statements

During the current financial year, a dispute arose between Aztolinx Proprietary Limited ("Aztolinx") and Wescoal Mining Proprietary Limited ("Wescoal Mining") impacting production and sales.

The dispute resulted in litigation and legal proceedings. During the litigation process, the parties reached an agreement which resolved the dispute. Furthermore, the agreement also terminated the joint venture, while Wescoal Mining obtained the full beneficial interest in the Triangle mining right. The transactional effect of the agreement was that the Aztolinx joint venture was dissolved.

Resolutions

The following resolutions were approved by shareholders at an annual general meeting of the company held on 16 October 2019:

Ordinary resolutions

- The election by shareholders of Ms Nonzukiso Siyotula as independent non-executive director;
- The election by shareholders of Mr Reginald Demana as executive director;
- The appointment of audit committee members Ms Kabela Maroga and Ms Nonzukiso Siyotula;
- The appointment of PricewaterhouseCoopers Inc. as the independent external auditor of the company;
- To place the authorised and unissued ordinary share capital under the control of the directors of the company;

- To allot and issue at the discretion in terms of the company MoI and the JSE Listings Requirements;
- To authorise the directors of the company to issue unissued, but authorised shares, for cash, subject to conditions;
- The endorsement, through a non-binding advisory vote, and to ascertain the shareholders' view on the remuneration policy and its implementation; and
- Authorisation for any director of the company to implement the resolutions taken at the annual general meeting.

Special resolutions

- The approval of non-executive directors' fees;
- The authorisation of financial assistance to all related or inter-related companies; and
- The general approval to repurchase company shares.

Interest in subsidiaries

Name of subsidiary	Percentage holding %	Net income/ (loss) after tax R'000
Wescoal Trading Proprietary Limited	100	38 673
Wescoal Mining Proprietary Limited	100	(24 757)
Wescoal Mineral Recoveries Proprietary Limited	100	–
Blanford 006 Proprietary Limited	100	4 643
Wescoal Exploration Proprietary Limited	100	2 664
Proudafrique Trading 147 Proprietary Limited	100	(5)
Keaton Energy Holdings Limited	100	23 495
Keaton Mining Proprietary Limited	100	(110 423)
Keaton Administration and Technical Services Proprietary Limited	–	–
Leeuw Braakfontein Colliery Proprietary Limited	100	(262)
Labohlano Trading 46 Proprietary Limited	100	(50)
Neosho Trading 86 Proprietary Limited	100	14 409

Details of the company's investment in subsidiaries are set out in note 8.

Independent auditor

PricewaterhouseCoopers Inc. (Johannesburg) will continue in office as Wescoal's independent auditor for the ensuing year following their appointment in accordance with the Companies Act.

Directors' interest in the issued share capital (number of shares)

Director	Direct shareholding FY20 '000	Indirect shareholding FY20 '000	Direct shareholding FY19 '000	Indirect shareholding FY19 '000
MR Ramaite	11 441	134 385	–	134 385
R Demana	160	–	–	2 040
ET Mzimela	–	33 219	–	–
IJ van der Walt	170	–	170	–
T Tshithavhane	272	–	141	–
Total for each period	11 771	167 604	170	169 644

Since 31 March 2020 up to 24 August 2020 the following changes occurred: The shares of MR Ramaite increased from 11 441 thousand to 15 829 thousand and those of T Tshithavhane from 272 thousand to 502 thousand.

Refer to note 45 for share options held by the executive directors.

Directors' remuneration

Details of directors' remuneration are set out below:

Executive

	Re-muneration R'000	Medical and provident fund con-tributions R'000	Annual bonus R'000	Fringe and other benefits R'000	Lump sum R'000	Cash total R'000	IFRS 2 share option expense R'000
2020							
R Demana	**3 373**	**216**	**–**	**116**	**1 000**	**4 705**	**–**
IJ van der Walt	**2 820**	**168**	**556**	**93**	**–**	**3 638**	**337**
T Tshithavhane	**3 666**	**218**	**657**	**121**	**–**	**4 663**	**106**
	9 859	**602**	**1 213**	**330**	**1 000**	**13 006**	**443**
2019							
W Sulaiman*	3 612	635	2 602	185	4 449	11 843	442
IJ van der Walt	2 493	408	1 687	77	–	4 665	250
T Tshithavhane	3 310	453	2 220	107	–	6 090	269
	9 415	1 496	6 509	369	4 449	22 598	961

** W Sulaiman resigned as a director and CEO of the holding company on 31 January 2019.*

Non-executive

Non-executive remuneration for attending meetings.

	Group	
	2020 R'000	2019 R'000
JG Pansegrouw[6]	**227**	674
HLM Mathe	**1 120**	659
MR Ramaite	**251**	474
DMT van Gaalen[5]	**694**	1 318
KM Maroga	**528**	731
C Maswanganyi	**253**	426
ET Mzimela	**356**	454
M van Wijngaarden[1]	**–**	30
N Siyotula[2]	**598**	54
N Mnxasana[3]	**152**	54
A Mabizela[4]	**102**	54
	4 281	4 820

[1] M van Wijngaarden resigned on 31 May 2019.
[2] N Siyotula appointed on 14 February 2019.
[3] N Mnxasana appointed on 5 December 2019.
[4] A Mabizela appointed on 5 December 2019.
[5] DMT van Gaalen retired on 16 October 2019.
[6] JG Pansegrouw retired on 16 October 2019.

Audit, risk and compliance committee report

The Wescoal group audit, risk and compliance committee is a formal statutory committee in terms of the Companies Act and subcommittee of the board. The committee functions within documented terms of reference and complies with relevant legislation, regulation and governance codes. This report is presented to shareholders in compliance with the requirements of the Companies Act and King IV.

Role of the committee

The committee has an independent role and it is accountable to both the board and to the shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV as well as additional responsibilities assigned by the board.

The responsibilities of the committee are as follows:

Integrated reporting

- Review the consolidated financial statements, interim report, preliminary results announcement and summarised integrated information and ensure compliance with IFRS;
- Consider the frequency of interim reports and whether interim results should be assured;
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- Perform an oversight role on the group's integrated reporting and consider factors and risks that could affect the integrity of the integrated annual report;
- Review the sustainability disclosure in the integrated annual report and ensure it does not conflict with financial information;
- Consider external assurance of material sustainability issues; and
- Recommend the integrated annual report for approval by the board.

Combined assurance

- Ensure that the combined assurance model addresses all significant risks facing the group; and
- Monitor the relationship between external and internal assurance providers and the group.

Finance function

- Consider the expertise and experience of the CFO; and
- Consider the expertise, experience and resources of the group's finance function.

Internal audit

- Oversee the functioning of the internal auditor and approve the appointment and performance assessment of the internal auditor;
- Approve the annual internal audit plan; and
- Ensure the internal audit function is subject to independent quality review as appropriate.

Risk management

- Ensure the group has an effective policy and plan for risk management;
- Oversee the development and annual review of the risk management policy and plan;
- Make recommendations to the board on levels of risk tolerance and risk appetite;
- Ensure that risk management is integrated into the business' operations;
- Ensure that risk management assessments are conducted on a continuous basis;
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensure that management considers and implements appropriate risk responses;
- Express the committee's opinion in the effectiveness of the system and process of risk management; and
- Ensure risk management reporting in the integrated annual report is comprehensive and relevant.

External audit

- Nominate the external auditor for appointment by the shareholders;
- Approve the terms of engagement and remuneration of the auditor;
- Ensure the appointment of the auditor complies with relevant legislation;
- Monitor and report on the independence of the external auditor;
- Define a policy for non-audit services which the auditor may provide and approve non-audit service contracts;
- Review the quality and effectiveness of the external audit process; and
- Ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor.

IT governance

- Ensure that the company's governance and management system provides the means to institutionalise the enablers of good corporate governance through the integration of people, process, technology and information and management systems to enable the creation of value and support the achievement of the business' and organisation's strategic goals; and
- Ensure that there are adequate mechanisms to safeguard the company's information and that the group has measures in place to recover from any technological disruptions.

Composition of the committee and attendance

The committee comprised four independent non-executive directors during the period. These directors include suitably skilled directors having recent and relevant financial experience. The committee is elected by shareholders at the annual general meeting.

Committee members

Kabela Maroga *(Chairperson)*

Nonzukiso Siyotula

Nomavuso Mnxasana

Andile Mabizela

The CEO, the CFO, representatives of the external and internal auditors, other assurance providers and other professional advisors attend meetings as invitees.

The committee also periodically meets separately with the external and internal auditors, without members of executive management being present. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Reports of the meetings of the committee, except those recording private meetings with the external and internal auditors, are circulated to all directors and supplemented by an update from the committee chairperson at each board meeting.

Matters requiring action or improvement are identified and appropriate recommendations are made to the board. The chairperson of the committee attends all statutory shareholder meetings to answer any questions on the committee's activities.

Key areas of focus during the reporting period

The committee performed the following activities relating to the audit function during the year under review, with certain of these duties being required in terms of the Companies Act:

Consolidated financial statements, accounting practices and going concern assessment

Following its review of the consolidated financial statements of the group for the year ended 31 March 2020, the committee believes that, in all material respects, these comply with the relevant provisions of the Companies Act and IFRS and fairly present the consolidated and separate financial position of the company at that date and the results of its operations and cash flows for that year. The committee has also satisfied itself on the integrity of the remainder of this integrated annual report for the year ended 31 March 2020.

The consolidated financial statements were prepared on a going concern basis following the conclusion of an analysis of quantitative and qualitative measures to this effect.

Having achieved its objectives, the audit committee recommended the consolidated financial statements.

Internal audit and internal control

- The committee reviewed and approved the internal audit charter and annual audit plan, and evaluated the independence, effectiveness and performance of the internal audit function and compliance with its charter;
- Assessed reports of the internal auditor on the group's systems of internal control including financial controls and business risk management;
- Received assurance that an adequate and effective system of internal control and risk management is being maintained;
- Received assurance that proper and adequate accounting records were maintained and that the group's systems safeguarded its assets against unauthorised use or disposal;
- Reviewed significant issues raised by internal and forensic audit functions and the adequacy of corrective action taken; and
- Assessed the performance of the internal audit function and found it to be satisfactory.

The committee confirms that it has no reason to believe there were any material breakdowns in the design and operating effectiveness of internal financial controls.

Internal financial controls

The committee has considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls, conducted by the internal audit function during the 2020 year. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process, no material matter has come to the attention of the audit, risk and compliance committee or the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable consolidated financial statements. A review of the control assessment was performed by the internal auditor and concluded that the existing internal financial controls are satisfactory to provide reasonable assurance that the organisation's objectives and goals will be achieved.

External audit

The committee in respect of this objective, among other matters:

- Nominated PricewaterhouseCoopers Inc. to shareholders for appointment as the external auditor, with Andries Rossouw as the designated auditor, for the financial year ended 31 March 2020. It ensured that the appointment complied with all applicable legal and regulatory requirements, and that the auditor and designated auditor are accredited by the JSE. The committee further received all inspection findings of the Independent Regulatory Board for Auditors from its auditor;
- Approved the external audit engagement letter, plan and budgeted audit fees. Fees paid to the auditor are detailed in note 30 to the consolidated financial statements;
- Reviewed the audit results, evaluated the effectiveness of the auditor and its independence, and evaluated the external auditor's internal quality control procedures;
- Obtained a statement from the auditor that its independence was not impaired;
- Considered the reports of the external auditor on the group's systems of internal control, including financial controls; and
- Determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services.

Chief financial officer and finance function

The committee is satisfied that the expertise and experience of the CFO, Mr Izak van der Walt, is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience and the board's assessment of the financial knowledge of the CFO. The committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

On behalf of the committee

Kabela Maroga
Audit, risk and compliance committee chairperson

17 July 2020

Independent auditor's report

To the shareholders of Wescoal Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Wescoal Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Wescoal Holdings Limited's consolidated and separate financial statements set out on pages 120 to 197 comprise:

- the consolidated and separate statements of financial position as at 31 March 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- accounting policies; and
- the notes to the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

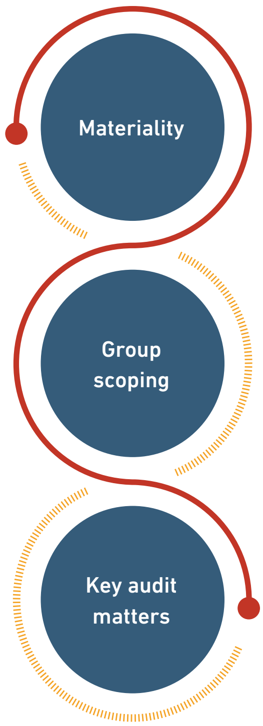
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality

Overall group materiality: R30 484 000 which represents 0.80% of consolidated revenue for the year.

Group audit scope

The Group consists of 13 subsidiaries and 2 jointly controlled entities (referred to as "components"). Full scope audits were performed on the 4 financially significant components and specified procedures were performed on 5 other components as a result of significant account balances within these 5 components. Analytical procedures were performed on the remaining 6 financially inconsequential components.

Key audit matters

Impairment assessment of mining assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R30 484 000
How we determined it	0.80% of consolidated revenue for the year.
Rationale for the materiality benchmark applied	We have selected consolidated revenue as our materiality benchmark because, in our view, it best reflects the true operational performance of the Group and it is a benchmark against which the performance of the Group is most commonly measured by its users due to the fluctuation of consolidated profit before income tax. We chose 0.80% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality and taking into account the level of debt within the Group.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of 13 subsidiaries and 2 jointly controlled entities (referred to as "components"). We performed full scope audits on 4 of the components due to their financial significance, specified procedures on 5 other components as a result of significant balances within these components and the remaining 6 components were considered financially inconsequential to the group. We performed analytical procedures on these remaining 6 components.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, to issue our audit opinion on the consolidated financial statements of the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company of the current period to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of mining assets This key audit matter relates to the consolidated financial statements. Refer to note 1.2 (Significant judgements and sources of estimation uncertainty), 1.3 (Accounting policy) and note 3 (Property, plant and equipment) to the consolidated financial statements. For the purpose of assessing impairment of mining assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units or CGUs). Management has identified each operating and in-development mine, along with allocated common assets such as plant and administrative offices, as a CGU. An impairment loss is recognised in the statement of profit or loss and other comprehensive income for the amount by which a particular CGU's carrying amount exceeds its recoverable amount. The recoverable amount is calculated as the higher of a CGU's fair value less cost of disposal and value in use. For all CGUs the fair value less cost of disposal method was used to estimate the recoverable amount. The recoverable amount of mining assets is determined utilising real discounted future cash flows over the projected life of mine or expected project length. Key input assumptions to the discounted cash flow models in determining the recoverable amounts are the projected revenue earned over the remaining life of the mine, the risk-adjusted weighted average cost of capital (WACCs) and the estimated remaining life of the mines based on remaining project length. No impairment losses were recognised for any of the CGUs as the recoverable amount was greater than the carrying amounts in all instances. We determined the impairment assessment of mining assets to be a matter of most significance to the current year audit due to the significant judgment applied by management in determining the recoverable amount of CGUs.	Through our discussions with management, we obtained an understanding of management's impairment assessments and the methodologies and models used by management in determining the recoverable amounts of the CGUs. We evaluated the design, implementation and operating effectiveness of internal controls over the review of the impairment, life of mine and resource base models, budgeting and forecasting process and determination of key assumptions (including the determination of the reserves and resources used within the valuations of the CGUs), discount rates applied, sales growth assumptions and annual revenue forecasts based on available saleable product). We evaluated management's discounted cash flow models for the CGUs against life of mine plans and our understanding of the operations, and tested the key estimates and assumptions used by management in each discounted cash flow model by performing the following procedures: • We used our valuation expertise to evaluate the methodologies applied by management by comparing them to generally accepted business valuation techniques. We recalculated the results of management's discounted cash flow models, adjusted for the estimated impact of the COVID-19 pandemic, by using independently obtained key input assumptions.; • We agreed long-term coal supply agreement prices used in the fair value less cost to sell models to the underlying agreements and assessed the reasonability of the prices used by management in comparison to the underlying indices. Based on the work that we performed, we accepted management's assumptions; • We assessed the reasonableness of management's future forecasts of annual production volumes, capital expenditure and operating unit costs included in the cash flow forecasts by comparing them to current and historical operational results and forecasts that are adjusted for the potential impact of the COVID-19 pandemic, reserves and resources signed off by the Group's competent person, unit costs per mining contractor agreements and final approved budgets. Based on our work performed, we accepted management's assumptions in this regard; • We compared the prior year forecasts to the current year forecasts and found that the forecasting method was consistently applied, and adjusted for the potential impact of the COVID-19 pandemic; and • We further made use of our valuation expertise to independently calculate the WACCs used in performing the impairment assessments. This included using relevant third-party sources and data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios, the beta of comparable companies, as well as the impact of economic and industry factors. In cases where discount rates determined by us differed from those used by management, we applied our independently determined discount rates to management's impairment assessment and assessed there to be no material impact on the assessment. We assessed management's sensitivity assessments for reasonableness and performed our own sensitivity calculations in respect of expected sales prices under the long-term coal offtake agreements, discount rates, inflation rates and operational performance.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Wescoal Holdings Limited Consolidated Annual financial statements for the year ended 31 March 2020", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Wescoal Holdings Limited Integrated Annual Report for the year ended 31 March 2020", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Wescoal Holdings Limited for nine years.

PricewaterhouseCoopers Inc.
Director: AJ Rossouw
Registered Auditor

Johannesburg
21 July 2020

Statements of financial position

as at 31 March 2020

		Group		Company	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Assets					
Non-current assets		**2 703 250**	2 168 054	**790 838**	788 135
Property, plant and equipment	3	**2 203 133**	1 954 201	**1 886**	876
Right-of-use assets	4	**1 867**	–	**772**	–
Investment property	5	**709**	709	**–**	–
Goodwill	6	**73 637**	73 637	**–**	–
Intangible assets	7	**8 412**	10 769	**1 964**	3 860
Investments in subsidiaries	8	**–**	–	**700 029**	700 029
Investments in joint ventures	9	**27 855**	–	**–**	–
Restricted investments	10	**54 919**	47 797	**–**	–
Loans to group companies	11	**–**	–	**24 948**	34 214
Other receivables	12	**49 860**	44 454	**49 860**	44 454
Lease receivables	13	**230 474**	–	**–**	–
Deferred tax	14	**40 799**	23 616	**11 379**	4 702
Prepaid royalty	15	**5 162**	6 448	**–**	–
Restricted cash	19	**6 423**	6 423	**–**	–
Current assets		**1 258 200**	1 052 548	**1 121 173**	271 914
Inventories	16	**131 329**	82 817	**–**	–
Loans to group companies	11	**–**	–	**1 083 324**	86 229
Trade and other receivables	17	**961 955**	664 542	**35 698**	31 554
Lease receivables	13	**49 810**	–	**–**	–
Prepaid royalty	15	**1 174**	1 392	**–**	–
Current tax receivable		**69 145**	34 091	**559**	–
Acquisition deposit	18	**–**	153 410	**–**	153 410
Cash and cash equivalents	19	**44 787**	116 296	**1 592**	721
Non-current assets held-for-sale	20	**–**	131 470	**–**	–
Total assets		**3 961 450**	3 352 072	**1 912 011**	1 060 049
Equity attributable to equity holders of the parent		**883 045**	1 080 597	**570 876**	644 409
Share capital	21	**629 838**	665 423	**629 838**	665 423
Other reserve		**(13 953)**	11 412	**13 160**	11 412
Retained income/(accumulated loss)		**267 160**	403 762	**(72 122)**	(32 426)
Non-controlling interest		**–**	10 999	**–**	–
		883 045	1 091 596	**570 876**	644 409
Liabilities					
Non-current liabilities		**1 217 662**	1 049 514	**–**	–
Interest-bearing borrowings	22	**–**	148 201	**–**	–
Financial liabilities at amortised cost	23	**–**	2 975	**–**	–
Lease liabilities	24	**230 020**	96	**–**	–
Deferred tax	14	**287 572**	273 140	**–**	–
Environmental rehabilitation provision	25	**700 070**	625 102	**–**	–
Current liabilities		**1 860 743**	1 173 953	**1 314 135**	415 640
Trade and other payables	26	**743 337**	554 904	**19 283**	33 564
Loans from group companies	27	**–**	–	**332 715**	345 021
Interest-bearing borrowings	22	**883 863**	282 528	**890 760**	–
Financial liabilities at amortised cost	23	**19 659**	136 723	**–**	–
Lease liabilities	24	**53 872**	3 568	**1 205**	–
Current tax payable		**61 893**	48 290	**–**	66
Environmental rehabilitation provision	25	**947**	893	**–**	–
Bank overdraft	19	**97 172**	147 047	**97 172**	36 989
Liabilities of disposal groups	20	**–**	37 009	**–**	–
Total liabilities		**3 078 405**	2 260 476	**1 341 135**	**415 640**
Total equity and liabilities		**3 961 450**	3 352 072	**1 912 011**	**1 060 049**

