KEATON ENERGY HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/011090/06)
JSE share code: KEH ISIN: ZAE000117420
(“Keaton Energy” or “the Company”)

KEATON ENERGY HOLDINGS LIMITED - Quarterly Production Update

Keaton Energy has released the following quarterly production update for the quarter ended 30 June 2016 (Q1 FY17).

The quarter was characterised by continued stable operations at Vanggatfontein, the sale of our KZN anthracite assets and the placing of Vaalkrantz on care and maintenance on 1 May as section 11 consent for the sale is awaited.

The safety performance at Vanggatfontein deteriorated during the quarter due to a spate of minor injuries in May. The LTIFR was 0.92 (Q1 FY16: 0.37). Management is addressing this unsatisfactory performance. Vaalkrantz recorded a LTIFR of 0.01 (Q1 FY16: 0.28), however this operation was placed on care and maintenance on 1 May 2016 and thus the numbers are not comparable.

Production at Vanggatfontein Colliery was as per plan and in-line with the comparable quarter in FY16 with 574 536t of washed 2- and 4-Seam thermal coal being delivered to Eskom (Q1 FY16: 617 413t). This 7% decrease over the comparable period was due to working out the remnant portion of Pit 2 with its lower yielding coal and crossing a dyke structure. Mining has now been completed in these low-yielding areas.

5-Seam metallurgical coal sales into the domestic market during the quarter decreased 43% to 15 103t (Q1 FY16: 26 548 t) in line with the geological model. Discard and slurry sales totalled 69 734t (Q1 FY16: 2 957t) as new markets were developed.

Mandi Glad, Chief Executive Officer, said "Vanggatfontein continues to perform consistently both in terms of production and financial criteria. The continuing solid performance provides the basis for the coming expansion with the Moabsvelden project and the growth of the streamlined Keaton group."

As announced on 15 February 2016, Keaton Energy sold its KZN assets, with the exception of the Braakfontein Project, to Bayete Energy Resources (Pty) Ltd (‘BER’). There are still a number of suspensive conditions which have to be met for the sale to become effective, including Section 11 consent from the Minister of Mineral Resources in terms of the Mineral Petroleum and Resources Development Act, 28 of 2002. Simultaneously with the sale, Keaton entered into a management agreement with Witbank Mineral Resources (Pty) Ltd (‘WMR’), a related party to BER, for the management of LME up to and until the Sale of Shares and Claims Agreement with BER becomes unconditional.

Notwithstanding continuous efforts by both LME and WMR to minimise losses exacerbated by the ongoing global decline in coal prices, force majeure declared on LME by its biggest customer and the unavailability of water due to the continued drought in the region, Keaton and WMR jointly decided
to place Vaalkrantz Colliery on care and maintenance with effect from 1 May 2016. Therefore no production figures are presented.

The above information has not been reported on or reviewed by the Company’s auditors.

Johannesburg

14 July 2016
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