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2020

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Revenue	28	**3 810 490**	3 964 571	**138 821**	79 950
Cost of sales	29	**(3 477 701)**	(3 502 988)	**–**	–
Gross profit		**332 789**	461 583	**138 821**	79 950
Operating income		**5 030**	70 589	**8**	54
Operating expenses		**(340 895)**	(313 386)	**(120 601)**	(110 848)
Gains on disposal of assets		**536**	16 325	**–**	–
Foreign exchange (loss)/gain		**–**	(11 075)	**–**	–
Operating (loss)/profit	30	**(2 540)**	224 036	**18 228**	(30 844)
Interest income	31	**21 954**	16 173	**–**	–
Finance costs paid	32	**(151 260)**	(92 886)	**(63 743)**	(786)
Share of net profit of joint venture accounted for using the equity method		**(346)**	–	**–**	–
(Loss)/profit before taxation		**(132 192)**	147 323	**(45 515)**	(31 630)
Taxation recovery/(expense)	33	**(4 410)**	(59 057)	**5 819**	(1 831)
(Loss)/profit for the year		**(136 602)**	88 266	**(39 696)**	(33 461)
Other comprehensive income		**–**	–	**–**	–
Total comprehensive (loss)/income for the year		**(136 602)**	88 266	**(39 696)**	(33 461)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(136 602)**	87 655	**(39 696)**	(33 461)
Non-controlling interest		**–**	611	**–**	–
		(136 602)	88 266	**(39 696)**	(33 461)
Earnings per share					
Basic (loss)/earnings per share (cents)	44	**(32.57)**	20.16	**–**	–
Diluted (loss)/earnings per share (cents)	44	**(32.57)**	20.15	**–**	–

Statements of changes in equity

for the year ended 31 March 2020

	Share capital R'000	Share-based payment reserve R'000	Other non-distributable reserve R'000	Total reserves R'000	Retained income/ (accumulated loss) R'000	Total attributable to equity holders of the group/ company R'000	Non-controlling interest R'000	Total equity R'000
Group								
Balance as at 1 April 2018	675 346	10 320	–	10 320	351 120	1 036 786	10 388	1 047 174
Profit for the year	–	–	–	–	87 655	87 655	611	88 266
Other comprehensive income	–	–	–	–	–	–	–	–
Shares exercised	382	(382)	–	(382)	–	–	–	–
Share buy-back (note 21)	(10 305)	–	–	–	–	(10 305)	–	(10 305)
Employee share option scheme (note 40)	–	1 474	–	1 474	–	1 474	–	1 474
Dividends	–	–	–	–	(35 013)	(35 013)	–	(35 013)
Balance as at 1 April 2019	**665 423**	**11 412**	**–**	**11 412**	**403 762**	**1 080 597**	**10 999**	**1 091 596**
Loss for the year	**–**	**–**	**–**	**–**	**(136 602)**	**(136 602)**	**–**	**(136 602)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Employees share option scheme: Shares exercised	**–**	**(24)**	**–**	**(24)**	**–**	**(24)**	**–**	**(24)**
Share buy-back (note 21)	**(35 585)**	**–**	**–**	**–**	**–**	**(35 585)**	**–**	**(35 585)**
Employee share option scheme (note 40)	**–**	**1 772**	**–**	**1 772**	**–**	**1 772**	**–**	**1 772**
Acquisition of minority interest in Neosho Trading (note 23)	**–**	**–**	**(27 113)**	**(27 113)**	**–**	**(27 113)**	**(10 999)**	**(38 112)**
Balance as at 31 March 2020	**629 838**	**13 160**	**(27 113)**	**(13 953)**	**267 160**	**883 045**	**–**	**883 045**
Notes	21	40						
Company								
Balance as at 1 April 2018	675 346	10 320	–	10 320	36 048	721 714	–	721 714
Loss for the year	–	–	–	–	(33 461)	(33 461)	–	(33 461)
Other comprehensive income	–	–	–	–	–	–	–	–
Shares exercised	382	(382)	–	(382)	–	–	–	–
Share buy-back (note 21)	(10 305)	–	–	–	–	(10 305)	–	(10 305)
Employee share option scheme (note 40)	–	1 474	–	1 474	–	1 474	–	1 474
Dividends	–	–	–	–	(35 013)	(35 013)	–	(35 013)
Balance as at 1 April 2019	**665 423**	**11 412**	**–**	**11 412**	**(32 426)**	**644 409**	**–**	**644 409**
Loss for the year	**–**	**–**	**–**	**–**	**(39 696)**	**(39 696)**	**–**	**(39 696)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Employees share option scheme: Shares exercised	**–**	**(24)**	**–**	**(24)**	**–**	**(24)**	**–**	**(24)**
Share buy-back (note 21)	**(35 585)**	**–**	**–**	**–**	**–**	**(35 585)**	**–**	**(35 585)**
Employee share option scheme (note 40)	**–**	**1 772**	**–**	**1 772**	**–**	**1 772**	**–**	**1 772**
Balance as at 31 March 2020	**629 838**	**13 160**	**–**	**13 160**	**(72 122)**	**570 876**	**–**	**570 876**
Notes	21	40						

Statements of cash flows

for the year ended 31 March 2020

		Group		Company	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	34	**183 344**	462 207	**(46 883)**	(64 249)
Interest income		**7 751**	7 120	**45 455**	2 557
Finance costs paid		**(89 321)**	(33 092)	**(63 310)**	(786)
Tax paid	35	**(65 621)**	(113 269)	**(1 482)**	–
Net cash from operating activities		**36 153**	322 966	**(66 220)**	(62 478)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(433 049)**	(216 986)	**(2 109)**	(201)
Proceeds on sale of property, plant and equipment	3	**11 088**	56 733	**–**	11
Purchase of other intangible assets	7	**(227)**	(1 350)	**(226)**	(1 350)
Lease receipts	13	**25 913**	–	**–**	–
Purchase of rehabilitation investment		**(14 957)**	(11 057)	**–**	–
Repayment of loan to joint venture		**–**	29 000	**–**	–
Investment in joint venture		**(28 201)**	–	**–**	–
Acquisition deposit made		**–**	(150 000)	**–**	(150 000)
Withdrawal of acquisition deposit		**153 410**	–	**153 410**	–
Advances of loans to group companies		**–**	–	**(932 081)**	–
Repayment of loans to group companies		**–**	–	**–**	79 271
Repayments on loans from group companies		**–**	–	**(68 054)**	–
Proceeds from loans from group companies		**–**	–	**–**	97 741
Net cash from investing activities		**(286 023)**	(293 660)	**(849 060)**	25 472
Cash flows from financing activities					
Shares bought back	21	**(35 585)**	(10 305)	**(35 585)**	(10 305)
Proceeds on share options exercised	21	**793**	1 474	**793**	382
Proceeds from long-term borrowings		**622 434**	82 389	**–**	–
Repayment of long-term borrowings		**(180 892)**	(128 590)	**890 760**	–
Repayment of other financial liabilities		**(136 611)**	(1 388)	**–**	–
Repayment of lease liabilities		**(20 363)**	(5 488)	**–**	–
Dividends paid	36	**–**	(35 013)	**–**	(35 013)
Acquisition of additional shares in subsidiary from non-controlling interest		**(21 540)**	–	**–**	–
Net cash from financing activities		**228 236**	(96 921)	**855 968**	(45 318)
Total cash and cash equivalents movement for the year		**(21 634)**	(67 615)	**(59 312)**	(82 956)
Cash and cash equivalents at the beginning of the year		**(30 751)**	36 864	**(36 268)**	46 687
Net cash and cash equivalents at the end of the year	19	**(52 385)**	(30 751)	**(95 580)**	(36 268)

Accounting policies
for the year ended 31 March 2020

1. Presentation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Companies Act of South Africa, 71 of 2008 ("Companies Act") and the JSE Listings Requirements. The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated financial statements are set out below and are consistent in all material respects with those applied during the previous year, except for those changes which have occurred as a result of the adoption of new and amended IFRS, interpretations and circulars as disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African rands and are prepared in accordance with the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Board ("IASB") in issue and effective for the entity as at 31 March 2020, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the group and all entities, including structured entities, which are controlled by the group.

Control exists when the group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The following judgements have been made by the group in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

Property, plant and equipment

The determination of the useful economic life and residual values of property, plant and equipment is subject to management estimation. The company regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances, and any changes that could affect prospective depreciation charges and asset carrying values.

The estimation of reserves impacts the depreciation of property, plant and equipment and the recoverable amount of property, plant and equipment. Furthermore, the valuation and timing of the rehabilitation expenditure is affected by the reserve estimates. Factors impacting the determination of proved and probable reserves are:

- The grade of mineral reserves may vary significantly from time to time (i.e. differences between actual grades mined and resource model grades);
- Differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues at mine sites;
- Changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates; and
- Expectations regarding future profitability would impact the decision to continue mining and consequently the continued classification as proved and probable mineral reserves.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of the value-in-use calculations and fair values less cost of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact the group's estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets (refer to notes 3, 6 and 7).

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Management assesses possible impairment indicators which include movements in commodity prices, exchange rates and the economic environment of the coal mining industry. Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating cash flows, the group bases cash flow projections on reasonable and supportable assumptions that represent the group's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets. The discount rates used are post-tax risk-adjusted weighted average cost of capital.

The group has assessed the impact of COVID-19 on the impairment calculations and has found the impact to be minimal. The group has not identified any significant long-term downturn in sales volumes to customers nor have they made any material concessions or payment arrangements with customers. Management applied more conservative estimates related to forecast sales volumes and production forecasts in order to compensate for potential risk associated with the COVID-19 pandemic.

The main reasons that the group is not significantly impacted by COVID-19 are:

- During Levels 5 and 4, the company operated as a essential services entity, with sales mainly going to Eskom and Sasol which are also essential services entities.
- The group's trading business has a diverse client base and following the easing of the lockdown, sales and offtake largely returned to pre-lockdown levels, with minimal customers requesting payment arrangements or concessions on price. The impact of COVID-19 has, however, been taken into account on the impairment models as well as more aggressive stress testing was performed on the models.

The group utilises its weighted average cost of capital ("WACC") rate in assessing the impairment models, in determining the WACC rate for discounting, management utilised the year-end rates (which were natively higher due to the current market conditions) the rate was then further risk-adjusted to compensate for the uncertainty of the pandemic.

Refer to note 3, for further information regarding the sensitivities applied on the property, plant and equipment impairment models.

Refer to note 6, for further information regarding the sensitivities applied on the goodwill impairment models.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets (notes 11, 13, 17 and 19).

Mine rehabilitation provision

In applying IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, estimates of determining the present obligation of environmental and decommissioning provisions are required.

Environmental and decommissioning costs are provided for where either a legal or constructive obligation is recognised as a result of the group's coal mining operations (refer to note 25).

Significant estimates and assumptions are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the inflation rate, the discount rate used and the expected date of closure of mining activities. Estimates are based on costs that are annually determined by independent environmental specialists in accordance with environmental regulations, and adjusted as appropriate for new circumstances.

Numerous factors will affect the ultimate liability payable. These factors include estimates of the extent and cost of rehabilitation activities, technological changes and environmental legislation changes.

Unwinding of discount due to the passage of time is included as an element of finance costs in arriving at profit or loss for the year in terms of IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* (refer to notes 25 and 46).

The present value of environmental disturbances created, as well as changes to estimates, are capitalised to mining assets against an increase in the rehabilitation provision. Change in estimates for operations in the development and production phase is capitalised and amortised over the life of mine on the units-of-production method. Rehabilitation costs incurred, that are included in the estimates, are charged to the provision. The cost of ongoing current rehabilitation is charged against income as incurred.

1.3 Property, plant and equipment

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently, which meet the recognition criteria, to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the group is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses. Land is not depreciated.

Property, plant and equipment are depreciated on the basis as disclosed as below.

Assets under construction include costs incurred with regard to mine development and are transferred to relevant asset classes when ready for their intended use. Mine development assets are initially measured at cost, and are subsequently assessed for impairment on an annual basis.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	50 years
Plant and machinery	Units-of-production	Estimated ROM tonnes
Furniture and fixtures	Straight-line	3 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	3 years
IT equipment	Straight-line	3 years
Mining properties	Units-of-production	Estimated ROM tonnes
Mineral assets	Units-of-production	Estimated ROM tonnes

Mining properties and mineral assets are depreciated on a unit-of-production basis, in proportion to the ROM tonnes of coal extracted in the year compared with total proven and probable reserves at the beginning of the year, once in the form intended for use by management.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Stripping activities

The removal of overburden and other mine waste materials is often necessary during the initial development of a mine site in order to access the mineral ore deposit. These costs that are directly identifiable in relation to the stripping activity of developing the mine site are capitalised in full within mining assets under construction until the point at which the mine is considered to be capable of commercial production.

In measuring the deferred portion of stripping, the group applies a risk-adjusted approach to compensate for inherent volatility in strip ratios on its opencast mines.

All amounts capitalised in respect of waste removal are depreciated using the units-of-production method based on proved and probable ore reserves of the component of the orebody to which they relate.

The effects of changes to the life of mine plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses from disposal of investment property is determined as the difference between net proceeds and the carrying amount of the asset and shall be recognised in profit or loss.

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property – land	Indefinite

1.5 Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held-for-sale.

1.6 Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is tested for impairment when an impairment indicator has been identified and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets (underground access right and computer software) are carried at cost less any accumulated amortisation and any impairment losses. There are no intangible assets that have an indefinite useful life. The amortisation is provided on a straight-line basis over the useful life of the asset.

The amortisation period and the amortisation method for intangible assets are reviewed annually. Amortisation is provided to write down the intangible assets, to their residual values as follows:

Item	Amortisation method	Useful life
Underground access right	Life of mine	Life of mine
Computer software	3 – 5 years	3 – 5 years

1.8 Interests in subsidiaries

In the group's separate financial statements, interests in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of acquisition; plus
- any costs directly attributable to the purchase of the subsidiary.

1.9 Joint arrangements

Under IFRS 11: *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The group's joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

1.10 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

1.11 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9: *Financial Instruments*.

The classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are debt instruments:

- Designated at amortised cost is used only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Mandatory at fair value through profit or loss. The group automatically applies this classification to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income.

Financial liabilities:

- Amortised cost. The group uses this category when the business model and the contractual terms of the instrument give rise, on specified dates, to cash flow outflows that are solely payments of principal and interest on principal.

Note 38: Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Loans receivable and other receivables at amortised cost

Classification

Loans to group companies (note 11) and other receivables (note 12) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable and other receivables are recognised when the group becomes a party to the contractual provisions of the loans. The loans are measured, at initial recognition, at fair value plus transaction costs.

Loans receivable and other receivables are subsequently measured at amortised cost.

Credit risk

Details of credit risk-related to loans receivable are included in the specific notes and the financial instruments and risk management (note 38).

Trade receivables

Classification

Trade receivables, excluding, when applicable, value added tax and prepayments, are classified as financial assets subsequently measured at amortised cost (note 17).

Trade receivables have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade receivables.

Recognition and measurement

Trade receivables are recognised when the group becomes a party to the contractual provisions of the receivables. Trade receivables are measured, at initial recognition, at fair value plus transaction costs.

Trade receivables are subsequently measured at amortised cost.

Impairment

The group recognises a loss allowance for expected credit losses on trade receivables, excluding value added tax and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade receivables which do not contain a significant financing component at an amount equal to lifetime expected credit losses ("lifetime ECL"). The loss allowance for all other trade receivables is measured at lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on these receivables has not increased significantly since initial recognition, then the loss allowance for those receivables is measured at 12-month expected credit losses ("12-month ECL").

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

Definition of default

For purposes of internal credit risk management, the group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a receivable is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of expected credit losses

The group applies the simplified approach as a practical expedient to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit losses on these financial assets is estimated using a provision matrix by reference to past default experience adjusted for factors that are specific to the debtor and also adjusted as appropriate for current observable data and forward-looking information.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables.

Investments in debt instruments at fair value through profit or loss

Classification

Certain investments in debt instruments are classified as mandatorily at fair value through profit or loss. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the group business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

The group holds investments in a rehabilitation investment portfolio through a number of investment instruments (note 10) which are mandatorily at fair value through profit or loss.

Recognition and measurement

Investments in debt instruments at fair value through profit or loss are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses are included in other operating gains/(losses) (note 30). Details of the valuation policies and processes are presented in note 39.

Interest received on debt instruments at fair value through profit or loss are included in interest income (note 31).

Borrowings and loans from related parties

Classification

Loans from group companies (note 27) and borrowings (note 22) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

Borrowings and loans from related parties are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs paid (note 32.)

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 38 for details of risk exposure and the management thereof.

Trade and other payables

Classification

Trade and other payables (note 26), excluding value added tax and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs paid (note 32).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 38 for details of risk exposure and the management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.12 Tax

Current tax assets and liabilities

Current tax, to the extent unpaid, is recognised as a liability. If the amount already paid in respect of current tax exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) are measured at the amount expected to be paid to/recovered from the tax authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability, in a transaction at the time of the transaction, and affects neither accounting profit nor taxable profit/(loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- equity.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.13 Leases (current year under IFRS 16)

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 30) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Low value assets are recognised as expenses directly in the statement of profit and loss during the period in which the cost is incurred. The group has deemed all leases with a total contract value of less than R1 million to be low value leases.

The group has assessed these low value leases individually as well as combined with other assets to determine if they falls within the practical expedient exclusion. Additionally, none of the low value assets are inter-related or highly dependent on other assets.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the group under residual value guarantees;
- The exercise price of purchase options, if the group is reasonably certain to exercise the option;
- Lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs paid (note 32).

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group did not need to uses significant judgement in determining the lease liability: inherent borrowing rate, lease terms or whether or not extensions or terminations would be exercised.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statements of financial position.

Lease payments included in the measurement of the lease liability comprise the following:

- The initial amount of the corresponding lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs incurred;
- Any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- Less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sublease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

1.14 Leases (comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the agreement or, if impracticable, the incremental borrowing rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The corresponding rental obligation, net of finance charges, is included in payables.

The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term. The difference between the amounts recognised as income and the contractual receipts are recognised as an operating lease liability. The liability is not discounted.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset which is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.15 Inventories

Inventories, which include coal ROM and product stockpiles and consumables, are measured at the lower of cost and net realisable value on the first-in first-out basis.

The cost of inventories is determined by reference to all costs of purchase, direct mining expenditure and an appropriate portion of overhead expenditure, including directly related depreciation, transport and other costs incurred in bringing the inventories to their present location and condition. Borrowing cost is not capitalised to inventory.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

A write-down to net realisable value is required when the carrying amount of inventories exceeds the net realisable value. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

No portion of inventory is non-current. ROM stockpiles are utilised by the processing plant in the ongoing production process. Inventory stockpiles consist of saleable coal processed by the washing or crushing and screening plant.

1.16 Impairment of non-financial assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.17 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments, is deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the group's equity holders.

1.18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.19 Provisions and contingencies

General provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Legal claims are only recognised as a provision when the counterparty has a reasonable chance of success as assessed by Wescoal's external legal counsel during the current year. None of these claims have been recognised as a provision, (refer to note 46 for details regarding contingent liabilities and assets).

Accrued expenses are recognised as part of the trade and other payables balances and is not recognised in terms of a provision (refer to note 26).

The group does not recognise contingent assets and contingent liabilities.

Rehabilitation provision

Provisions for environmental restoration are recognised as the group has a present legal obligation as a result of past events (mining disturbances caused). It is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated using third-party expert valuations.

Provisions are measured at the present value of the expected economic benefits to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense.

Changes in the provision due to changes in estimates are recognised against the rehabilitation assets, which are measured at cost.

Changes in estimates include:

- a change in the estimated outflow of resources embodying economic benefits required to settle the obligation;
- a change in the current market-based discount rate, which includes changes in the time value of money and the risks specific to the liability; and
- an increase that reflects the change in life of mine.

1.20 Revenue

The following specific recognition criteria must be met before revenue is recognised:

Sale of coal – IFRS 15

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good to a customer. Customers obtain control of coal supplied when the goods are delivered to and have been accepted at their premises. Payment is received within 30 days after delivery and therefore control has been transferred to the customer. No discounts are provided for coal sales.

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

Administration fees – IFRS 15
Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue as the service is provided to the customer. Invoices for administrative services are issued on a monthly basis and are usually payable within 30 days.

These services are on-charged on a monthly basis based on actual time spent managing the operating subsidiaries and are recognised in the accounting period in which the services were rendered.

Dividends received
Dividends are recognised, in profit or loss, when the group's right to receive payment has been established.

Dividends does not form part of revenue received from contracts with customers.

1.21 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Royalty expenses are recognised on an accruals basis in accordance with the substance of the relevant agreements.

The prepaid royalty (refer to note 15) is amortised on a units-of-production basis, based on Elandspruit ROM tonnes. Operational royalties are based on a rate per saleable tonne.

1.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

During the current year, borrowing costs eligible for capitalisation were not material.

1.23 Share-based payments

The group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the group issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The grant by the group of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

1.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group executive committee that makes strategic decisions.

Notes to the consolidated financial statements

for the year ended 31 March 2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Long-term Interests in Joint Ventures and Associates – Amendments to IAS 28

The amendment now requires that an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The adoption of this amendment has not had a material impact on the results of the group.

Amendments to IFRS 3: *Business Combinations:* Annual improvements to the IFRS 2015 – 2017 cycle

The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The adoption of this amendment has not had a material impact on the results of the group.

Amendments to IFRS 11: *Joint Arrangements:* Annual improvements to the IFRS 2015 – 2017 cycle

These amendments include minor changes to:

- IFRS 3: *Business Combinations* – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11: *Joint Arrangements* – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12: *Income Taxes* – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23: *Borrowing Costs* – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The adoption of this amendment has not had a material impact on the results of the group.

Amendments to IAS 12: *Income Taxes:* Annual improvements to the IFRS 2015 – 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The adoption of this amendment has not had a material impact on the results of the group.

Amendments to IAS 23: *Borrowing Costs:* Annual improvements to the IFRS 2015 – 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The adoption of this amendment has not had a material impact on the results of the group.

Uncertainty over income tax treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax-related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax-related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

2. New standards and interpretations
continued

2.1 Standards and interpretations effective and adopted in the current year continued

The effective date of the interpretation is for years beginning on or after 1 January 2019.

Uncertainty over income tax treatments continued
The adoption of this amendment has not had a material impact on the results of the group, as the group does not have any material uncertain tax positions as defined in this interpretation.

IFRS 16: *Leases*
The group adopted IFRS16: *Leases* from 1 April 2019. IFRS 16: *Leases* is a new standard which replaces IAS 17: *Leases*, and introduces a single lessee accounting model. IFRS 16 introduced a single, on balance sheet accounting model for lessees. As a result the group, as a lessee, has recognised right-of-use assets representing its rights to use underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 April 2019. Accordingly, the comparative information presented for the 2019 financial year has not been restated, and is presented as previously reported under IAS 17 and related interpretations.

Management applied a modified retrospective approach in assessing the impact of IFRS 16. The adoption of the standard has not had a material impact on the result of the group but has resulted in more disclosure than would have previously been provided in the consolidated financial statements. The application of the standard has resulted in a Rnil adjustment being made to the company's opening retained earnings and a R3.190 million adjustment to the right-of-use assets on initial adoption. Refer to notes 4 and 13 for further information.

IFRS 16 – lease adoption
The group is party to various leasing arrangements, both as a lessee and as a lessor, such as offices and mining equipment. The treatment of leasing transactions in the consolidated financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, the treatment of the lessor's leasing transaction, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of offices for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

For leases of the office buildings the following factors would normally be considered:

- If there are significant penalty payments to terminate, the group is typically reasonably certain to extend;
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend; and
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

For leases of mining equipment, the following factors would normally be considered:

- If there are significant penalty payments to terminate, the group is typically reasonably certain to extend;
- Whether or not an appropriate sublease operator can be secured or has been contracted for the mining machinery; and
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset as well as the operational requirement for the mining machinery.

The lease term is reassessed if an option is actually exercised or the group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the current financial year, lease terms have not been revised and as such, the group has not exercised any extensions and termination options.

At transition, for leases classified as operating leases under IAS 17, lease liabilities measured at the present value of the remaining lease payments are discounted at the group's incremental borrowing rate as at inception. Right-of-use assets are measured at an amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments.

Wescoal uses its assessment of whether leases are onerous applying IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review on the underlying assets.

The group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The impact of the group in terms of earnings per share and earnings before interest tax and amortisation has been minimal.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In determining the incremental borrowing rate, the group utilised its average pre-tax cost of debt, adjusted for changes in financing conditions since the financing was first received. The group's financing structures and lease terms closely align resulting in the average cost of debt being the most appropriate indicator of the group's incremental borrowing rate.

Definition of a lease
Previously, the group determined, at contract inception, whether an arrangement was or contained a lease under IFRIC 4: *Determining Whether an Arrangement Contains a Lease*. The group now assesses whether the contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is or contains a lease if a contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

On transition to IFRS 16, the group elected to apply the modified retrospective approach as a practical expedient where it applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered or changed on or after 1 April 2019.

Under the modified retrospective approach the group:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics. The group has identified two such portfolios namely (buildings and mining equipment);
- applies an explicit recognition and measurement exemption for leases for which the term ends within 12 months;
- is able to use hindsight in applying the new leases standard in determining the lease term, however, none of the leases have become due for extension or termination; and
- has excluded initial direct costs in the measurement of the right-of-use asset.

Group as lessee
The group leases assets, including properties and IT equipment:

- As a lessee, the group previously classified leases as operating and finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases that meet the requirements under IFRS 16.
- The group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets. The group recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets, and the increase in consideration is commensurate to the stand-alone price of the increase in scope.
- The group, through its property investment company Blanford, leases property to inter-group companies as well as to third parties. These leases have been accounted for as operating leases under IFRS 16.
- During the year, the group entered into a back-to-back lease agreement with its financing house and its mining contractor. Under this agreement, the group has acquired a fleet of mining machinery under an instalment sale agreement. These machines have further been leased to the mining contractor on similar terms (refer to notes 3, 13 and 24 for more detail regarding the transaction).

The effective date of the standard is for years beginning on or after 1 January 2019. The group has adopted the standard for the first time in the 2020 consolidated financial statements.

Refer to the accounting policy (note 1.13) on the estimates on the process applied for initial recognition and adoption of IFRS 16: *Lease*.

2. New standards and interpretations

continued

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2020 or later periods:

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

3. Property, plant and equipment

	2020			2019		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Group						
Land and buildings	**123 014**	**(4 239)**	**118 775**	63 651	(4 048)	59 603
Mining properties, plant and machinery	**4 404 903**	**(2 354 313)**	**2 050 590**	3 914 874	(2 027 409)	1 887 465
Furniture and fixtures	**4 753**	**(3 927)**	**826**	4 679	(3 561)	1 118
Motor vehicles	**23 138**	**(19 044)**	**4 094**	21 701	(16 943)	4 758
IT equipment	**15 816**	**(13 125)**	**2 691**	13 589	(12 899)	690
Assets under construction	**26 157**	**–**	**26 157**	567	–	567
Total	**4 597 781**	**(2 394 648)**	**2 203 133**	4 019 061	(2 064 860)	1 954 201
Company						
Plant and machinery	**1 059**	**–**	**1 059**	–	–	–
Furniture and fixtures	**1 275**	**(819)**	**456**	1 227	(573)	654
IT equipment	**838**	**(467)**	**371**	505	(283)	222
Total	**3 172**	**(1 286)**	**1 886**	1 732	(856)	876

Reconciliation of the carrying value of property, plant and equipment

	Opening balance R'000	Additions R'000	Disposals R'000	Asset held-for-sale R'000	Depreciation R'000	Total R'000
Group						
2020						
Land and buildings	**59 603**	**57 223**	**(9 776)**	**13 509**	**(1 784)**	**118 775**
Mining properties, plant and machinery	**1 887 465**	**372 071**	**–**	**117 960**	**(326 906)**	**2 050 590**
Furniture and fixtures	**1 118**	**77**	**(220)**	**–**	**(149)**	**826**
Motor vehicles	**4 758**	**2 088**	**(346)**	**–**	**(2 406)**	**4 094**
IT equipment	**690**	**2 789**	**(292)**	**–**	**(496)**	**2 691**
Assets under construction	**567**	**25 590**	**–**	**–**	**–**	**26 157**
	1 954 201	**459 838**	**(10 634)**	**131 469**	**(331 741)**	**2 203 133**

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Asset held-for-sale R'000	Depreciation R'000	Total R'000
Group							
2019							
Land and buildings	80 562	255	(10 979)	3 546	(13 509)	(272)	59 603
Mining properties, plant and machinery	1 847 412	420 406	(48 017)	4 606	(117 960)	(218 982)	1 887 465
Furniture and fixtures	1 486	–	(3 461)	3 520	–	(427)	1 118
Motor vehicles	6 403	1 207	–	(14)	–	(2 838)	4 758
IT equipment	1 002	517	(38)	(293)	–	(498)	690
Assets under construction	12 295	566	–	(12 294)	–	–	567
	1 949 160	422 951	(62 495)	(929)	(131 469)	(223 017)	1 954 201

3. Property, plant and equipment continued

Reconciliation of the carrying value of property, plant and equipment continued

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Company				
2020				
Buildings	–	667	(667)	–
Plant and machinery	–	1 059	–	1 059
Furniture and fixtures	654	48	(246)	456
IT equipment	222	335	(186)	371
	876	2 109	(1 099)	1 886

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Company					
2019					
Furniture and fixtures	892	–	–	(238)	654
IT equipment	148	201	(11)	(116)	222
	1 040	201	(11)	(354)	876

Property, plant and equipment encumbered as security

Under the refinanced debt package disclosed in long-term borrowings (note 22), the group has encumbered all of its property, plant and equipment as noted above.

During the prior year, the group had encumbered mining properties, plant and machinery (FY19: R1 823 million) and motor vehicles (FY19: R0.3 million) over finance lease and instalment sales agreements and long-term borrowings (refer to notes 23 and 24).

A register containing the information required by regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the company.

Impairment and reversal of impairment

The group's mining operations have evolved significantly over the years, with significant amounts being capitalised to mining properties. Mining plans are being continuously revised and updated in order to confirm that sufficient headroom still existed, management perform impairment assessments for all the operations within the group.

The impairment assessment model is based on a fair value less costs of disposal ("FVLCOD") model which is based on the future estimated cash flows discounted to net present value at a real post-tax discount rate over the projected life of mine or expected project length.

Impairment inputs

The group has assessed the impact of COVID-19 on the impairment calculations, and have found the impact to be minimal. The group has not identified any significant long-term downturn in sales volumes to customers, nor have they made any material concessions or payment arrangements with customers. Management applied more conservative estimates related to forecast sales volumes and production forecasts in order to compensate for potential risk associated with the COVID-19 pandemic.

The group utilises its WACC rate in assessing the impairment models, in determining the WACC rate for discounting, management utilised the year-end rates (which were natively higher due to the current market conditions) the rate was then further risk-adjusted to compensate for the uncertainty of the pandemic.

The impairment model has been evaluated per operation with a few of the key inputs remaining unchanged for the different operations.

3. Property, plant and equipment continued

General

- Risk adjusted WACC: 11.60% (refer to note 22 for more details)
- Inflation: 4.9%
- Sales growth: 5% year-on-year for the trading business and for the mines, annual revenues forecast has been based on the available saleable product driven by the life of mine plan, with minimal stock holding.

	Khanyisa	Elandspruit	Vanggatfontein	Moabsvelden
Assumptions and inputs to impairment test – 2020				
Life of mine/project length	3 years	5 years	7 years	10 years
Future estimated capital expenditure	R9 million	R139 million	R346 million	R531 million
Revenue growth assumptions	Index driven 5%	Index driven 5%	Index driven 5%	Index driven 5%
Discount rate applied	11.60%	11.60%	11.60%	13.60%
Sensitivity	31.8% increase in cost will not result in impairment	12.5% increase in cost will not result in impairment	1% increase in the discount rate will not result in impairment	9.1% increase in cost will not result in impairment
Assumptions and inputs to impairment test – 2019				
Life of mine/project length	3 years	6 years	9 years	10 years
Future estimated capital expenditure	R21 million	R117 million	R176 million	R515 million
Revenue growth assumptions	Index driven 5%	Index driven 5%	Index driven 5%	Index driven 5%
Discount rate applied	11.35%	11.35%	11.35%	11.35%

Through the performance of the impairment testing, the group determined that the impairment tests were more sensitive to changes in cost of production than it is to changes in the discount rate.

Changes of 1% in the discount rate to each of the models had an immaterial impact on the recoverable amount of the assets.

From the impairment test process, the group identified that the Vanggatfontein CGU is close to breakeven and therefore more sensitivity and estimation testing was required.

Sensitivity on Vanggatfontein

	Increase by 1%	Decrease by 1%
2020		
Sales sensitivity		
Headroom/(impairment) (R'million)	**33 316**	**(25 244)**
Production sensitivity		
(Impairment)/headroom (R'million)	**(17 569)**	**25 653**
Discount rate sensitivity		
Headroom (R'million)	**1 563**	**5 906**

Other information

Investment property is encumbered as stated in note 22. Mining property addition included capitalised deferred stripping cost for the Khanyisa and Vanggatfontein Mines of R97.2 million (FY19: R49.4 million) and the change in rehabilitation estimate of R26.6 million (FY19: R122.8 million) that was capitalised to the rehabilitation asset.

4. Right-of-use asset

On transition, the company recognised an additional R3.2 million of right-of-use assets and R3.2 million lease liabilities. This included Rnil of variable lease payments based on a rate or an index.

The group utilises its average pre-tax cost of debt the basis for the incremental borrowing rate.

The group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. The right-of-use assets were considered for impairment at year-end due to the uncertainties around COVID-19. The group determined that there were no material risks of impairment having taken the impact of COVID-19 into account.

The reconciliation of total operating lease commitments as at 31 March 2019 to the lease liabilities as at 1 April 2019 is as follows:

	Group
	2020 R'000
Operating lease commitment (31 March 2019)	**4 791**
Less: IFRS 16 recognition exemption for short-term and low-value leases	**(937)**
Less: Effect of discounting operating lease commitments using the incremental borrowing rate (31 March 2019)	
Less: Recognition of variable lease payments based on a rate or an index	**(516)**
Add: Finance lease liabilities (31 March 2019)	**(147)**
Total lease liabilities recognised (1 April 2019)	**3 191**

The carrying amounts of right-of-use assets are included in the following line items:

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Net carrying amounts of right-of-use assets				
Buildings	**1 867**	–	**772**	–
Additions/disposals of right-of-use assets				
Buildings	**3 191**	–	**1 439**	–
Mining fleet – additions	**297 069**	–	**–**	–
Mining fleet – sublease	**(297 069)**	–	**–**	–
	3 191	–	**1 439**	–

During the current year, the group entered into an instalment sale agreement with its lenders, namely Nedbank Limited and Standard Bank of South Africa Limited, to acquire fleet mining machinery, through a back-to-back finance lease agreement with its mining contractor. The terms mirrored those of the instalment sale agreement which increased the lease liability by R297.4 million. The finance term is for 60 months with an effective borrowing rate of 9.5% (Nedbank) and 8.75% (Standard Bank). The interest rate at the contract date was the prime interest rate minus 0.5% for Nedbank and prime minus 0.75% for Standard Bank.

The transaction allowed for the acquisition of the mining fleet and the immediate disposal to the mining contractor, resulting in a lease liability and a lease receivable.

The buildings leased relate to the group's office buildings which have been included as part of the IFRS 16 implementation as a right-of-use asset.

4. Right-of-use asset continued

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use asset is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 30).

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Buildings	(1 324)	–	(667)	–

Lease liabilities

During the year, the group had received lease payments to offset the lease liabilities. These lease receivables have been disclosed in note 13.

The maturity analysis of lease liabilities is as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Within one year	76 113	3 733	1 143	–
Two to five years	272 793	109	127	–
	348 906	3 842	1 270	–
Less: Finance charges component	(65 014)	(178)	(65)	–
	283 892	3 664	1 205	–
Non-current liabilities	230 020	96	–	–
Current liabilities	53 872	3 568	1 205	–
	283 892	3 664	1 205	–

5. Investment property

	2020			2019		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Group						
Investment property	709	–	709	709	–	709

Reconciliation of investment property

	Opening balance R'000	Total R'000
Group		
2020		
Investment property	709	709
2019		
Investment property	709	709

5. Investment property continued

Reconciliation of investment property continued

The fair value was assessed at a level 3 on the fair value hierarchy and was based on comparable transactions in the area. The fair value of the property was valued at R1 million.

The investment property is held by the group's property investment company, Blanford 006 Proprietary Limited. The latest valuation performed has been deemed to be reflective of current market conditions and therefore has not been reassessed.

A register containing the information required by regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the company.

Investment property is encumbered as stated in note 22.

6. Goodwill

	2020			2019		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Group						
Goodwill	**73 637**	**–**	**73 637**	73 637	–	73 637

Reconciliation of goodwill

	Opening balance R'000	Total R'000
Group		
2020		
Goodwill	**73 637**	**73 637**
2019		
Goodwill	73 637	73 637

Impairment of goodwill and intangible assets

Goodwill and certain intangible assets (brands and trademarks and customer lists) (refer to note 7) are allocated to the group's Trading division. The group's coal trading business operates as one fully integrated segment.

The group performed its annual impairment test of its goodwill on 31 March 2020. No impairment charge was recognised in the current or prior year.

The recoverable amount of the relevant cash-generating unit is determined using cash flow projections from financial budgets approved by the directors, covering a two-year period (FY19: two-year period), and applying an expected inflation and growth rate thereafter. This methodology is consistent with the prior year. The post-tax risk-adjusted WACC rate applied to cash flow projections is 11.6% (FY19: 8.17%).

The group utilises its WACC rate in assessing the impairment models, in determining the WACC rate for discounting, management utilised the year-end rates (which were natively higher due to the current market conditions) the rate was then further risk-adjusted to compensate for the uncertainty of the pandemic.

The impact of COVID-19 has been assessed for the group's trading business which has a diverse client base and following the easing of the lockdown sales and offtake has largely returned to pre-lockdown levels, with minimal customers requesting payment arrangements or concessions on price however the impact of COVID-19 has been taken into account on the impairment models.

The calculation of value in use is most sensitive to the following assumptions:

- Gross margin;
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the budget period.

6. Goodwill continued

Impairment of goodwill and intangible asset continued

Gross margins – Gross margins are from the financial budget approved by the board of directors during March 2020, which correlates with recent historical rates. Gross margins are expected to remain in a range of between 9% and 10% (FY19: 9% and 10%).

Discount rates – Discount rates represent the current market assessment of the risks specific to the industry, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Trading division. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data for comparable companies.

Growth rate estimates – Rates are based on management's estimates and expectations of future operations. Annual continued growth assumed at 5% each year (FY19: nil) was used for the next five years, with no growth thereafter.

A sensitivity analysis was performed by changing the above input assumptions as follows:

- Gross margin down by 1%;
- Discount rates up by 1%; and
- Growth rate down by 1%.

None of the above sensitivity changes resulted in an impairment of goodwill or intangible assets.

The recoverable amount calculated exceeded carrying value by R87.3 million (FY19: R137.4 million). An annual sales growth rate of 5% (FY19: 5.1%) below inflation and post-tax risk-adjusted WACC rate of 17% (FY19: 39%) would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

7. Intangible assets

	2020			2019		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Group						
Underground access rights	**7 513**	**(2 176)**	**5 337**	7 513	(2 176)	5 337
Computer software	**14 594**	**(11 519)**	**3 075**	14 367	(9 395)	4 972
Customers' lists	**–**	**–**	**–**	30 068	(30 068)	–
Brands and trademarks	**9 975**	**(9 975)**	**–**	9 975	(9 515)	460
Total	**32 082**	**(23 670)**	**8 412**	61 923	(51 154)	10 769
Company						
Computer software	**6 464**	**(4 500)**	**1 964**	6 237	(2 377)	3 860

Reconciliation of the carrying value of intangible assets

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Group				
2020				
Underground access rights	**5 337**	**–**	**–**	**5 337**
Computer software	**4 972**	**227**	**(2 124)**	**3 075**
Brands and trademarks	**460**	**–**	**(460)**	**–**
	10 769	**227**	**(2 584)**	**8 412**

7. Intangible assets continued

Reconciliation of the carrying value of intangible assets continued

	Opening balance R'000	Additions R'000	Transfers R'000	Amortisation R'000	Total R'000
Group					
2019					
Underground access rights	6 239	–	(3)	(899)	5 337
Computer software	4 623	1 350	1 113	(2 114)	4 972
Customers' lists	4 878	–	(1)	(4 877)	–
Brands and trademarks	2 136	–	(180)	(1 496)	460
	17 876	1 350	929*	(9 386)	10 769

** Transfer from property, plant and equipment (refer to note 3).*

Reconciliation of the carrying amount of intangible assets

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Company				
2020				
Computer software	**3 860**	**226**	**(2 122)**	**1 964**

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Company				
2019				
Computer software	4 615	1 350	(2 105)	3 860

Underground access rights

During the 2017 financial year, the group entered into an agreement with Nungu Trading 341 Proprietary Limited obtaining the use of their access point for underground mining and stockpile area to access the underground section of the Elandspruit Mine and dispose of the coal from the area. The group may use the stockpile yard for the temporary storage of coal mined, prior to it being transported to the processing plant.

The use of the access point and stockpile area is granted on a non-exclusive basis and will be used by both Nungu and the group for an estimated period of three years. The right-of-use has been recognised as an intangible asset and the payment terms of the agreement are set out in note 23.

Computer software

The group acquired computer software as part of the business combination during the 2018 financial year and elected to convert its accounting software package to integrate it with the customised programme from Keaton Energy Holdings Limited. The system conversion to SAP required additions of R5 million during the 2018 financial year. In the current year, additional development of R0.2 million has been incurred to further consolidate the ERP systems.

8. Investment in subsidiaries

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Name of company	Held by	Holding 2020 %	Holding 2019 %	Carrying amount 2020 R'000	Carrying amount 2019 R'000
Company					
Keaton Energy Holdings Limited	Wescoal Holdings Limited	**100**	100	**564 203**	564 203
Wescoal Trading Proprietary Limited	Wescoal Holdings Limited	**100**	100	**73 237**	73 237
Wescoal Mining Proprietary Limited	Wescoal Holdings Limited	**100**	100	**62 589**	62 589
Wescoal Mineral Recoveries Proprietary Limited	Wescoal Holdings Limited	**100**	100	**–**	–
Wescoal Exploration Proprietary Limited	Wescoal Mining Proprietary Limited and Wescoal Mineral Recoveries Proprietary Limited	**100**	100	**–**	–
Wescoal Exploration Proprietary Limited	Proudafrique Trading 147 Proprietary Limited	**60**	60	**–**	–
Blanford 006 Proprietary Limited	Wescoal Trading Proprietary Limited	**100**	100	**–**	–
Proudafrique Trading 147 Proprietary Limited	Wescoal Mining Proprietary Limited	**100**	100	**–**	–
Keaton Mining Proprietary Limited	Keaton Energy Holdings Limited	**100**	100	**–**	–
Leeuw Braakfontein Colliery Proprietary Limited	Keaton Energy Holdings Limited	**100**	100	**–**	–
Labohlano Trading 46 Proprietary Limited	Keaton Energy Holdings Limited	**100**	100	**–**	–
Wescoal Share Incentive Trust	Wescoal Holdings Limited	**100**	100	**–**	–
Neosho Trading 86 Proprietary Limited	Keaton Energy Holdings Limited*	**100**	74	**–**	–
				700 029	700 029

** Refer to note 23 for additional information on the acquisition of additional interest in subsidiary.*

Subsidiaries pledged as security

The company's shares in subsidiaries have been pledged to Nedbank CIB as security for loans granted (refer to note 22).

8. Investment in subsidiaries continued

Other information

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The country of incorporation and place of business of the parent company and all subsidiaries is South Africa.

The proportion of ordinary shares held by the group equals that of the proportion of ordinary shares held by each individual parent company.

Name of company	Nature of business	Segment 2020	Segment 2019
Wescoal Holdings Limited	Investments in coal mining operations	Investment holding	Investment holding
Keaton Energy Holdings Limited	Investments in coal mining operations	Investment holding	Investment holding
Wescoal Mineral Recoveries Proprietary Limited	Sourcing and processing of low-grade coal	Mining	Mining
Wescoal Mining Proprietary Limited	Mining, processing and selling of coal	Mining	Mining
Keaton Mining Proprietary Limited	Coal mining and exploration	Mining	Mining
Neosho Trading 86 Proprietary Limited	Coal mining and exploration	Mining	Property rental and other
Proudafrique Trading 147 Proprietary Limited	Investment in coal exploration activities	Property rental and other	Property rental and other
Wescoal Exploration Proprietary Limited	Coal exploration	Property rental and other	Property rental and other
Blanford 006 Proprietary Limited	Property investment	Property rental and other	Property rental and other
Leeuw Braakfontein Colliery Proprietary Limited	Coal mining and exploration	Property rental and other	Property rental and other
Labohlano Trading 46 Proprietary Limited	Coal mining and exploration	Property rental and other	Property rental and other
Wescoal Share Incentive Trust	Share incentive trust	Property rental and other	Property rental and other
Wescoal Trading Proprietary Limited	Buying, transport and selling of coal	Trading	Trading

9. Investment in joint ventures

		Ownership interest		Carrying amount	
Name of company	Measurement method	2020 %	2019 %	2020 R'000	2019 R'000
Group					
Aztolinx Proprietary Limited*	Equity method	–	–	–	–
Arnot Holdco Proprietary Limited**	Equity method	50.00	50.00	27 855	–

**** Aztolinx Proprietary Limited***

Aztolinx Proprietary Limited ("Aztolinx") was a company which specialised in coal mining activities. The investment in the joint venture was held by Wescoal Mining Proprietary Limited ("Wescoal Mining") and was equity-accounted for. It was a strategic investment for the group which complemented the activities provided by the Mining division. The purpose of the joint venture was to acquire additional mining rights adjacent to the Catwalk operations of Khanyisa, namely the Triangle mining right which conducts mining operations as well as selling and distribution of coal.

As previously reported, a dispute arose during the 2019 financial year. The dispute resulted in litigation and legal proceedings which concluded on 7 February 2019 in an agreement through which Aztolinx relinquished, waived and abandoned any and all of its rights and interest in the Khanyisa Triangle reserve for the benefit of Wescoal Mining. As consideration, Wescoal agreed to pay R185 million excluding value added tax, in cash with a portion to be settled in the following financial year. Refer to the Other financial liabilities (note 23). As part of the settlement, an amount of R0.5 million was recognised as an expense due to legal costs avoided during the 2020 financial year. Management applied judgement with reference to actual legal costs incurred, during the year, relating to the settlement.

In addition to the payment of the consideration as above, within 30 days from the last payment of the monthly instalments, Wescoal Mining will pay Aztolinx the total interest accrued, calculated at the prime rate, with effect from the signature date. In order for Aztolinx to secure the monthly instalments and the deferred interest amount, Wescoal Mining irrevocably ceded to Aztolinx the proceeds due to Wescoal Mining in such coal supply agreement/s, with a third-party approved by Aztolinx, as security, for as long as the full consideration remained unpaid.

Lastly, during the prior year, Wescoal Mining had derecognised its investment in Aztolinx as part of the agreement Wescoal and disposed its investment of 35% in Aztolinx Proprietary Limited to the majority shareholder, which resulted in the opening balance investment of R7.9 million being disposed in the prior year.

***** Arnot Holdco Proprietary Limited***

Investment in Arnot Holdco is R28.2 million (FY19: a nominal amount of R100).

Arnot transaction

On 28 February 2019, the company announced to Wescoal shareholders that its wholly-owned subsidiary Wescoal Mining Proprietary Limited, had entered into agreements with Innovators Resources Proprietary Limited to acquire from Exxaro Coal Mpumalanga Proprietary Limited, for no consideration and on a voetstoots basis, the business operated out of the Arnot coal mine in Mpumalanga. At year-end, the section 11 approval for the transfer of the Arnot mining right was still outstanding. The investment in the joint venture therefore had limited underlying assets and liabilities and no profits and losses from the acquisition occurred up to year-end.

The transaction is a B-BBEE transaction which will not only secure employment for previously retrenched employees but will also provide employees and affected communities around the Arnot Mine with equity participation as outlined in the Mining Charter III.

Currently, the Arnot group is held 50% by Wescoal Holdings and 50% by Innovators Resources Proprietary Limited. The shareholders agreement gives Wescoal Holdings the option to acquire all the shares in Arnot Holdco Proprietary Limited from Innovators Resources Proprietary Limited which will give Wescoal control in terms of shareholding. This option is, however, only available from two years after the date on which the conditions per the transfer of business agreement were met, namely December 2019.

The operational team of Arnot maintained most of the original management team as was in place under the management of Exxaro. The Arnot company also has an executive directors board separate from the Wescoal group, a board consisting of four directors (two of which nominated by Wescoal), a separate budget and has a service agreement in place for support services provided by Wescoal up to a maximum of R75 million.

The mining right has not been transferred as yet to Arnot Opco and is an ongoing process through section 11 approval from the DMRE. The final amount of the Arnot rehabilitation liability to be retained by Eskom, the funding methodology and funding instruments are yet to be agreed. To the extent that the quantum or terms might not be agreed on terms acceptable to all parties and to the DMRE, there may still be a possibility of the transaction not concluding as a result of failure of the application for transfer of the mining right or the approval thereof.

9. Investment in joint ventures continued

Summarised financial information of material joint ventures

Summarised statement of profit or loss and other comprehensive income

	Arnot Holdco Proprietary Limited		Aztolinx Proprietary Limited	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue	38 045	–	–	–
Cost of sales	(38 694)	–	–	–
Net interest income	6	–	–	–
Loss before tax	(643)	–	–	–
Tax expense	(48)	–	–	–
Loss from continuing operations	(691)	–	–	–
Total comprehensive loss	(691)	–	–	–

Summarised statements of financial position

	Arnot Holdco Proprietary Limited		Aztolinx Proprietary Limited	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Assets				
Non-current	24 349	3 822	–	–
Current				
Cash and cash equivalents	11 556	75	–	–
Trade and other receivables	27 182	–	–	–
Total current assets	38 738	75	–	–
Liabilities				
Current				
Other current liabilities	(47 434)	(13 253)	–	–
Total current liabilities	(47 434)	(13 253)	–	–
Total net assets	15 653	(9 356)	–	–
Reconciliation of net assets to equity-accounted investments in joint ventures				
Interest in joint venture at 50% ownership (FY19: 50%)	7 826	(4 678)	–	–
Goodwill	20 029	4 678	–	–
Carrying value of investment in joint venture	27 855	–	–	–
Investment at the beginning of the year*	–	–	–	7 912
Acquisitions	25 701	–	–	–
Transaction fees incurred	2 500	–	–	–
Share of profit	(346)	–	–	–
Disposals	–	–	–	(7 912)
Investment at the end of the year*	27 855	–	–	–

** The investment in Arnot Holdco for the year ended March 2019 was held at a nominal amount of R100.*

Based on an arbitration verdict and subsequent order of court, Eskom will remain responsible for existing rehabilitation liability.

The company received a final offer by Eskom Holdings SOC Limited ("Eskom") for the settlement of rehabilitation closure cost "rehabilitation liability".

The offer from Eskom for rehabilitation liability shall be a total amount of R1 000 000 000.00 (one billion rand) excluding value added tax.

10. Restricted investments

Investments held by the group which are measured at fair value, excluding derivatives, are as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Debt investments at fair value through profit or loss	54 919	47 797	–	–
Mandatorily at fair value through profit or loss				
Rehabilitation investment portfolio	54 919	47 797	–	–
	54 919	47 797	–	–
Split between non-current and current portions				
Non-current assets	54 919	47 797	–	–

Reconciliation of investments

	Opening balance R'000	Additional investments R'000	Investment return R'000	Total R'000
Group				
2020				
Rehabilitation investment portfolio	47 797	14 957	(7 835)	54 919
2019				
Rehabilitation investment portfolio	34 899	11 065	1 833	47 797

The unit trust investments are fair value through profit or loss financial assets and are recognised at fair value. Income earned on the investments, consisting of dividend income and local and foreign interest, is reinvested.

The investment portfolio is made up of the following investment instruments:

	2020 R'000	2020 Credit rating	2019 R'000	2019 Credit rating
Group				
Old Mutual Investment Services	27 606	BB	22 508	Ba1
Centriq Investments	27 180	AA	25 047	AA
Stanlib	43	BB	43	Ba1
Momentum Unit Trust	90	Baa3	77	Baa2
Anchor Capital	–	–	122	AA+
	54 919		47 797	

Fair value information

Fair value is determined based on the published unit prices of the underlying unit trust and therefore falls within level 2 of the IFRS fair value hierarchy.

Investments pledged as security

These investments are pledged as security for environmental rehabilitation guarantees issued on behalf of the group.

Risk exposure

The group's exposure to equity securities price risk arises from the underlying unit trust investments held by the group.

11. Loans to group companies

	Group	
	2020 R'000	2019 R'000
Subsidiaries		
Wescoal Trading Proprietary Limited	**55 747**	
Refer to footnote 1 below		
Blanford 006 Proprietary Limited	**24 948**	34 214
These loans are interest free and have no fixed terms of repayment		
Wescoal Mining Proprietary Limited	**96 185**	45 614
These loans are interest free and have no fixed terms of repayment		
Wescoal Mining Proprietary Limited	**310 397**	–
Refer to footnote 1 below		
Proudafrique Trading 147 Proprietary Limited	**2**	–
These loans are interest free and have no fixed terms of repayment		
Keaton Energy Holdings Limited	**129 336**	40 615
These loans are interest free and have no fixed terms of repayment		
Keaton Energy Holdings Limited	**491 657**	–
Refer to footnote 1 below		
	1 108 272	120 443

Footnote 1:

Inter-group loans were interest free and have no fixed terms of repayment. During the 2020 financial year, the group refinanced its debt structure. These inter-group loans have been restructured to facilitate the interest repayments through which the subsidiary, incurs interest to the extent that it utilises the facilities from Wescoal Holdings Limited.

The substantial increase in the inter-company loans relate to the refinanced debt facilities, under the new debt facilities Wescoal group consolidated its debt in the Wescoal Holdings Limited and settled the historical debt within the subsidiaries through means of extending interest-bearing debt to the subsidiaries from Wescoal Holdings Limited.

The debt package facilities bear interest as follows: the term loan and the RCF bear interest of between JIBAR+2.75% and JIBAR+3.50%, depending on contractual obligations and criteria. The GBF bears interest at the prime lending rate. Refer to note 22 for more details regarding the long-term borrowings.

Fair values are determined based on discounted cash flow valuations, and therefore fall within level 3 of the IFRS fair value hierarchy.

The inputs into the valuations are determined in accordance with estimated payment terms and market-related interest rates at the reporting date.

The directors consider that the loans from group companies carrying values approximate their fair values, except for Blanford. If the loan for Blanford is discounted for one year at 10%, the fair value equates to R22.68 million.

Split between non-current and current portions

	Group	
	2020 R'000	2019 R'000
Non-current assets	**24 948**	34 214
Current assets	**1 083 324**	86 229
	1 108 272	120 443

Loans to group companies pledged as security

Inter-company loans receivable have been pledged as security for financing provided by Nedbank CIB (refer to note 22).

11. Loans to group companies continued

Exposure to credit risk

The risk that loans to subsidiaries will not perform as expected, which results in a loss to the company, can be defined as a credit risk. Loans to subsidiaries are provided by the company as a general borrowing to fund ongoing operating activities. The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to subsidiaries.

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined internally as external ratings are not available. Various factors are considered by management to determine these factors. Refer to note 1.2 for further information.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses".

As all the loans are interest free, under the lifetime ECL method, the effect of discounting is considered nominal.

Internal credit rating	Description	Basis for recognising expected credit losses
Performing	Low-risk of default and insufficient highly liquid assets to repay loan on demand	12-month ECL
Doubtful	Either 30 days past due or sufficient highly liquid assets to repay loan on demand, however, carrying value of the assets is greater than the loan amount taking debt seniority into account	Lifetime ECL (not credit impaired)
In default	Either 90 days past due or carrying value of the assets is less than the loan amount, however, lifetime operational cash flow exceeds or has the potential to exceed the loan amount	Lifetime ECL (not credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery	Amount is written off

Inter-company loans

The group applies a combined approach to determine the ECL for inter-company loans, ECL is calculated using historical data (12 months and 36 months respectively) as well as forward-looking data. The calculation of the ECL is based on each individual company within the group's historical default rates observed over the expected life of the loans, adjusted for factors that are specific to the company, general economic conditions and an assessment of both the current and forecast direction of the market at the reporting date, including time value for money, where appropriate. This is done to allow for risk differentiation going forward and allows for risk management strategies impact being implemented.

Inter-company loans (company risk)

Management assess the liquidity and solvency of the borrowers before granting loans.

IFRS 9 requires the company to measure the ECL at a probability-weighted amount that reflects the possibility that a credit loss occurs, and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low. In assessing the ECL on related party receivable balances, the following was considered:

- Whether the borrower has sufficient available highly liquid current assets (which can be accessed immediately after taking into consideration any more senior external or internal loans which would need to be repaid before) to repay the outstanding inter-company loan if the loan was demanded at reporting date, the probability of default would approximate 0%; and
- If it was determined that the borrower does not have sufficient highly liquid current assets to repay the loan if demanded at the reporting date. The company would allow these borrowers to continue trading or to sell assets over a period of time, a cash flow forecast was reviewed to give an indication of the expected trading cash flows and/or liquid assets expected to be generated during the recovery period.

The ECL was limited to the effect of discounting the amount due on the loan over the period until cash is realised and repaid to the company. IFRS 9 requires the discount rate to be the loan's effective interest rate. As these loans are expected to be recovered over the next 12 months, the effect of discounting over the recovery period had an immaterial effect.

As the full amount of the loans would be recovered based on the above and the discounting had an immaterial impact, there was no impairment loss to recognise.

11. Loans to group companies continued

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of ECL for group loans receivable by credit rating grade:

Instrument	Internal credit rating	Basis of loss allowance	Gross carrying amount R'000	Loss allowance R'000	Amortised cost R'000
Company					
2020					
Loans to subsidiaries					
Wescoal Trading Proprietary Limited	Performing	12-month ECL	**55 747**	**–**	**55 747**
Blanford 006 Proprietary Limited	Doubtful	Lifetime ECL (not credit impaired)	**24 948**	**–**	**24 948**
Wescoal Mining Proprietary Limited (interest-bearing)	Performing	12-month ECL	**96 185**	**–**	**96 185**
Wescoal Mining Proprietary Limited (non-interest-bearing)	Performing	12-month ECL	**310 397**	**–**	**310 397**
Proudafrique Trading 147 Proprietary Limited	Doubtful	Lifetime ECL (credit impaired)	**1 014**	**(1 012)**	**2**
Keaton Energy Holdings Limited (non-interest-bearing)	Performing	12-month ECL	**129 336**	**–**	**129 336**
Keron Energy Holdings Limited (interest-bearing)	Performing	12-month ECL	**491 657**	**–**	**491 657**
			1 109 284	**(1 012)**	**1 108 272**
2019					
Loans to subsidiaries					
Blanford 006 Proprietary Limited	Doubtful	Lifetime ECL (not credit impaired)	34 214	–	34 214
Wescoal Mining Proprietary Limited	Performing	12-month ECL	45 614	–	45 614
Proudafrique Trading 147 Proprietary Limited	Write-off	Amount is written off	1 012	(1 012)	–
Keaton Energy Holdings Limited	Performing	12-month ECL	40 615	–	40 615
			121 455	(1 012)	120 443

12. Other receivables

	Group		Company	
	2020 R'000	**2019 R'000**	**2020 R'000**	**2019 R'000**
Loans and receivables				
Class B preference shares	**49 860**	44 454	**49 860**	44 454
Non-current assets				
Loans and receivables	**49 860**	44 454	**49 860**	44 454
Class B preference shares	**44 454**	40 435	**44 454**	40 435
Accumulated preference share dividend	**5 406**	4 846	**5 406**	4 846
Dividends received	**–**	(827)	**–**	(827)
	49 860	44 454	**49 860**	44 454

12. Other receivables continued

On 20 December 2016, the company provided funding to K2016316243 (South Africa) Proprietary Limited ("B-BBEE structured entity") by subscribing for class B cumulative redeemable preference shares in the B-BBEE structured entity for an aggregate amount of R35.5 million.

A cumulative preferential cash dividend shall be payable in respect of each class B preference share and shall be deemed to accrue daily at the prime interest rate plus 1%, compounded monthly.

The scheduled redemption date for the class B preference shares is the fifth anniversary of the date on which the class B preference shares were issued to the company.

The B-BBEE structured entity provided certain security in connection with the class B preference share subscription agreement to Wescoal, which security will rank behind the Industrial Development Corporation's security.

Management determined the expected credit loss. The amount determined was immaterial. Therefore no adjustment has been made.

13. Lease receivables

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Gross investment in the lease due				
– within one year	73 423	–	–	–
– in second to fifth year inclusive	272 894	–	–	–
	346 317	–	–	–
Less: Unearned finance income	(66 033)	–	–	–
	280 284	–	–	–
Present value of minimum lease payments due				
– within one year	49 810	–	–	–
– in second to fifth year inclusive	230 474	–	–	–
	280 284	–	–	–
Non-current assets	230 474	–	–	–
Current assets	49 810	–	–	–
	280 284	–	–	–

During the current year, the group entered into an instalment sale agreement with its lenders namely, Nedbank Limited and Standard Bank of South Africa Limited, to acquire a fleet of mining machinery, through a back-to-back finance lease agreement with its mining contractor. The terms mirrored that of the instalment sale agreement which increased the lease liability by R297.4 million. The average lease term is five years and the average effective lending rate is fixed at 10%.

Exposure to credit risk

Lease receivables inherently exposes the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

In determining the amount of ECL, the group has taken into account any historical default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default. As a result of the equipment which serves as security and which operates on Wescoal's mines, the ECL on the receivable is considered immaterial.

13. Lease receivables continued

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of ECL for lease receivables by credit rating grade:

Instrument	Internal credit rating	Basis of loss allowance	Net investment in lease R'000	Carrying amount R'000
Group				
2020				
Mining fleet lease receivable	Performing	12-month ECL	**280 284**	**280 284**

Subsequent to year-end 31 March 2020 on 31 July 2020, the mining contractor had given notice to terminate the mining contract as well as the sublease agreement. Under the sublease agreement, the mining contractor pays an average amount of R6.5 million per month. Additionally, the mining contractor has informed Wescoal of a number of claims (refer to note 46).

14. Deferred tax

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Deferred tax (liability)/asset				
Accelerated capital allowances for tax purposes	**(603 202)**	(518 487)	**(5)**	–
Rehabilitation provision	**186 863**	170 121	**–**	–
Intangible assets	**69 674**	69 674	**–**	–
Tax losses available for set-off against future taxable income	**89 374**	12 041	**8 373**	–
Payroll-related accruals	**4 896**	8 607	**2 143**	3 216
Prepayments	**(610)**	(639)	**–**	(128)
Provision for expected credit losses	**1 554**	3 607	**–**	–
Income received in advance	**332**	326	**–**	–
Finance lease liability	**65 281**	1 073	**187**	–
Provisions	**3 875**	4 153	**681**	1 614
Right-of-use assets	**(64 810)**	–	**–**	–
Total deferred tax (liability)/asset	**(246 773)**	(249 524)	**11 379**	4 702
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:				
Deferred tax liability	**(287 572)**	(273 140)	**–**	–
Deferred tax asset	**40 799**	23 616	**11 379**	4 702
Total net deferred tax (liability)/asset	**(246 773)**	(249 524)	**11 379**	4 702
Reconciliation of deferred tax (liability)/asset				
At the beginning of the year	**(249 524)**	(315 466)	**4 702**	6 151
Charge to statement of profit or loss and other comprehensive income	**2 751**	28 933	**6 677**	(1 449)
Held-for-sale (refer to note 20)	**–**	37 009	**–**	–
	(246 773)	(249 524)	**11 379**	4 702
Tax losses available for offset against future taxable income	**338 990**	185 600	**–**	40 796

The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on approved business plans and budgets for the subsidiary. The subsidiary is expected to utilise the deferred tax assets from the year 2021 onwards based on the profitability estimates.

15. Prepaid royalty

Wescoal prepaid R1.50 per tonne of the royalty that was due to Proudafrique before the 100% acquisition of Elandspruit in 2015. This prepayment amounted to R12.9 million and is amortised on a units-of-production method over the life of the Elandspruit Mine.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Prepaid royalty – Non-current assets	5 162	6 448	–	–
Prepaid royalty – Current assets	1 174	1 392	–	–
	6 336	7 840	–	–
Reconciliation of prepaid royalty				
Opening balance	7 840	9 198	–	–
Amortisation	(1 504)	(1 358)	–	–
	6 336	7 840	–	–

16. Inventories

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
ROM of mine stockpiles	76 478	29 130	–	–
Finished goods	45 056	45 100	–	–
Consumable stores	13 787	13 215	–	–
	135 321	87 445	–	–
Provision for inventory write-downs	(3 992)	(4 628)	–	–
	131 329	82 817	–	–

Inventory write-downs during the current year relates to provisions for obsolete and slow moving stock of R1.4 million (FY19: R6.2 million) and a write-down of ROM and crushed products to net realisable value of R2.6 million (FY19: R2.6 million).

Inventory pledged as security

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Inventory pledged as security	–	21 200	–	–

During the prior year, Keaton Mining's inventory balances were ceded to Reichmans (refer to note 22). None of the other companies had inventory pledged as security or collateral.

The Reichmans facility had been extinguished during the current financial year.

17. Trade and other receivables

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Financial instruments				
Trade receivables	891 079	571 167	20 070	14 030
Loss allowance	(5 602)	(5 635)	–	–
Trade receivables at amortised cost	885 477	565 532	20 070	14 030
Deposits	4 855	4 758	62	62
Other receivables	14 339	12 826	6 818	13 601
Non-financial instruments				
Value added tax	43 268	55 337	333	–
Prepayments	14 016	26 089	8 415	3 861
Total trade and other receivables	961 955	664 542	35 698	31 554

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: *Financial Instruments*:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
At amortised cost	904 671	583 116	26 950	27 693
Non-financial instruments	57 284	81 426	8 748	3 861
	961 955	664 542	35 698	31 554

Trade and other receivables pledged as security

The full balance of the trade receivables has been pledged to Nedbank under the refinanced borrowings agreement. During the prior year, trade receivables with a contractual value of R152.3 million was pledged by Wescoal Trading as security for the Nedbank CIB and Keaton Mining's trade receivables with a contractual value of R99.2 million was pledged as security for the Reichmans confidential invoice discounting facility (refer to note 22.)

Exposure to credit risk

The risk that counterparties or customers will not perform as expected, resulting in a loss to the group, can be defined as a credit risk.

Trade receivables are divided into two classes, being: those relating to the group's mining activities conducted by Wescoal Mining, Keaton Mining and Neosho Trading; and those relating to Wescoal Trading's trading activities. Trade receivables for these classes are summarised in the table below (including inter-group receivables):

	2020		2019	
	Mining R'000	Trading R'000	Mining R'000	Trading R'000
Wescoal Mining Proprietary Limited	342 944	–	358 120	–
Keaton Mining Proprietary Limited	296 825	–	95 664	–
Neosho Trading 86 Proprietary Limited	201 017	–	–	–
Wescoal Trading Proprietary Limited	–	79 015	–	157 814
	840 786	79 015	453 784	157 814

17. Trade and other receivables continued

Exposure to credit risk continued

Wescoal Mining, Keaton Mining and Neosho Trading's sales to Eskom made up 59% (FY19: 60%) of the Mining division's trade receivables balance at year-end. Eskom has a history of no defaults and a credit rating of Caa1 (FY19: Baa3). The balance of the trade receivables (41%) represents sales to the private sector with no historical defaults.

Trade receivables in Wescoal Trading consist mainly of one large customer in the private sector combined with a number of customers from widespread and diverse industries. Customers include government institutions, and private sector and mining entities with no history of default.

The group evaluates customers prior to the granting of credit. Each entity has a unique customer base that contributes to different levels of credit exposure. Entities manage credit exposure by applying prudent credit limits and constant evaluation of credit behaviour. If customers are independently rated, these ratings are used (see previous). Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position and past experience. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits is monitored monthly in conjunction with the analysis of the receivables' ageing report.

The group's variety of customers across all industries mitigates the exposure of concentration risk resulting from credit risk.

The balance of trade debtors relates to a variety of customers who mostly have a good payment history, however, due to the lockdown regulations implemented to help combat the spread of COVID-19, the ability of the company to recover cash from customers after year-end could be negatively impacted. No additional provision for expected credit losses has been made.

The maximum exposure to credit risk is the carrying value of financial assets.

Based on the nature of the risk against the credit risk exposure, no additional collateral is generally taken against the credit risk exposures.

Refer to note 38 for further information regarding credit risk factors.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

18. Acquisition deposit

During the 2019 financial year, the group announced that it had joined a consortium led by a private equity firm to acquire Universal Coal plc.

As a result, an amount of R150 million was set aside as guarantee for the transaction.

The group was unable to reach agreement in respect of the terms and conditions of the transaction and, as a result, negotiations regarding the proposed transaction were terminated subsequent to year-end on 8 April 2019. The funds were subsequently received on 24 April 2019.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Bank deposit	–	150 000	–	150 000
Interest earned	–	3 410	–	3 410
	–	153 410	–	153 410

19. Cash and cash equivalents

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Cash and cash equivalents consists of:				
Cash on hand	**39**	37	**–**	–
Bank balances	**44 787**	116 296	**1 592**	721
Bank overdraft	**(97 172)**	(147 047)	**(97 172)**	(36 989)
	(52 385)	(30 751)	**(95 580)**	(36 268)
Current assets	**44 787**	116 296	**1 592**	721
Current liabilities	**(97 172)**	(147 047)	**(97 172)**	(36 989)
	(52 385)	(30 751)	**(95 580)**	(36 268)
Restricted cash				
Cash and cash equivalents held by the entity that are not available for use by the group	**6 423**	6 423	**–**	–

Restricted cash relates to fully funded guarantees issued to the DMRE for rehabilitation.

The average interest rate on bank balances approximates 0.1% (FY19: 0.1%) per annum.

Overdraft facilities

The average interest rate on bank overdrafts approximates 9.3% (FY19: 12.25%) per annum and is mostly determined based on three-month JIBAR plus 375 basis points. The group deals with reputable banks in South Africa with current national long-term ratings of BB- (FY19: BB).

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Total amount of approved overdraft facilities	**600 000**	142 000	**600 000**	37 000
The total amount of undrawn facilities available for future operating activities and commitments	**120 000**	–	**120 000**	11

2020

During the 2020 financial year, the above facilities were replaced through the refinanced loan structures, comprising a R500 million term loan, a R500 million revolving credit facility and a general banking facility of R100 million (refer to note 22).

2019

Nedbank CIB granted the company and Wescoal Mining general banking facilities to the value of R20 million and R80 million respectively during the 2019 year. Overdraft balances bear interest at the prime lending rate plus 2% and are repayable on demand. The facility can be used as an overdraft facility or overnight loan and can be used for letters or guarantees of credit.

The above overdraft facilities are secured through unlimited cross-suretyships and cessions of loan accounts by all group companies.

An overdraft facility granted to the company by Absa in the prior year of R17 million bearing interest at the prime lending rate, has been extinguished by the refinanced debt package.

During 2019, Standard Bank extended a R25 million general banking facility to Keaton Mining Proprietary Limited.

20. Non-current assets held-for-sale

The group previously decided to discontinue its operations in Leeuw Braakfontein Colliery Proprietary Limited.

Leeuw Braakfontein disposal: On 7 August 2018, Wescoal announced, through its wholly-owned subsidiary, Leeuw Braakfontein Colliery Proprietary Limited that it had disposed of its non-core LBC assets located in KwaZulu-Natal (around 10km from Newcastle) to Sitatunga Resources Proprietary Limited, for a total consideration of R103 million (excluding value added tax) payable in cash from funds within the Sitatunga group. The carrying value of the asset and liabilities amounted to R84.7 million as at 31 March 2019. The disposal was subject to the fulfilment or waiver of regulatory consensus from the DMRE and the Competition Commission as well as procedural matters standard for this type of transaction.

As at year-end on 31 March 2019, management's assessment of the DMRE approval indicated that the sale of the LBC asset was highly probable. The assessment was based on the fact that a signed agreement had been obtained, a R20 million refundable deposit had been paid to the escrow account, the necessary section 11 application had been lodged with the DMRE and consent from the Competition Commission had been obtained. At the time, the only outstanding step was the DMRE regulatory approval, which was expected to be obtained. On this basis, management concluded that the sale had a high probability of success.

Disclosure of the potential risks of delay or non-granting of the approval was not considered necessary as no further information had been requested from the DMRE although the timing of the approval remained out of Wescoal's control.

At year-end on 31 March 2020, the LBC asset was no longer classified as held-for-sale as the sale was no longer considered to be highly probable. The basis for the assessment is the failure to obtain the appropriate approval from the DMRE timeously and in a manner satisfactory to the buyer. The delay in obtaining the approval resulted in a lapsing of the agreement and the buyer elected not to proceed with the transaction. Several attempts were made by Wescoal to keep the transaction alive, including renegotiating the terms and conditions of the agreement, but these attempts were unsuccessful.

The LBC asset relates only to the mining right, which depreciation is based on units of production. LBC did not have any production during the period in which it was classified as held-for-sale and therefore there would not have been any depreciation had the asset not been classified as held-for-sale.

The asset was reclassified to property, plant and equipment at its original carrying amount.

During the year, the group decided to dispose of two properties held by its property rental company, Blanford 006 Proprietary Limited, of which the net asset value amount to R9.7 million as at 31 March 2020.

The non-current assets are to be sold piecemeal.

Assets and liabilities

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Assets of disposal groups				
Property, plant and equipment	–	131 470	–	–
Liabilities of disposal groups				
Deferred taxation	–	37 009	–	–

21. Share capital

Share buy-back

The company reserved R33.8 million (FY19: R6 million) for the buy-back of its ordinary shares during the year. The funds were transferred to Legae Securities to facilitate the buy-back on its behalf. The unutilised funds amounted to R0.1 million (FY19: R1.9 million) and are included under trade and other receivables, other debtors (refer to note 17).

During the period July 2019 through to September 2019, 22 393 777 of the company's ordinary shares were purchased on-market. The shares were acquired at an average price of R1.59 per share, with prices ranging from R1.35 to R1.65.

During the period August 2018 through to September 2018, 5 564 930 of the company's ordinary shares were purchased on-market. The shares were acquired at an average price of R1.85 per share, with prices ranging from R1.76 to R2.18.

A portion of these has been cancelled subsequent to year-end and the remaining shares will be cancelled in due course and revert back to the company's authorised but unissued ordinary shares upon completion of the stepped buy-back.

The total cost of R35.6 million (FY19: R10.7 million) was deducted from share capital.

The buy-back was approved by the shareholders at the annual general meeting held on 23 January 2019.

Authorised share capital

There was no change in the authorised share capital of the company during the year. The authorised share capital of the company is 500 000 000 ordinary no par value shares.

Reconciliation of number of shares issued

	Group		Company	
	2020 '000	2019 '000	2020 '000	2019 '000
Reported as at 1 April 2019	**432 437**	437 685	**432 437**	437 685
Shares issued from the treasury shares held by share trust for options exercised	**15**	316	**15**	316
Share buy-back	**(22 394)**	(5 564)	**(22 394)**	(5 564)
	410 058	432 437	**410 058**	432 437

Unissued ordinary shares

Altogether, 50 090 173 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

	Group		Company	
	2020 '000	2019 '000	2020 '000	2019 '000
Issued				
Ordinary	**629 838**	665 423	**629 838**	665 423

The directors are authorised to issue, allot and grant options to acquire a maximum of 29 186 272 ordinary shares in the issued share capital of the company in terms of the incentive scheme.

Proceeds from the exercise of 15 000 (FY19: 316 000) share options by employees in 2020 amounted to R0.797 million (FY19: R0.382 million) (refer to note 40).

22. Interest-bearing borrowings

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Held at amortised cost				
Secured				
Nedbank CIB ("RCF")	–	207 454	–	–
Nedbank CIB ("IDF")	–	81 996	–	–
Investec Group of Companies	–	133 939	–	–
Gunvor SA – US dollar loan	–	7 340	–	–
Refinanced term loan	501 000	–	507 897	–
Refinanced IDF	382 521	–	382 521	–
Refinanced GBF	342	–	342	–
	883 863	430 729	890 760	–
Split between non-current and current portions				
Non-current liabilities	–	148 201	–	–
Current liabilities	883 863	282 528	890 760	–
	883 863	430 729	890 760	–
Reconciliation of interest-bearing borrowings				
At the beginning of the year	430 729	450 407	–	–
Cash advances received	634 408	82 388	1 065 137	–
Transaction cost incurred	(11 974)	–	–	–
Unwinding of transaction cost incurred	5 077	–	–	–
Finance costs	52 645	40 640	52 645	–
Payments				
Capital	(180 892)	(128 590)	(180 892)	–
Interest	(46 130)	(25 192)	(46 130)	–
Foreign exchange	–	11 076	–	–
	883 863	430 729	890 760	–

Refer to note 38 for the repayment profile of interest-bearing borrowings.

The group has used the refinanced debt packages to determine its WACC by combining the forward-looking JIBAR+3.5% at a gearing ratio of 50% with the cost of equity calculated using the risk-free rate adjusted for market-related risk premiums and specific asset-related and company-related risk premiums, total WACC for the group has been calculated at 9.89%.

Refinanced – revolving credit facility ("RCF"), term loan and general banking facility

During the current financial year, the group concluded the refinancing of its existing credit facilities through a consortium of South African commercial banks consisting of Nedbank Limited (acting through its Corporate and Investment Banking Division) and Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division). The new credit-approved comprehensive, long-term refinance facilities are for a combined R1.1 billion, with a provision that also allows the group access to an additional R500 million accordion facility subject to credit approval but within the legal agreements of the refinance facilities, thus significantly reducing the lead time towards accessing this extra liquidity facility.

The financing facilities consist of a term loan of R500 million, a RCF of R500 million and a general banking facility ("GBF") of R100 million. The term loan and the RCF bear interest of between JIBAR+2.75% and JIBAR+3.50%, depending on contractual obligations and criteria. The GBF bears interest at the prime lending rate. The term loan is for a duration of 48 months, with the last instalment on 30 June 2023. Funding utilised from the term loan is repayable in equal quarterly payments with the first payment due on 30 June 2020. Interest is payable on a quarterly basis.

The RCF is for a duration of 48 months, terminating on 21 June 2023. Interest is payable on a monthly basis on funds utilised.

22. Interest-bearing borrowings continued

Refinanced – revolving credit facility ("RCF"), term loan and general banking facility continued

The facilities are subject to the following dependent financial covenants:

- Net debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA") should be less than 2.5;
- Net debt to equity should be less than 1.5;
- Interest cover ratio age ration should be greater than 3.5; and
- Debt service cover ratio should be greater than 1.3.

As at 31 March 2020, the debt covenants had been assessed and it was determined that the group had breached the net debt to EBITDA threshold. As a result, notice of the non-compliance was given to the financiers following which the financier waived its rights in respect of the event of default for additional information regarding the breach refer to note 41 and 42.

Transaction fees for the refinanced loan package were paid by Wescoal Mining amounting to R11.9 million which have been capitalised to the loan facility on group level and will be unwound over the life of the term loan.

Nedbank CIB – RCF

During the 2018 financial year, Wescoal Mining secured a four-year R220 million reducing balance revolving credit facility through Nedbank CIB. The facility was utilised for general business purposes and bore interest at a three-month JIBAR base rate plus a 3.75% margin. Interest payments under the facility were made quarterly in arrears, with the first payment made in January 2018.

The facility was repayable in four equal instalments of R55 million each over the next four years. The first capital repayment was due and paid in October 2018 and a further advance of R50 million was made during the 2019 financial year. The outstanding loan amount was R207.4 million at 2019 year-end comprising R203.2 million capital and accrued interest of R4.2 million.

The following securities were granted in favour of Nedbank CIB: mortgage bonds over Wescoal Mining's mining rights and immoveable property; a special notarial bond over plant and other immoveable equipment; a general notarial bond over moveable assets; cessions over the group's material subsidiaries' bank accounts, debtors and insurances; cessions over Wescoal Mining's material contracts; and a cession and pledge of all Wescoal Holdings Limited's shares in and claims against Nedbank CIB.

The Nedbank CIB RCF facility has been extinguished during the year through the refinanced Nedbank and Standard Bank revolving credit facility and term loan.

Nedbank CIB – invoice discounting facility ("IDF")

During the 2018 financial year, Wescoal Trading secured a R120 million scalable secured debtors receivable facility through Nedbank CIB. The facility was utilised to finance working capital elements of Wescoal Trading's operations via an invoice discounting facility at an advance rate of 80% of the debtors book. The facility bore interest at the prime lending rate, accrued on a day-to-day basis and was payable in arrears on the last day of each interest period. Capital repayments were due on the last day of each interest period to the extent that the maximum cover ratio of 1.3 times was breached or the facility outstanding exceeded the facility amount.

The facility's security package consisted of a pledge and cession of all Wescoal Trading's cash balances, bank accounts and investments; a pledge and cession of its accounts receivable and insurance policies and any proceeds thereof; and a pledge and cession of Wescoal Holding's rights and obligations under the coal supply agreement and/or purchase order.

The loan was secured by certain trade receivables of Wescoal Trading with a contractual value of R157.8 million as at 31 March 2019.

The Nedbank CIB IDF facility was extinguished during the previous year through the refinanced Nedbank and Standard Bank revolving credit facility and term loan.

22. Interest-bearing borrowings continued

Investec Group of Companies – Reichmans Proprietary Limited (CID loan)

The group's Keaton Mining Proprietary Limited secured a confidential invoice discounting ("CID") facility with Reichmans during February 2018 for the lesser of R100 million or 80% of qualifying debtors, which was increased to R150 million in August 2018.

The loan bore interest at the prime overdraft lending rate plus 1.25%, and a monthly administration fee of R40 000, excluding value added tax, was payable. The loan was secured by, among others, trade receivables of Keaton Mining Proprietary Limited with a contractual value of R95.6 million, an unlimited guarantee by Keaton Energy Holdings Limited, supported by a pledge and cession of all its rights, title and interest in and to all shares held in and all claims which it has against Keaton Mining, as well as a general notarial covering bond for a capital amount of R350 million over all moveable assets.

The fair values of the loans were not materially different to their carrying amounts, since the interest payable on these loans was close to market rates at the time.

The Reichmans Proprietary Limited (CID loan) was extinguished during the previous year through the refinanced Nedbank and Standard Bank revolving credit facility and term loan.

Gunvor SA – US dollar loan

During the 2014 year, Neosho Trading 86 Proprietary Limited, a subsidiary within the Keaton group, entered into a coal sales agreement with Gunvor SA ("Gunvor") for the supply of 600 000 tonnes of coal to be delivered from its Moabsvelden Project over a 22-month period from 1 January 2015 to 31 October 2016. This agreement had a prefinance loan clause where Gunvor paid an amount of USD4 million to assist with the development of the Moabsvelden Project and to enable the company to meet its obligations to supply coal under the agreement.

Due to delays beyond the control of the company, being the granting of an integrated water use licence and the conclusion of a coal supply agreement with Eskom, production did not commence by 31 December 2015 as required and the repayment terms were amended. The company commenced repayment of the loan in monthly instalments of USD0.1 million from November 2016. Monthly instalments increased to USD0.2 million from USD0.1 million, with the final instalment payable by June 2019. The loan bore interest at a nominal rate of 5.31% compounded monthly in arrears.

Gunvor SA is not a related party of the Wescoal group.

The loan with Gunvor was fully paid up and settled in June 2019.

Exposure to interest rate risk

Interest rate swaps

Certain interest rate swaps have been entered into in order to mitigate against the effect of reducing interest rates on cash flow risk.

On 28 February 2020, Wescoal entered into interest rate swap transactions with Nedbank and Standard Bank to fix interest rates for the full duration of the term loans at 6.4% (Nedbank) and 6.45% (Standard Bank) which was just below the ruling three-month JIBAR rate of 6.5% at the time of fixing. The purpose of the fixing of rates was to protect margins as most of Wescoal's revenue streams are at fixed pricing. Subsequent to entering into the swap transaction, the Reserve Bank reduced its lending rate by 200 basis points to stimulate the economy. Wescoal has reviewed options to revise swap transactions, but the reduced rate is limited to 10 basis points and results in new caps being introduced should the interest rates increase in future.

Interest rate sensitivity analysis

A sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Refer to financial risk management (note 38) for the interest rate sensitivity analysis.

23. Financial liabilities at amortised cost

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Amortised cost				
Aztolinx settlement	–	104 755	–	–
Vendor liability	–	30 022	–	–
Underground access right agreement	3 087	4 921	–	–
Minority buy-out	16 572	–	–	–
	19 659	139 698	–	–
Split between non-current and current portions				
Non-current liabilities	–	2 975	–	–
Current liabilities	19 659	136 723	–	–
	19 659	139 698	–	–
Minimum lease payments due				
– within one year	2 974	2 737	–	–
– in second to fifth year inclusive	490	3 352	–	–
	3 464	6 089	–	–
Less: Future finance charges	(377)	(1 168)	–	–
Present value of minimum lease payments	3 087	4 921	–	–
Present value of minimum lease payments due				
– within one year	2 609	1 946	–	–
– in second to fifth year inclusive	478	2 975	–	–
	3 087	4 921	–	–

The agreement with Nungu Trading 341 Proprietary Limited, whereby the group obtained the use of the underground access point and the stockpile area, is classified as a financial liability (refer to note 7).

The financial liability was accounted for initially at fair value and subsequently at amortised cost using the effective interest method. The contractual minimum future payments have been discounted at an effective interest rate equivalent to the prime interest rate of 10.5% on the transaction date. The liability will be settled in 54 monthly instalments with a final payment in May 2021.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Vendor liability				
Opening balance	30 022	26 129	–	–
Discount on provision unwound through profit or loss	–	3 893	–	–
Settlement during the year	(30 022)	–	–	–
Closing balance	–	30 022	–	–

23. Financial liabilities at amortised cost continued

The vendor liability was settled during the year as part of the minority buy-out transactions, refer to minority buy-out below.

Performance milestone

Keaton Energy Holdings Limited, a group company, was required to make payments in cash to the founding shareholders of the Moabsvelden Project for the acquisition of 74% of the issued share capital of Neosho Trading 86 Proprietary Limited. These payments were due at various stages of project development in accordance with a schedule of performance milestones. The vendor liability was settled as part of the minority buy-out during the 2020 financial year. The performance milestone, not achieved yet as at 31 March 2019 is as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Commencement of commercial production at Moabsvelden (includes a success fee of 1% of the vendor payment payable to each of the two advisors)	–	30 022	–	–

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Aztolinx settlement				
Consideration payable	104 755	212 750	–	–
Repayments	(106 870)	(109 444)	–	–
Finance charges	2 115	1 449	–	–
Closing balance	–	104 755	–	–

During the prior financial year, Wescoal Mining Proprietary Limited, a wholly-owned subsidiary, entered a sale-and-purchase agreement whereby Aztolinx's interest in Khanyisa Triangle reserve was extinguished (refer to note 9).

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Minority buy-out				
Consideration payable	70 000	–	–	–
Settlement during the year	(53 428)	–	–	–
Closing balance	16 572	–	–	–

During the current year, Wescoal acquired the remaining 26% shareholding of Neosho Trading 86 Proprietary Limited through its wholly-owned subsidiary Keaton Energy Holdings Limited. Keaton Energy Holdings Limited has reached an agreement with the minority shareholders which would settle the vendor liability as well as acquire the remaining shareholding. In terms of the agreement, the minority buy-out consideration is to be paid in monthly instalments.

24. Lease liabilities

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Minimum lease payments due				
– within one year	76 113	3 733	1 143	–
– in second to fifth year inclusive	272 793	109	127	–
	348 906	3 842	1 270	–
Less: Future finance charges	(65 014)	(178)	(65)	–
Present value of minimum lease payments	283 892	3 664	1 205	–
Present value of minimum lease payments due				
– within one year	53 872	3 568	1 205	–
– in second to fifth year inclusive	230 020	96	–	–
	283 892	3 664	1 205	–
Non-current liabilities	230 020	96	–	–
Current liabilities	53 872	3 568	1 205	–
	283 892	3 664	1 205	–

IFRS 16 has been adopted during the current year resulting in a right-of-use asset being recognised for land and buildings as well as mining machinery. The mining machinery had been leased in a back-to-back agreement with the mining contractor (refer to notes 4 and 13).

Reconciliation of finance lease liabilities

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
At the beginning of the year	3 664	8 528	–	–
Non-cash additions	–	624	–	–
Additional financial liabilities	304 263	103	1 788	–
Finance costs	11 950	714	101	–
Payments	(35 985)	(6 305)	(684)	–
	283 892	3 664	1 205	–

During the current year, the group entered into an instalment sale agreement with its lenders namely, Nedbank Limited and Standard Bank of South Africa Limited, to acquire a fleet of mining machinery through a back-to-back finance lease agreement with its mining contractor. The terms mirrored that of the instalment sale agreement which increased the lease liability by R297.4 million. The finance term is for 60 months with an effective borrowing rate of 9.5% (Nedbank) and 8.75% (Standard Bank). The finance term is for 60 months with an effective borrowing rate of 9.5% (Nedbank) and 9% (Standard Bank). The interest rate at the contract date was the prime interest rate minus 0.5% for Nedbank and prime minus 1.0% for Standard Bank.

Further to the mining fleet, the group financed certain motor vehicles and equipment under instalment sale agreements. The average finance term is three years and the average effective borrowing rate is 9.25% (FY19: 10.55%). Interest rates are linked to prime minus 0.5% and prime minus 1% at the contract date.

The instalment sale agreements are secured by vehicles of Rnil (FY19: R0.16 million), IT equipment of R0.05 million (FY19: R0.103 million) and surface rights of R10.7 million (FY19: R10.7 million), all quoted at their carrying values (refer to note 3).

The group uses its WACC to assess projects the group's WACC is calculated by combining the forward-looking JIBAR+3.5% at a gearing ratio of 50% with the cost of equity calculated using the risk-free rate adjusted for market-related risk premiums and specific asset-related and company-related risk premiums. The total WACC for the group has been calculated at 9.89%.

25. Environmental rehabilitation provision

Reconciliation of environmental rehabilitation provision

	Opening balance R'000	Additions R'000	Rehabilitation work performed during the year R'000	Time value of money and inflation component of rehabilitation R'000	Total R'000
Group					
2020					
Environmental rehabilitation	**625 995**	**25 459**	**(1 984)**	**51 547**	**701 017**

	Opening balance R'000	Additions R'000	Disposal R'000	Time value of money and inflation component of rehabilitation R'000	Total R'000
Group					
2019					
Environmental rehabilitation	501 245	120 190	(35 101)	39 661	625 995

The group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The above is a reconciliation of the total liability for environmental rehabilitation.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the present value of total estimated future rehabilitation cash flows is approximately R701 million (FY19: R626 million).

The breakdown of the liability per site is as follows:

Breakdown of environmental rehabilitation provision

	Khanyisa R'000	Elandspruit R'000	Blesbok-laagte R'000	Vanggat-fontein R'000	Intibane R'000	Total R'000
Group						
2020						
Environmental rehabilitation	**86 728**	**227 832**	**947**	**370 565**	**14 945**	**701 017**
2019						
Environmental rehabilitation	55 270	183 943	893	385 889	–	625 995

25. Environmental rehabilitation provision continued

Breakdown of environmental rehabilitation provision continued

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Non-current liabilities	700 070	625 102	–	–
Current liabilities	947	893	–	–
	701 017	625 995	–	–

In determining the above provision, the current cost estimates as determined by environmental rehabilitation experts have been escalated to a future value at an inflation rate of between 4.8% and 4.0% (FY19: 6.0%) over a period of between 11 and four years (FY19: nine and four years). The future value was then discounted at a rate of between 10.8% and 5.5% (FY19: between 7.8% and 8.6 %) giving a real discount rate of between 2.8% and 1.5% (FY19: between 2.86% and 1.8). A 0.5% change in the real discount rate would change the present value of the liability by R24.97 million (FY19: R25.48 million).

The group's net capitalisation of R25.5 million relates to changes in estimates to mineral properties (FY19: R120.1 million) and expensed Rnil to profit or loss for the year (FY19: Rnil).

The discounting period for each mine site as at 31 March 2020 is as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Discounting period (years)				
Khanyisa	4	4	–	–
Elandspruit	5	7	–	–
Vanggatfontein	11	10	–	–

The group intends to finance the ultimate rehabilitation costs from the money invested in and ongoing contributions to environmental rehabilitation investments, as well as the proceeds on sale of assets at the time of mine closure. The group has guarantees in place relating to environmental liabilities.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Net undiscounted obligation				
Estimated rehabilitation cost (undiscounted)	1 003 129	807 868	–	–
Amounts invested in rehabilitation investment	(54 919)	(47 797)	–	–
Total net undiscounted obligation	948 210	760 071	–	–
Guarantees				
Environmental rehabilitation guarantees issued to the Department of Mineral Resources and Energy	345 049	238 297	–	–
Environmental rehabilitation guarantees issued to other parties	25 797	48 475	–	–
	370 846	286 772	–	–

These guarantees have been issued by third parties on behalf of the group and are secured by a cession over the rehabilitation investments and cash and cash equivalents (refer to notes 10 and 19), together with other group sureties and indemnities.

The rehabilitation liability will be funded from operational cash flows generated by the group's normal operations.

26. Trade and other payables

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Financial instruments				
Trade payables	592 419	425 809	7 166	12 395
Payroll accruals	17 058	27 062	5 384	6 150
Accruals	54 167	15 699	6 583	12 350
Other payables	40 563	47 896	150	2 150
Non-financial instruments				
Value added tax	39 130	38 438	–	519
	743 337	554 904	19 283	33 564

27. Loans from group companies

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Subsidiaries				
Wescoal Trading Proprietary Limited	–	–	331 563	343 869
Wescoal Mineral Recoveries Proprietary Limited	–	–	604	604
Wescoal Exploration Proprietary Limited	–	–	548	548
	–	–	332 715	345 021

Inter-company loans payable are subordinated in favour of borrowings raised (refer to note 22).

28. Revenue

Revenue was allocated in different categories based on risk profiles and price characteristics.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue from contracts with customers				
Sale of goods	3 001 654	3 052 363	–	–
Rendering of services	808 836	912 041	93 366	69 797
	3 810 490	3 964 404	93 366	69 797
Revenue other than from contracts with customers				
Interest received	–	–	45 455	9 986
Dividends received	–	167	–	167
	–	167	45 455	10 153
	3 810 490	3 964 571	138 821	79 950

28. Revenue continued

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Disaggregation of revenue from contracts with customers				
Sale of goods				
Local sales	1 222 222	1 392 845	–	–
Eskom sales	1 674 145	1 542 281	–	–
Export sales	105 287	117 237	–	–
	3 001 654	3 052 363	–	–
Rendering of services				
Administration and management fees received (recognised over time)	–	–	93 366	69 797
Transport services (recognised on coal delivery)	808 508	911 213	–	–
Rental income (recognised over time)	328	828	–	–
	808 836	912 041	93 366	69 797
Total revenue from contracts with customers	3 810 490	3 964 404	93 366	69 797

29. Cost of sales

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Sale of goods	3 150 211	3 283 943		–
Depreciation	327 490	219 045		–
	3 477 701	3 502 988		–
Sale of goods				
Direct purchases	1 908 307	2 092 802		–
Royalty expenses	39 230	45 807		–
Mining contract cost	948 491	880 041		–
Consumables and maintenance cost	8 024	11 535		–
Staff cost	5 706	12 916		–
Fuel	240 184	240 392		–
Mining overhead and other cost	269	450		–
	3 150 211	3 283 943	–	–
Coal processing – depreciation				
Property, plant and equipment	327 490	219 045	–	–

30. Operating (loss)/profit

Operating (loss)/profit for the year is stated after charging (crediting) the following, among others:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Operating income				
Royalties received	2 790	–	–	–
Income from land use from Triangle resource	–	7 907	–	–
Sundry income from Triangle resource (refer to note 9)	–	25 335	–	–
Fair value (loss)/gain on financial assets	(6 374)	209	8	–
Supplementary income	3 366	16 280	–	54
Management fees received from Triangle resource	–	20 858	–	–
Management fees received from Arnot Holdco	4 550	–	–	–
By-product sales	1 234	–	–	–
	5 566	70 589	8	54
Auditor's remuneration – external				
Audit fees	5 724	4 765	5 724	4 765
Adjustment for previous year	–	2 883	–	2 883
	5 724	7 648	5 724	7 648
Remuneration, other than to employees				
Consulting and professional services	47 614	44 952	35 220	38 228

Employee costs

As at 31 March 2020, the group had 202 permanent employees, excluding contractors (FY19: 182). The total cost of employment of all employees, including executive directors, was as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Salaries, wages, bonuses and other benefits	101 651	98 990	42 769	36 496
Other short-term costs	10	–	555	–
Retirement benefit plans: defined contribution expense	6 509	4 499	2 071	1 309
Payroll provision movement	–	(2 642)	–	–
Share-based compensation expense	951	1 474	3 106	499
Total employee costs	109 121	102 321	48 501	38 304
Leases				
Operating lease charges				
Premises	9 828	6 829	109	810
Equipment	527	699	–	–
	10 355	7 528	109	810

30. Operating (loss)/profit continued

Depreciation and amortisation

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Depreciation and amortisation				
Depreciation of property, plant and equipment	331 741	223 017	1 099	354
Amortisation of intangible assets	2 584	9 386	2 123	2 105
Total depreciation and amortisation	334 325	232 403	3 222	2 459
Less: Depreciation included in cost of merchandise sold and inventories	(327 490)	(219 045)	–	–
Total depreciation and amortisation expensed	6 835	13 358	3 222	2 459
Other				
Repairs and maintenance	16 900	15 720	–	–
Computer expenses	9 299	10 919	5 307	5 207

31. Interest income

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest income				
Investments in financial assets				
Interest on bank deposits	2 619	4 996	261	3 900
Finance lease receivables	15 375	–	–	–
Other financial assets	3 960	11 177	3 766	6 086
Loans to group companies				
Subsidiaries	–	–	41 428	–
	21 954	16 173	45 455	9 986
Disclosed as revenue	–	–	(45 455)	(9 986)
Total interest income	21 954	16 173	45 455	–

No notional interest was received during the 2019 financial year.

Wescoal Holdings recovers the finance charges from the refinanced borrowings to its subsidiaries based on the proportion of the amount borrowed by each subsidiary (refer to note 22).

32. Finance costs paid

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest-bearing borrowings	56 002	38 920	52 645	–
Instalment sale agreements	13 784	714	–	–
Bank overdraft	16 013	5 721	10 022	786
Unwinding of discount on provisions and other liabilities	50 346	39 663	–	–
Other interest paid	15 115	9 010	1 076	–
Total finance costs	151 260	94 028	63 743	786
Less: Capitalised to qualifying assets	–	(1 142)	–	–
Total finance costs expensed	151 260	92 886	63 743	786

33. Taxation

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Major components of the tax expense/(income)				
Current				
Local income tax – current period	38 555	85 227	52	382
Local income tax – recognised in current tax for prior periods	5 501	2 763	805	–
	44 056	87 990	857	382
Deferred				
Originating and reversing temporary differences	(38 103)	(28 933)	(6 676)	1 449
Arising from previously unrecognised tax loss/tax credit/ temporary difference	(1 543)	–	–	–
	(39 646)	(28 933)	(6 676)	1 449
	4 410	59 057	(5 819)	1 831
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting profit/(loss)	(132 192)	147 323	(45 515)	(31 630)
Tax at the applicable tax rate of 28% (FY19: 28%)	(37 014)	41 250	(12 744)	(8 856)
Other adjustments				
Non-deductible expenses				
Share-based payment expense	166	413	–	–
Expenses not deductible	14 112	6 371	(3 576)	5 731
Amortisation of mineral right	–	7 907	–	–
Transactional costs not deductible	–	6 300	–	6 300
Penalties and interest	8 520	–	7 934	–
Bad debts written off	4 200	–	–	–
Amortisation of mineral right	14 255	–	–	–
Recoupment and settlements in property, plant and equipment	60	–	–	–
Royalty expenses	3 141	–	–	–
Transaction cost	3 281	–	3 276	–
Non-taxable income				
Interest on preference shares	(1 514)	(1 344)	(1 514)	(1 344)
Interest received – finance lease liability	(3 977)	–	–	–
Sale on disposal of property, plant and equipment	(172)	–	–	–
Other adjustments				
Assessed loss previously not recognised as deferred tax asset	(6 486)	(4 622)	–	–
Other adjustments	(104)	2 763	–	–
Capital gain taxed at lower rate	123	19	–	–
Adjustment in respect of prior periods	5 819	–	805	–
	4 410	59 057	(5 819)	1 831

34. Cash (used in)/generated from operations

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
(Loss)/profit before taxation	(132 192)	147 323	(45 515)	(31 630)
Adjustments for:				
Depreciation of property, plant, equipment and prepayment	331 741	223 017	1 099	354
Amortisation of intangible assets	2 584	9 386	2 122	2 105
Amortisation of right-of-use asset	1 324	–	–	–
Profit on sale of assets	(583)	(16 325)	–	–
Losses on foreign exchange	–	11 075	–	–
Income from equity-accounted investments	346	–	–	–
Share-based payment expense	955	–	955	–
Interest income	(21 954)	(16 173)	(45 455)	(9 986)
Finance costs paid	151 260	92 886	63 743	786
Fair value loss/(gain)	14 209	(209)	–	–
Other non-cash prepaid royalty	1 504	1 358	–	–
Rehabilitation cost incurred	(1 984)	–	–	–
Changes in working capital				
Inventories	(48 512)	3 564	–	–
Trade and other receivables	(297 413)	(24 085)	(9 551)	(6 464)
Trade and other payables	182 059	30 390	(14 281)	(19 701)
	183 344	462 207	(46 883)	(64 536)

35. Tax paid

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at the beginning of the year	(14 199)	(39 478)	(66)	316
Current tax for the year recognised in profit or loss	(35 623)	(87 990)	(857)	(382)
Balance at the end of the year	(7 252)	14 199	(559)	66
	(57 074)	(113 269)	(1 482)	–

36. Dividends paid

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Dividends	–	(35 013)	–	(35 013)

Dividends are from capital profits.

37. Commitments

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Authorised capital expenditure				
Not yet contracted for and authorised by directors	617	91	–	–
Already contracted but not provided for	–	–	–	–

This committed expenditure relates to property and will be financed by available bank facilities and retained profits.

38. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

	Notes	Fair value through profit or loss – mandatory R'000	Amortised cost R'000	Non-financial assets R'000	Total R'000	Fair value R'000
Group						
2020						
Other receivables	12	–	49 860	–	49 860	49 860
Investments at fair value	10	54 919	–	–	54 919	54 919
Finance lease receivables	13	–	280 284	–	280 284	280 284
Trade and other receivables	17	–	904 671	69 650	974 321	904 671
Cash and cash equivalents	19	–	44 787	–	44 787	44 787
Restricted cash		–	6 423	–	6 423	–
		54 919	1 286 025	69 650	1 410 594	1 334 521
2019						
Other receivables		–	44 454	–	44 454	44 454
Investments at fair value	10	47 797	–	–	47 797	47 797
Trade and other receivables	17	–	583 116	81 426	664 542	664 542
Cash and cash equivalents	19	–	116 296	–	116 296	116 296
Restricted cash		–	6 423	–	6 423	–
Acquisition deposit		–	153 410	–	153 410	–
		47 797	903 699	81 426	1 032 922	873 089

38. Financial instruments and risk management continued

Categories of financial instruments continued

Categories of financial assets continued

	Notes	Amortised cost R'000	Total R'000	Fair value R'000
Company				
2020				
Loans to group companies	11	**1 108 272**	**1 108 272**	**1 108 272**
Other receivables		**49 860**	**49 860**	**49 860**
Trade and other receivables	17	**26 950**	**26 950**	**–**
Cash and cash equivalents	19	**1 592**	**1 592**	**–**
		1 186 674	**1 186 674**	**1 158 132**
2019				
Loans to group companies	11	150 965	150 965	150 965
Other receivables		44 454	44 454	44 454
Trade and other receivables	17	27 693	27 693	27 693
Cash and cash equivalents	19	721	721	721
		223 833	223 833	223 833

Categories of financial liabilities

	Notes	Amortised cost R'000	Total R'000	Fair value R'000
Group				
2020				
Trade and other payables	26	**704 207**	**704 207**	**704 207**
Interest-bearing borrowings	22	**883 863**	**883 863**	**883 863**
Lease obligations	24	**283 892**	**283 892**	**283 892**
Financial liabilities at amortised cost	23	**19 659**	**19 659**	**19 659**
Bank overdraft	19	**97 172**	**97 172**	**97 172**
		1 988 793	**1 988 793**	**1 988 793**
2019				
Trade and other payables	26	516 466	516 466	516 466
Interest-bearing borrowings	22	430 729	430 729	430 729
Lease obligations	24	3 664	3 664	3 664
Financial liabilities at amortised cost	23	139 698	139 698	139 698
Bank overdraft	19	147 047	147 047	147 047
		1 237 604	1 237 604	1 237 604

38. Financial instruments and risk management continued

Categories of financial liabilities continued

	Notes	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000	Fair value R'000
Company					
2020					
Trade and other payables	26	–	19 283	19 283	19 283
Loans from group companies	27	–	332 715	332 715	276 967
Interest-bearing borrowings	22	6 922	883 838	890 760	890 760
Lease obligations	24	–	1 205	1 205	1 205
Bank overdraft	19	–	97 172	97 172	97 172
		6 922	1 334 213	1 341 135	1 285 387

	Notes	Amortised cost R'000	Total R'000	Fair value R'000
Company				
2019				
Trade and other payables	26	33 045	33 045	33 045
Loans from group companies	27	345 021	345 021	345 021
Bank overdraft	19	36 989	36 989	36 989
		415 055	415 055	415 055

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The approach and capital policies remained consistent with the previous year. Optimising the capital structure remains a key priority, and the group may issue new shares, raise long-term debt or sell assets to optimise appropriate capital structure and return on equity.

The group monitors capital on the basis of the gearing ratio, calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings (including current and non-current borrowing as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

The group's long-term target gearing ratio is to remain below 50%. Debt covenants include measurement of net debt against EBITDA, debt service ratio, interest cover ratio and net debt to equity ratio. The facilities (refer to liquidity risk) with Nedbank CIB and Standard Bank Limited represent a limited concentration risk. Concentration risk is managed by actively monitoring compliance with debt covenants.

The group's gearing ratio increased during the year as a result of additional financing requirements due to financial performance of the operations.

Under the refinanced debt package, the following debt covenants are applicable (refer note 22).

38. Financial instruments and risk management continued

Capital risk management continued

The capital structure and gearing ratio at 2020 and 2019, respectively, was as follows:

		Group		Company	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Loans from group companies	27	–	–	332 715	345 021
Financial liabilities at fair value	23	19 659	139 698	–	–
Borrowings	22	883 863	430 729	890 760	–
Lease liabilities	24	283 892	3 664	1 205	–
Bank overdraft		97 172	147 047	97 172	36 989
Total borrowings		1 284 586	721 138	1 321 852	382 010
Cash and cash equivalents	19	(44 787)	(116 296)	(1 592)	(721)
Acquisition deposit		–	(153 410)	–	–
Net borrowings		1 239 799	451 432	1320 260	381 289
Equity		883 045	1 091 596	570 876	644 409
Total capital		2 122 844	1 543 028	1 891 136	1 025 698
Gearing ratio (%)		58	29	70	32

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Risk management is carried out by the head office function under policies approved by the board. The head office function identifies, evaluates and manages financial risks in close cooperation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity. The group was exposed to limited foreign currency exchange risk on the US dollar-denominated Gunvor and Vitol loans during the prior year. Gunvor was the last to have been settled during the current year (refer to note 22).

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors, other receivables and loans and receivables. The group only deposits cash with major banks with high-quality credit standings and limits exposure to any one counterparty.

The group has assessed the concentration of credit risk, the following concentrations has been assessed: customer specific; industry specific; and regions.

There is a significant concentration of credit risk on the following levels: Wescoal is exposed to only a few individual customers; also exposed to a specific industry, namely, coal mining; and further also exposed to Mpumalanga regions specific. Trade receivables consist mainly of Eskom, Sasol Mining, government institutions and private sector and mining entities. Eskom and Sasol Mining have a history of no defaults and credit ratings of Caa1 and Ba2 respectively. It is the group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity and financial position (refer to notes 1.11, 1.2, 2 and 11 for further information).

38. Financial instruments and risk management continued

Credit risk continued

Through the incorporation of forward-looking information in the assessment of expected credit losses, the group took into account the general downturn in economic growth forecasts driven by the COVID-19 pandemic. However, the group concluded that due to the nature of its operations, the continued demand for its products from power utilities and other essential services providers, the expected credit loss risk remained low. As a result, the increase in expected credit losses for the 2020 financial year was not material.

The group strives to enter into sales contracts with customers which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered.

Wescoal group establishes an allowance for non-recoverability or impairment that represents its estimated credit loss allowance in respect of trade receivables, other receivables, cash and cash equivalents and loans and receivables. The main components of these allowances are a 12-month ECL component that results from possible default events within the 12 months after the reporting date and a lifetime ECL component that results from all possible default events over the expected life of a financial instrument.

Due to the fact that none of the trade receivables contains a significant financing component, the simplified lifetime ECL model was applied.

Trade receivables

The group measures ECL allowance on a grouped basis using the provision matrix for trade and other payables, for cash equivalents, cash deposits, other receivables and loans and receivables the group does not measure these instruments on a collective basis.

During Levels 5 and 4, the company operated as a essential services entity, with sales mainly going to Eskom and Sasol which are also essential services entities. The group's trading business has a diverse client base and following the easing of the lockdown sales and offtake has largely returned to pre-lockdown levels, with minimal customers requesting payment arrangements or concessions on price, as a result no additional provisions have been made to the ECL allowance for COVID-19.

To measure the ECL, trade receivables have been grouped based on the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2020 or 1 April 2020, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as COVID-19 which may affect the ability of the customer to settle the receivables.

Debt investments

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider low credit risk for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low-risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near-term.

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to related parties and key management personnel, and other receivables.

No loss allowance for other financial assets at amortised cost has been raised as at 31 March 2020 due to the nature of the underlying entity being in a operating position, other than the loan to Proudafrique Trading which have been provided for.

38. Financial instruments and risk management continued

Debt investments continued

Other financial assets at amortised cost continued

The maximum exposure to credit risk is presented in the table below:

	Notes	2020 Gross carrying amount R'000	2020 Credit loss allowance R'000	2020 Amortised cost/fair value R'000	2019 Gross carrying amount R'000	2019 Credit loss allowance R'000	2019 Amortised cost/fair value R'000
Group							
Investments at fair value	10	54 919	–	54 919	47 797	–	47 797
Lease receivables	13	280 284	–	280 284	–	–	–
Trade and other receivables	17	910 273	(5 602)	904 671	588 751	(5 635)	583 116
Cash and cash equivalents	19	119 403	–	119 403	116 296	–	116 296
Other receivables	12	49 860	–	49 860	44 454	–	44 454
		1 414 739	(5 602)	1 409 137	797 298	(5 635)	791 663
Company							
Loans to group companies	11	1 109 284	(1 012)	1 108 272	151 977	(1 012)	150 965
Trade and other receivables	17	26 950	–	26 950	27 693	–	27 693
Cash and cash equivalents	19	1 592	–	1 592	721	–	721
Other receivables	12	49 860	–	49 860	44 454	–	44 454
		1 187 686	(1 012)	1 186 674	223 833	(1 012)	223 833

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The following tables analyse the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Notes	Less than one year R'000	One to two years R'000	Two to five years R'000	Total R'000	Carrying amount R'000
Group						
2020						
Non-current liabilities						
Lease liabilities	24	–	175 122	54 898	230 020	230 020
Current liabilities						
Trade and other payables	26	704 207	–	–	704 207	704 207
Interest-bearing borrowings	22	883 863	–	–	883 863	883 863
Financial liabilities at fair value	23	19 659	–	–	19 659	19 659
Lease liabilities	24	53 872	–	–	53 872	53 872
Bank overdraft	19	97 172	–	–	97 172	97 172
		1 758 773	175 122	54 898	1 988 793	1 988 793

38. Financial instruments and risk management continued

Liquidity risk continued

	Notes	Less than one year R'000	One to two years R'000	Two to five years R'000	Total R'000	Carrying amount R'000
Group						
2019						
Non-current liabilities						
Interest-bearing borrowings	22	–	148 201	–	148 201	148 201
Financial liabilities at fair value	23	–	2 975	–	2 975	2 975
Lease liabilities	24	–	96	–	96	96
Current liabilities						
Trade and other payables	24	516 466	–	–	516 466	516 466
Interest-bearing borrowings	22	282 528	–	–	282 528	282 528
Financial liabilities at fair value	23	136 723	–	–	136 723	136 723
Lease liabilities	24	3 568	–	–	3 568	3 568
Bank overdraft	19	147 047	–	–	147 047	147 047
		1 086 332	151 272	–	1 237 604	1 237 604

	Notes	Less than one year R'000	One to two years R'000	Two to five years R'000	Total R'000	Carrying amount R'000
Company						
2020						
Current liabilities						
Trade and other payables	24	**19 283**	**–**	**–**	**19 283**	**19 283**
Loans from group companies	27	**332 715**	**–**	**–**	**332 715**	**332 715**
Interest-bearing borrowings	22	**890 760**	**–**	**–**	**890 760**	**890 760**
Lease liabilities	24	**1 205**	**–**	**–**	**1 205**	**1 205**
Bank overdraft	19	**97 172**	**–**	**–**	**97 172**	**97 172**
2019						
Current liabilities						
Trade and other payables	26	33 045	–	–	33 045	33 045
Loans from group companies	27	345 021	–	–	345 021	345 021
Bank overdraft	19	36 989	–	–	36 989	36 989

The group manages liquidity risk through an ongoing review of credit facilities to ensure funds are available to cover future commitments.

Cash flow forecasts are prepared in the operating entities of the group and aggregated by group treasury, monitoring rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Where debt covenants were under pressure during the year, the financing institutions confirmed acceptance and continued support on financing.

38. Financial instruments and risk management continued

Liquidity risk continued

The liquidity position is addressed as follows:

- Through undrawn overdraft facilities (refer to note 19);
- The directors refinanced the group debt structures during the current financial year. R1.1 billion worth of debt facilities has been raised, which is adequate to cover the group's liquidity requirements; and
- The group breached, at the end of the financial year, the debt covenants, however, application was made to the financial institutions who confirmed and waived the breach subsequent to year-end.

Due to the debt covenant breach as described on note 22, the group had reclassified R812.9 million of non-current debt to current in line with IFRS requirements, subsequent to year end and following the waiver as referred to in note 42, on 3 June 2020, the non-current balance has been restored.

Cash flow interest rate risk

As the group has no significant net interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates except for the finance lease receivable on the mining fleet.

The group's and company's interest rate risk arises mainly from variable rate instalment sale agreements and borrowings. These borrowings carry variable rates that are linked to the prime lending rate in South Africa. The group has entered into an interest rate swap over the borrowings (refer note 22).

The company has no significant cash flow interest rate risk arising from its interest-bearing loans to and from group companies as these loans are interest free. Instead, the company is exposed to fair value interest rate risk on its external borrowings. The company's income and operating cash flows are substantially independent of changes in market interest rates.

Fair value interest rate risk

The group has entered into an interest rate swap in order to mitigate against the effect of changes in interest rates.

	2020	
	Increase R'000	Decrease R'000
Group		
Pay variable three-month JIBAR less 0.5%, receive fixed 9.83%. Five-years, payable quarterly.	(10 833)	10 833
Company		
Pay variable three-month JIBAR less 0.5%, receive fixed 9.83%. Five-years, payable quarterly.	(10 833)	10 833

A sensitivity analysis has shown that should the three-month JIBAR increase by 1% the swap liability would decrease by R10.8 million.

Interest rate sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2019.

	2020		2019	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
Group				
Increase or decrease in rate				
Impact on profit or loss				
Interest-bearing borrowings 1% (FY19: 1%)	(8 838)	8 838	(6 048)	6 048
Company				
Increase or decrease in rate				
Impact on profit or loss				
Interest-bearing borrowings 1% (FY19: 1%)	(8 907)	8 907	(363)	363

39. Fair value information

Price risk

The group has no significant investments in equity instruments. The group is not exposed to commodity price risk.

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 2

Recurring fair value measurements

		Group		Company	
	Note	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Assets					
Financial assets mandatorily at fair value through profit/(loss)	10				
Restricted investments in rehabilitation portfolio		54 919	47 797	–	–
Total		54 919	47 797	–	–

The restricted investment portfolio is managed primarily by Old Mutual and Centriq and is mainly invested in actively trading unit trust shares, equity and cash.

Level 2 fair values for debt instruments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date. These financial institutions invest in instruments which are listed.

Level 3

Recurring fair value measurements

		Group		Company	
	Note	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Liabilities					
Financial liabilities at fair value through profit/(loss)	23				
Interest-bearing borrowings		6 922	–	–	–
Total		6 922	–	–	–

The interest-bearing borrowings contain a swap through which Wescoal Holdings has swapped its variable commitment to pay on the three-month JIBAR less 0.5%, fixed at 9.83%.

Valuation processes applied by the group

The fair value computations of the investments are performed by the group's corporate finance department, reporting to the CFO, on an annual basis. The valuation reports are discussed with the chief operating decision-maker and the audit committee in accordance with the group's reporting governance.

40. Share-based payments

Movements in the number of share options outstanding and their related weighted average share price at exercise date of options are as follows:

	2020		2019	
	Number	Weighted exercise price (cents)	Number	Weighted exercise price (cents)
Share option group				
Outstanding at the beginning of the year	**7 468**	**193**	9 269	193
Exercised	**(15)**	**162**	(316)	121
Expired	**(1 422)**	**168**	(1 615)	198
As at year-end	**6 031**	**186**	7 338	191

Of the 6.0 million (FY19: 7.4 million) outstanding options, 0.8 million (FY19: 2.94 million) options were exercisable as at 31 March 2020.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price in cents per share	Share options 2020 '000	Share options 2019 '000
8 November 2013	7 November 2018	212	**–**	2 000
22 July 2014	20 July 2032	181	**740**	584
28 August 2014	26 August 2032	172	**500**	400
4 November 2014	2 November 2032	185	**840**	–
25 November 2015	23 November 2033	111	**805**	735
28 November 2016	27 November 2034	246	**850**	850
28 September 2017	27 September 2035	213	**2 296**	2 769
			6 031	7 338

41. Going concern

Implications of COVID-19 on the group

Wescoal has developed a very comprehensive COVID-19 response plan that was initiated in March 2020 before the national lockdown commenced, overseen by an Exco steering committee. All operations have developed COVID-19 standard operating procedures and have approved a Code of Practice in line with national legislation.

The effect of COVID-19 on Wescoal's operations to date has been minimal with limited business interruption. The group has not identified any significant long-term downturn in sales volumes to customers nor have they made any material concessions or payment arrangements with customers.

The main reasons that the group is not significantly impacted by COVID-19 is:

- During Levels 5 and 4, the company operated as a essential services entity, with sales mainly going to Eskom and Sasol which are also essential services entities; and
- The group's trading business has a diverse client base and following the easing of the lockdown sales and offtake has largely returned to pre-lockdown levels, with minimal customers requesting payment arrangements or concessions on price, however, the impact of COVID-19 has been taken into account on the impairment models.

41. Going concern continued

Current year profitability

The group has regrettably incurred a net loss of R137 million for the year ended 31 March 2020 (FY19: R88 million NPAT) which is a drastic decline to the comparative period. There were various production-related challenges that were experienced by the group across all the operations with VGF having the most significant negative impact. Wescoal Trading also faced challenges in the second half of the year mainly due to a decline in order quantities from their main customer which has also negatively contributed to the result. Khanyisa had the most significant positive contribution to the group. The Moabsvelden Project is still anticipated to have a positive impact on the group in the new financial year.

Cash balances and liquidity

Wescoal breached its financial covenants during the current financial year as a result of the poorer EBITDA performance and limited offsetting of the ABF. The lenders agreed to waive both these breaches. For the March 2020 reporting period, as a result of delays in receipts from Eskom and Sasol (payments were not made as contracted), the net debt balance was R404 million (Eskom R358 million and Sasol R46 million) higher than normal and resulted in a "technical breach" of the net debt to EBITDA covenant. The lenders waived this breach on 3 June 2020. Based on the above, amendments to cash flow projections indicate that adequate funds are available to meet all the business' requirements up to March 2020 despite the low EBITDA performance over the measurement period (prior 12 months). The latest forecast until March 2021 does not indicate a risk of breach and the headroom of R100 million on full utilisation of facilities.

Solvency

As at 31 March 2020, the assets exceeded the total liabilities of the group by R885 million (FY19: R1 billion) which reflects that the group is still solvent.

42. Events after the reporting period

COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of reported cases. Measures taken by the South African government to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (including social distancing and working from home) and securing the supply of materials that are essential to our production process.

At this stage, the impact on our business and results has not been significant and, based on our experience to date, we expect this to remain the case. We will continue to follow South African government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

All business units have developed business continuity plans and are in a state of readiness for any eventuality. While the COVID-19 risk remains, Wescoal is continuously reviewing and revising its plans to safeguard its staff, contractors and its operations. The company has also secured facilities for quarantine in cases where our employees do not have facilities to self-isolate.

To date, there have been a limited number of reported and confirmed cases at Wescoal's sites. The health and safety of all our employees and the communities adjacent to our operations remain our top priority.

We also refer to note 41, and while no uncertainty about the entity's ability to continue as a going concern is identified, management has considered the impact of COVID-19 on liquidity.

JSE annual report extension

Shareholders are referred to the market notice issued by the Financial Services Conduct Authority on 3 April 2020, in respect of the extension of financial reporting periods. The company decided to utilise the two-month extension period afforded to issuers with year-ends of 31 December 2019 to 31 March 2020.

While every effort has been made to ensure business continuity, the controls and protocols that have been implemented to ensure the health and safety of all staff have had a pervasive impact on the company, particularly as it relates to our financial reporting timelines. Given the uncertainty as to the duration and extent of the impact of COVID-19, the board of directors of Wescoal considered it prudent and in the best interests of the company to utilise the two-month extension period.

42. Events after the reporting period continued

Arnot transactions

The mine is on track to commence production activities during H2 2020 (previously expected H1 2020). Eskom's response on the coal supply tender for Arnot power station, submitted in April 2019, is still pending. Management continues to engage Eskom and the DMRE on rehabilitation cost settlement terms. Arnot Mine has resources of 190 million tonnes of coal and the operation is well positioned to supply coal directly to Eskom's Arnot power station primarily via a conveyor belt. Other markets for coal, however, are also being considered.

Vanggatfontein mining contractor

The group received a statement of claim pertaining to losses incurred by SSMS in terms of the contract mining agreement concluded on 30 November 2018 and terminated effective 31 July 2020. Wescoal has appointed a new mining contractor for the Vanggatfontein operation, and does not foresee any long-term negative impact in production due to the change in contractor (refer to note 46 for more details regarding the claim and status).

Refinanced debt package breach and debt waiver

As noted in note 22, Wescoal breached its debt covenants pertaining to net debt to EBITDA which is required to be below 2.5:1, however, at the reporting period, a 3.36 was achieved. After informing the lenders, an application for waiver was requested and was concluded successfully on 3 June 2020 (refer to note 41 for additional information regarding the breach and debt waiver).

Due to the debt covenant breach as described on note 22, the group had reclassified R812.9 million of non-current debt to current in line with IFRS requirements, subsequent to year end and following the waiver as noted above, the non-current balance has been restored.

43. Related parties

Relationships

Subsidiaries	Wescoal Mining Proprietary Limited Wescoal Trading Proprietary Limited Wescoal Exploration Proprietary Limited Wescoal Mineral Recoveries Proprietary Limited Blanford 006 Proprietary Limited Proudafrique Trading 147 Proprietary Limited Keaton Energy Holdings Limited Keaton Mining Proprietary Limited Leeuw Braakfontein Colliery Proprietary Limited Labohlano Trading 46 Proprietary Limited Neosho Trading 86 Proprietary Limited
Joint ventures	Aztolinx Proprietary Limited (Disposed 2019) Arnot Holdco Proprietary Limited Arnot Opco Proprietary Limited
Group executive committee	Key management personnel who have the authority and responsibility for planning, directing and controlling activities of the company and subsidiaries
Employee share incentive scheme	Wescoal Share Incentive Trust
Members of key management	Refer to directors remuneration (note 45)

43. Related parties continued

Relationships continued

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Related party balances				
Loan accounts – Owing (to)/by related parties				
Wescoal Trading Proprietary Limited	–	–	(275 816)	(343 869)
Wescoal Mining Proprietary Limited	–	–	406 582	45 614
Wescoal Mineral Recoveries Proprietary Limited	–	–	(604)	(604)
Blanford 006 Proprietary Limited	–	–	24 948	34 214
Wescoal Exploration Proprietary Limited	–	–	(548)	(548)
Keaton Energy Holdings Limited	–	–	620 993	40 615
Proudafrique Trading 147 Proprietary Limited	–	–	2	–
Refer to notes 11 and 27 for terms and conditions.				
Shares held by the Trust				
Wescoal Share Trust	9 858	9 873	9 858	9 873
Related party transactions				
Interest paid to/(received from) related parties				
Wescoal Mining Proprietary Limited	–	–	(16 284)	–
Wescoal Trading Proprietary Limited	–	–	(4 123)	–
Keaton Energy Holdings Limited	–	–	(21 021)	–
Administration fees paid to/(received from) related parties				
Blanford 006 Proprietary Limited	–	–	1 108	–
Wescoal Mining Proprietary Limited	–	–	52 091	–
Wescoal Trading Proprietary Limited	–	–	22 166	–
Wescoal Trading Proprietary Limited	–	–	(725)	–
Keaton Energy Holdings Limited	–	–	18 000	–
Other related party expenses				
Office rentals from Simeka	1 020	2 053	1 017	1 052
Transportation services from Gundo Logistics	69 669	72 000	–	–
Compensation to directors and other key management				
Non-executive directors' fees	4 494	4 820	–	–
Remuneration	15 696	16 008	–	–
Retirement and medical contributions	983	2 545	–	–
Fringe benefits and bonuses	3 661	11 911	–	–
	24 834	35 284	–	–

44. (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on net (loss)/profit for the year, attributable to owners of the company, divided by the weighted average number of ordinary shares in issue during the year.

	Group	
	2020	2019
Basic (loss)/earnings per share (cents)		
Net (loss)/profit attributable to owners of the company (rand)	(136 602)	87 655
Weighted average number of ordinary shares in issue	419 409 542	434 838 410
Basic (loss)/earnings per share (cents)	(32.57)	20.16

Diluted basic earnings per share

The calculation of diluted (loss)/earnings per share is based on net (loss)/profit for the year attributable to owners of the company. The weighted average number of shares in issue is adjusted to assume conversion of all potential dilutive shares as a result of share options granted under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group	
	2020	2019
Diluted (loss)/earnings per share (cents)		
Weighted average number of ordinary shares in issue	419 409 542	434 838 410
Share options in terms of the Wescoal Share Incentive Trust	–	168 000
Weighted average number of shares for diluted earnings per share*	419 409 542	435 006 410
Diluted headline (loss)/earnings per share (cents)	(32.57)	20.15

2020

** As the group is in a loss making position, the impact of share options would be anti-dilutive and is therefore not taken into account.*

2019

Diluted (loss)/earnings reflected show the potential effect of dilution for 7.34 million options held in terms of the Wescoal Share Incentive Trust by the directors and employees to subscribe to new shares in Wescoal.

44. (Loss)/earnings per share continued

Headline (loss)/earnings and diluted headline (loss)/earnings per share

Headline (loss)/earnings and diluted headline (loss)/earnings are determined by adjusting basic (loss)/earnings and diluted (loss)/earnings by excluding separately identifiable remeasurement items in terms of the JSE headline earnings circular, HEPS Circular 2/2013.

The calculation of headline (loss)/earnings, net of taxation and non-controlling interest, per share is based on the basic (loss)/earnings per share calculation adjusted for the following items:

	2020		2019	
	Gross	Net of tax	Gross	Net of tax
Headline/diluted headline (loss)/earnings per share				
Net profit for the year attributable to owners of the company	(132 192)	(136 602)	146 712	87 655
Profit on disposal of property, plant and equipment	(583)	(433)	(16 325)	(11 539)
Headline (loss)/earnings	(132 775)	(137 035)	130 387	76 116
Headline (loss)/earnings per share (cents)		(32.67)		17.50
Diluted headline (loss)/earnings per share (cents)*		(32.67)		17.50

** As the group is in a loss making position, the impact of share options would be anti-dilutive and is therefore not taken into account.*

45. Directors' and prescribed officers' emoluments

Executive

	Re-muneration R'000	Medical and provident fund con-tributions R'000	Annual bonus R'000	Fringe and other benefits R'000	Lump sum R'000	Cash total R'000	IFRS 2 share option expense R'000
2020							
R Demana	3 373	216	–	116	1 000	4 705	–
IJ van der Walt	2 820	168	556	93	–	3 638	337
T Tshithavhane	3 666	218	657	121	–	4 663	106
	9 859	602	1 213	330	1 000	13 006	443
2019							
W Sulaiman*	3 612	635	2 602	185	4 449	11 843	442
IJ van der Walt	2 493	408	1 687	77	–	4 665	250
T Tshithavhane	3 310	453	2 220	107	–	6 090	269
	9 415	1 496	6 509	369	4 449	22 598	961

** W Sulaiman resigned as a director and CEO of the holding company on 31 January 2019.*

45. Directors' and prescribed officers' emoluments continued

Share options in the company held by directors

	Financial year granted	Option grant (strike price) cents	Balance held as at 31 March 2020 '000	Balance held as at 31 March 2019 '000
IJ van der Walt	2016	111	**75**	75
	2018	213	**954**	954
	December 2017	246	**1**	–
T Tshithavhane	2017	246	**850**	850
	2018 December	213	**205**	205
	2017	246	**19**	–

R Demana does not hold any share options at 31 March 2020.

Non-executive

Non-executive remuneration for attending meetings.

	Group	
	2020 R'000	2019 R'000
JG Pansegrouw[1]	**227**	674
HLM Mathe	**1 120**	659
MR Ramaite	**251**	474
DMT van Gaalen[2]	**694**	1 318
KM Maroga	**528**	731
C Maswanganyi	**253**	426
ET Mzimela	**356**	454
M van Wijngaarden[3]	**–**	30
N Siyotula[4]	**598**	54
N Mnxasana[5]	**152**	54
A Mabizela[6]	**102**	54
	4 281	4 820

1 K Pansegrouw retired on 16 October 2019.
2 T van Gaalen retired on 16 October 2019.
3 M van Wijngaarden resigned on 31 May 2019.
4 N Siyotula appointed on 14 February 2019.
5 N Mnxasana appointed on 5 December 2019.
6 A Mabizela appointed on 5 December 2019.

45. Directors' and prescribed officers' emoluments continued

Prescribed officers

	Remu-neration R'000	Medical and provident fund con-tributions R'000	Annual bonus R'000	Fringe and other benefits R'000	Cash total R'000	IFRS 2 share option expense R'000
2020						
M Berry	**3 201**	**204**	**1 306**	**334**	**5 044**	**519**
S Ramoetlo*	**1 430**	**93**	**159**	**46**	**1 278**	**–**
KN Mbekeni	**1 206**	**84**	**232**	**41**	**1 563**	**29**
	5 837	**381**	**1 697**	**421**	**7 885**	**548**

** S Ramoetlo resigned on 31 January 2020.*

	Remu-neration R'000	Medical and provident fund con-tributions R'000	Annual bonus R'000	Fringe and other benefits R'000	Lump sum R'000	Cash total R'000	IFRS 2 share option expense R'000
2019							
M Berry	3 084	400	1 959	124	–	5 567	519
V Dhanooklal	766	159	946	32	1 247	3 150	61
BM Hlophe	1 710	1 710	1 172	62	–	3 239	61
KN Mbekeni	1 033	1 033	687	51	–	1 966	29
	6 593	1 049	4 764	269	1 247	13 922	670

Share options in the company held by prescribed officers

	Financial year granted	Option grant (strike price) cents	2020 '000	2019 '000
M Berry	2014	212	**2 000**	2 000
	2016	111	**200**	200
	2018	213	**205**	205
	December 2017	246	**41**	41
BM Hlophe*	2016	111	**75**	75
	2018	213	**205**	205
	December 2017	246	**1**	1
KN Mbekeni	2018	213	**87**	87

** BM Hlophe resigned on 31 July 2019.*

46. Contingent liabilities and assets

Claims for the group

Mining contractor (Megacube Mining Proprietary Limited)

The previous mining contractor for the Vanggatfontein operation (Megacube) breached the contract mining agreement with Keaton Mining and, as a result, Keaton Mining lodged several counterclaims against Megacube for damages and losses sustained. Keaton Mining delivered a notice of termination of the agreement to Megacube on 16 May 2012 in accordance with the provisions of the agreement and subsequently terminated the agreement on 5 July 2012.

The matter was referred to arbitration which took place during February 2016 and March 2016. On 9 March 2016, and by agreement between the parties, an interim award was made in terms whereof the merits of the dispute were separated from the quantum.

On 28 April 2016, the following arbitration award was made in favour of Keaton Mining regarding the merits of the dispute:

- Megacube's claim of R42.5 million is dismissed with cost;
- Megacube is liable to compensate Keaton Mining for the damages which flow from its failure to mine and deliver 300 000 tonnes of ROM coal per month;
- Megacube is liable to make payment to Keaton Mining in such an amount equalling the present value of 657 583.8 tonnes of ROM coal not mined; and
- Megacube is directed to pay Keaton Mining's costs. Such costs include the employment of two counsel and the qualifying fees of expert witnesses.

Megacube then applied to the High Court, Gauteng Local Division, to have the arbitrators award set aside. On 24 April 2017, their application was dismissed with costs. Megacube then applied for leave to appeal the aforementioned decision, which was refused. Megacube then made application to the Supreme Court of Appeal for leave to appeal, however, on 2 February 2018, their application was dismissed with costs.

On 4 May 2020 Wescoal and Megacube had reached a settlement agreement whereby each party agreed to end all claims against each other and never raise the matter on similar or related grounds in the future.

Dispute

Tokata

As reported in March 2019, the disposal of Intibane Colliery during June 2018 included a related transaction for the group to procure, on a monthly basis, a total of 900 000 tonnes of coal from the acquiror, Tokata. The coal supply was suspended during November 2018 due to a dispute about the required quality of coal, resulting in Tokata initiating termination of the coal procurement agreement. Wescoal initiated an arbitration process which involved a claim for damages and a counter claim initiated by Tokata. The arbitration proceedings resulted in a settlement agreement in terms of which the coal supply was reinstated and the arbitration put on stay.

Dispute

Mining contractor (Stefanutti Stocks Mining Services Proprietary Limited)

Subsequent to year-end, the group received a statement of claim pertaining to losses incurred by SSMS in terms of the contract mining agreement concluded on 30 November 2018, and as terminated effective 31July 2020. The group, disclaiming the liability, initiated a counter claim regarding the recoupment of historical mining costs incurred in terms of the contract mining agreement. Possible settlement outcomes from the discussions are not expected to have a material negative impact on the group and therefore no provision has been made in the consolidated financial statements.

47. Segment report

For management purposes, the group is organised into business units based on their products and activities and has four reportable operating segments:

- The Mining division is involved in the exploration, benefication and mining of bituminous coal;
- The Trading division buys and sells coal to inland customers;
- The property rental segment rents property to other segments within the group; and
- The investment holding segment is the holding company of the group and also acts as a central treasury function.

No operating segments have been aggregated to form the above reportable operating segments. The group Exco is the group's chief decision-making body. Management has determined the operating segments based on the information received by group Exco. Annual segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

All revenue is generated from customers in southern Africa and all operating assets are situated in South Africa. The Mining division generates its revenue mainly from sales to parastatal and other institutions. The Trading division generates its revenue from sales to a variety of customers that include private sector, government institutions, mining entities and various small and medium enterprises.

The reportable segments of the group are organised by the nature of the operations, being coal mining operations, coal trading, the investment holdings and the property rentals business. All segments operate in South Africa and under the regulatory environment in South Africa.

The Mining division is an aggregated segment of the four mining operations of the group, based on the similarity in the nature of operations as all the mines are coal mines delivering to customers in a similar customer base. The Mining division is therefore made up of the Keaton Mining Proprietary Limited, Wescoal Mining Proprietary Limited and Neosho Trading 86 Proprietary Limited companies. These companies are the holders of the mining assets in the group. The mines are all located in the Mpumalanga region of South Africa and deliver the same product, being thermal coal, to the same customer base. The Mining division includes the Moabsvelden asset, which although it has not been commissioned as an operating mine, is selling to the same customer base and will operate in the same manner in the near future.

The mining and trading reportable segments earns its revenues from the sale of coal to customers, the property business earns revenue from the leasing of investment property and the investment holdings business earns management fees and interest based on corporate activities and support functions provided.

47. Segment report continued

Segments results and reporting is presented below:

	Mining R'000	Trading R'000	Property rental and other R'000	Investment holding R'000	Inter-segment eliminations R'000	Consolidated R'000
2020						
Revenue	2 975 107	1 036 911	5 436	150 211	(357 175)	3 810 490
External customers	2 792 114	1 018 048	328	–	–	3 810 490
Management fees	–	725	–	–	–	725
Local	346 723	874 774	–	–	–	1 221 497
Eskom sales	1 674 145	–	–	–	–	1 674 145
Export sales	105 287	–	–	–	–	105 287
Rental income	–	–	328	–	–	328
Transport	665 959	142 549	–	–	–	808 508
Inter-segment	182 993	18 863	5 108	150 211	(357 175)	–
Cost of sales	(2 728 267)	(933 123)	(12)	(657)	184 358	(3 477 701)
Gross profit/(loss)	246 840	103 788	5 424	149 554	(172 817)	332 789
Other income/(expenses)	5 048	65	446	8	(1)	5 566
Operating expenses	(251 203)	(58 290)	(1 398)	(146 493)	116 489	(340 895)
Gain on bargain purchase						–
Operating profit/(loss)	685	45 563	4 472	3 069	(56 329)	(2 540)
Interest received	17 344	365	1	58 771	(54 528)	21 953
Interest paid	(135 653)	(7 254)	(1)	(83 775)	75 424	(151 259)
Share of net profit of joint venture accounted for using the equity method	(346)	–	–	–	–	(346)
Profit/(loss) before income tax	(117 970)	38 674	4 472	(21 935)	(35 433)	(132 192)
Depreciation and amortisation	(328 060)	(2 139)	(12)	(4 114)	–	(334 325)
Gain/(loss) on sale of assets	536	–	–	–		536
Total assets	2 267 608	215 901	11 638	2 593 174	(1 126 871)	3 961 450
Total liabilities	(1 804 452)	(90 279)	(2 766)	(1 021 463)	(159 445)	(3 078 405)

47. Segment report continued

	Mining R'000	Trading R'000	Property rental and other R'000	Investment holding R'000	Inter-segment eliminations R'000	Consolidated R'000
2019						
Local	132 579	1 260 266	–	167	–	1 393 012
Eskom sales	1 542 281	–	–	–	–	1 542 281
Export sales	117 237	–	–	–	–	117 237
Rental income	–	–	828	–	–	828
Transport	710 749	200 464	–	–	–	911 213
External customers	2 502 846	1 460 730	828	167	–	3 964 571
Inter-segment	136 825	5 927	4 863	96 458	(244 073)	–
Total revenue	2 639 672	1 466 657	5 691	96 625	(244 073)	3 964 571
Cost of sales	(2 300 219)	(1 322 098)	(12)	–	119 341	(3 502 988)
Gross profit/(loss)	339 453	144 578	5 679	96 625	(124 732)	461 583
Other income/(expenses)	82 639	306	(7 312)	4	202	75 839
Operating expenses	(202 026)	(83 406)	(2 812)	(126 205)	101 063	(313 386)
Operating profit/(loss)	220 066	61 459	(4 445)	(29 576)	(23 467)	224 036
Interest received	5 431	556	18	71 853	(61 685)	16 173
Interest paid	(137 088)	(3 980)	(8 817)	(4 686)	61 685	(92 886)
Profit/(loss) before income tax	88 408	58 035	(13 244)	37 591	(23 467)	147 323
Depreciation and amortisation	(197 485)	(8 529)	(12)	(2 743)	(23 633)	(232 402)
Gain/(loss) on sale of assets	12 478	265	3 431	(51)	202	16 325
Total assets	2 271 387	446 098	197 148	1 756 161	(1 318 722)	3 352 072
Total liabilities	(2 272 377)	(235 940)	(357 475)	(94 175)	699 491	(2 260 476)

SHAREHOLDERS' INFORMATION

Analysis of ordinary shareholders

as at 29 March 2020

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	1 489	39.14	468 244	0.10
1 001 – 10 000	1 454	38.22	6 215 785	1.39
10 001 – 100 000	726	19.09	21 448 150	4.79
100 001 – 1 000 000	104	2.73	30 549 383	6.82
Over 1 000 000	31	0.82	389 193 999	86.90
Total	**3 804**	**100.00**	**447 875 561**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	1	0.03	19 000	–
Close corporations	42	1.10	796 351	0.18
Collective investment schemes	8	0.21	21 437 554	4.79
Control accounts	1	0.03	9	–
Custodians	5	0.13	27 618 075	6.17
Foundations and charitable funds	7	0.18	160 790	0.04
Investment partnerships	14	0.37	261 407	0.06
Managed funds	6	0.15	627 578	0.14
Private companies	54	1.42	252 165 728	56.30
Public companies	3	0.08	101 670	0.02
Retail shareholders	3 507	92.19	73 593 236	16.43
Scrip lending	2	0.05	371 240	0.08
Share schemes	1	0.03	9 858 000	2.20
Stockbrokers and nominees	12	0.32	1 321 937	0.30
Treasury	2	0.05	27 958 707	6.24
Trusts	135	3.55	31 584 245	7.05
Unclaimed scrip	4	0.11	34	–
Total	**3 804**	**100.00**	**447 875 561**	**100.00**

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	10	0.26	263 523 792	58.84
Directors and associates (direct holding)	6	0.15	12 078 963	2.70
Directors and associates (indirect holding)*	–	–	–	0.00
K2016316243 (SA) Proprietary Limited (empowerment SPV)^	1	0.03	213 628 122	47.70
Share schemes	1	0.03	9 858 000	2.20
Treasury	2	0.05	27 958 707	6.24
Public shareholders	3 794	99.74	184 351 769	41.16
Total	**3 804**	**100.00**	**447 875 561**	**100.00**

** K Pansegrouw retired as at 16 October 2019.*

^ Includes Indirect holding by directors (140 588 667 shares).

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
K2016316243 (SA) Proprietary Limited	213 628 122	47.70
Wescoal Holdings Limited	27 958 707	6.24
UBS (Custodian)	23 542 923	5.26
Rutendo Holdings Proprietary Limited	19 660 642	4.39
Total	**284 790 394**	**63.59**

Total number of shareholdings	**3 804**
Total number of shares in issue	**447 875 561**

Share price performance	
Opening price 1 April 2019	R1.50
Closing price 31 March 2020	R1.20
Closing high for period	R1.66
Closing low for period	R1.05
Number of shares in issue	447 875 561
Volume traded during period	52 870 847
Ratio of volume traded to shares issued (%)	11.80
Rand value traded during the period	R75 467 298.00
Price/earnings ratio as at 31 March 2020	6.70
Earnings yield as at 31 March 2020	14.92
Dividend yield as at 31 March 2020	–
Market capitalisation as at 31 March 2020	R537 450 673.00

Shareholders' diary

Financial year-end	31 March
Preliminary annual results announcement	21 July 2020
Annual general meeting	To be advised
Interim results announcement	November 2020

Abbreviations and definitions

ABET	Adult Basic Education Training
ADB	Air-dried basis
Atlantis	Atlantis Coal Estate CC
AR	As received
Arnot	Arnot Mine
Aztolinx	Aztolinx Proprietary Limited
B-BBEE	Broad-based black economic empowerment
Blanford	Blanford 006 Proprietary Limited
Centriq	Centriq Insurance Innovation
CEO	Chief executive officer
CFO	Chief financial officer
Chandler	Chandler Coal Proprietary Limited
Companies Act	Companies Act of South Africa, 71 of 2008
COVID-19	An infectious disease caused by a newly discovered coronavirus
CP	Competent person
CPR	Competent persons' report
CSA	Credit support annex
DAFVOL	Dry ash free volatiles
DMRE	Department of Mineral Resources and Energy
Elandspruit	Elandspruit Colliery/Complex
EMP	Environmental management plan
ERP	Enterprise resource planning
ESG	Environmental, social and governance
Exco	Executive committee
Express	Express Technology CC
GBF	General banking facility
GHG	Greenhouse gas
GTIS	Gross tonnes in situ
Gunvor	Gunvor SA
HDSA	Historically disadvantaged South African
HIV/AIDS	Human immunodeficiency virus, acquired immunodeficiency syndrome
HSE	Health, safety and environment
IDF	Invoice discounting facility
Intibane	Intibane Colliery/Complex
IWUL	Integrated water use licence
JSE	Johannesburg Stock Exchange Limited
Keaton or Keaton Energy	Keaton Energy Holdings Limited
Khanyisa	Khanyisa Colliery/Complex/Catwalk/Triangle
King IV	King IV Report on Corporate Governance for South Africa
KPI	Key performance indicator
KJB	KJB GeoServices
LBC	Leeuw Braakfontein Colliery
Lebohlano	Lebohlano Trading 46 Proprietary Limited
LTI	Long-term incentive programme/scheme
LTIFR	Lost time injury frequency rate
MBOD	Medical Bureau for Occupational Disease
Mineral Recoveries	Wescoal Mineral Recoveries Proprietary Limited
Miptec	Miptec Proprietary Limited
Moabsvelden	Moabsvelden Colliery/Project
MoI	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act
mt	million tonnes
MTIS	Mineable tonnes in situ
Mtpa	Million tonnes per annum
Neosho	Neosho Trading 86 Proprietary Limited
NIHL	Noise-induced hearing loss
NGO	Non-governmental organisation
NUMSA	National Union of Mineworkers SA
PGMs	Platinum group metals
PwC	PricewaterhouseCoopers Inc.
Proudafrique	Proudafrique Trading 147 Proprietary Limited
RCF	Revolving credit facility
ROM	Run of mine
SAMREC Code	Code South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SENS	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
SLP	Social and labour plan
SPV	Special purpose vehicle
SSMS	Stefanutti Stocks Mining Services
Sterkfontein	Sterkfontein Project
STI	Short-term incentive programme/scheme
TB	Tuberculosis
The board	The board of directors of Wescoal Holdings Limited
The group	Wescoal Holdings Limited and its subsidiaries and associates
TTIS	Total tonnes in situ
Vanggatfontein	Vanggatfontein Colliery/Complex/Extension
VGF	Vanggatfontein
Wescoal	Wescoal Holdings Limited
WUL	Water use licence

Financial definitions

Capex	Capital expenditure
CID	Confidential invoice discounting
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss/es
FY	Financial year
HEPS	Headline earnings per share
IASB	International Accounting Standards Board
IDF	Invoice discounting facility
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
JIBAR	Johannesburg Interbank Agreed Rate
NPAT	Net profit after tax
RCF	Revolving credit facility
The previous year	ended 31 March 2019
The year	ended 31 March 2020
WACC	Weighted average cost of capital

General information

Registration number	2005/006913/06
Country of incorporation and domicile	South Africa
JSE code	WSL
ISIN	ZAE000069639
Nature of business and principal activities	The mining, processing, sale and distribution of thermal coal
Directors	Dr HLM Mathe *(Chairman)* RL Demana *(Chief executive officer)* IJ van der Walt *(Chief financial officer)* T Tshithavhane *(Executive)* N Siyotula *(Lead independent non-executive)* KM Maroga *(Independent non-executive)* N Mnxasana *(Independent non-executive)* A Mabizela *(Independent non-executive)* C Maswanganyi *(Non-executive)* ET Mzimela *(Non-executive)* MR Ramaite *(Non-executive)*
Registered office	First Floor, Building 10, Woodmead Business Park 142 Western Service Road, Woodmead, Sandton 2191, South Africa Telephone: +27 (0)11 049 8611
Postal address	PO Box 1962, Edenvale 1610, South Africa
Ultimate holding company	Wescoal Holdings Limited
Company secretary	FluidRock Co Sec Proprietary Limited
Bankers	Nedbank
Sponsor	Nedbank Corporate and Investment Banking 3rd Floor, Block F, Nedbank Rivonia Campus, 135 Rivonia Road Sandton 2196, South Africa PO Box 1144, Johannesburg 2000, South Africa
Auditor	PricewaterhouseCoopers Inc. Johannesburg Registered Auditor 4 Lisbon Lane, Waterfall City, Jukskei View 2090, South Africa Telephone: +27 (0)11 797 4000
Transfer secretary	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, South Africa PO Box 61051, Marshalltown 2107, South Africa Telephone: +27 (0)11 370 7802
Investor relations	Singular Systems IR 25 Scott Street, Waverley 2090, South Africa Telephone: +27 (0)10 003 0700 Email: IR@singular.co.za

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