INTERIM FINANCIAL REPORT OF EXTRACT GROUP LIMITED

FOR THE 6 MONTH PERIOD ENDED 28 FEBRUARY 2018

(Incorporated in the Republic of South Africa)
(Registration number 1998/011672/06)
JSE share code: EXG ISIN: ZA0002223202
("eXtract" or the "Company" or the "Group")

SALIENT FEATURES

- **enX restructuring agreement became effective in September 2017**
- **Debt conversion of R1 878 million effective in October 2017**
- **Net asset value at the end of the period of R237 million**

FINANCIAL REVIEW

- **The Group reported a loss for the period of R82 million compared to a loss of R1 533 million in the prior period**
- **R652 million of mining assets sold during the period**
- **All mining contracts exited in order to monetise asset base**

It is important to note that the comparative period is the six months ended 31 December 2016. Due to the change in year-end from 30 June to 31 August, the six-month interim reporting date is now 28 February.

INTRODUCTION

During the period under review, eXtract continued to focus on exiting the remaining mining contracts in a responsible manner and stabilising the remaining business while the downsizing continues.

All the remaining mining contracts were exited during the reporting period (Mogalakwena and Aganang, which ceased at the end of November 2017, and Mozambique, which ceased during December 2017).

As previously communicated, the following key events took place during the reporting period:

- Repayment of all bank debt;
- enX Group Limited ("enX") debt to equity conversion of R1.878 billion implemented on 12 October 2017;
- Repayment of R175 million of the R250 million enX debt;
- Sale of interest in the Last Mile Fund at face value of R25 million, receivable over a three-year period;
- Sale of assets at Tharisa, Mogalakwena and Aganang as going concerns;
- Resolution of the Eqstra Botswana liquidation process and sanctioning by the High Court in Botswana;
- Significant reduction of eXtract's overhead costs, including a reduction in headcount;
- Disposal of the head office property for R52 million and retrenchment of all head office staff;
- Disposal of further excess assets (R652 million for the period under review); and
- Changes to the board of directors ("Board") and management of eXtract.

SUBSEQUENT EVENTS

Subsequent to the period-end, the following material events occurred:

- Repayment of a further R50 million of enX debt, leaving R25 million of debt remaining.
- Disposal of further excess assets of R19 million during March and April 2018.
- Receipt of cash of R26 million for the sale of Aganang assets.

FUTURE STRATEGY

Pursuant to the strategic review undertaken in the prior year, a number of key outcomes have been identified and the implementation is on track. The ultimate goal remains to protect the remaining shareholder value. The Board will in parallel look to further transform the Group should any attractive opportunities arise.

SOLVENCY AND LIQUIDITY

The Board is satisfied that after the conversion of the enX mezzanine debt and preference share instruments into equity during the reporting period, the Group is solvent at the reporting period-end and for the foreseeable future.

The Board is further satisfied that the strategies to address the liquidity risks are on track and are being effectively addressed and the Group has the ability to settle liabilities as they become due and payable.

DIVIDEND

The Board has not declared a dividend given the Group's performance and change in strategy.

LOOKING AHEAD

As previously communicated, eXtract will continue to focus on these commitments in the short to medium-term:

- Reduction of external debt;
- Monetisation of assets held for sale; and
- Improving the efficiencies of existing leasing contracts.

GOING CONCERN

The results presented for the Group have been prepared on the assumption that the Group, as a whole, will continue to operate as a going concern.

DIRECTOR CHANGES

The following directors resigned on 23 February 2018:

- Bernard Swanepoel – Executive chairman
- Clinton Halsey – Interim chief executive officer and chief investment officer
- Sipho Nkosi – Lead independent non-executive director
- Octavia Matloa – Independent non-executive director
- Khetiwe McClain – Independent non-executive director

The following directors were appointed on 23 February 2018:

- Frank Davidson – Lead independent non-executive director
- Nelis Leonard – Non-executive director
- Fedja Basic – Independent non-executive director

The following director's function was changed as announced on SENS on 3 May 2018:

- Jannie Serfontein – now chief executive officer and financial director until 30 June 2018

By order of the board of directors

JL Serfontein
Chief executive officer and financial director

4 June 2018

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at	Unaudited 28 February 2018 Rm	Unaudited 31 December 2016 Rm	Audited 31 August 2017 Rm
ASSETS			
Non-current assets	–	762	–
Property, plant and equipment	–	85	–
Leasing assets	–	677	–
Current assets	365	1 625	1 267
Inventories	–	78	15
Trade and other receivables and derivatives	114	515	313
Cash and cash equivalents[15]	75	162	109
Assets held for sale[2]	176	870	830
Total assets	365	2 387	1 267
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	3 769	1 891	1 891
Other reserves	286	374	325
Accumulated loss	(3 818)	(3 256)	(3 736)
Equity (deficit) attributable to owners of the parent	237	(991)	(1 520)
Non-controlling interests	–	–	–
Total equity (deficit)	237	(991)	(1 520)
Non-current liabilities	7	2 294	1 891
Interest-bearing borrowings[3]	–	2 256	1 877
Deferred tax liabilities	7	38	14
Current liabilities	121	1 084	896
Current portion of interest-bearing borrowings[3]	–	465	–
Trade and other payables, provisions and derivatives	20	420	226
Liabilities directly associated with assets held for sale[2]	101	199	670
Total equity and liabilities	365	2 387	1 267

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited for the six months ended 28 February 2018 Rm	Unaudited for the six months ended 31 December 2016 Rm	Audited year-end 31 August 2017 Rm
Loss for the period	(82)	(1 533)	(2 013)
Total other comprehensive loss for the period, net of taxation	(39)	(55)	(72)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on realisation of foreign exchange reserve	(42)	–	–
Exchange differences on translation of foreign subsidiaries	3	(55)	(72)
Total comprehensive loss for the period, net of taxation	(121)	(1 588)	(2 085)
Attributable to:			
Owners of the parent	(121)	(1 590)	(2 087)
Non-controlling interests	–	2	2
	(121)	(1 588)	(2 085)

SUMMARISED CONSOLIDATED DISCONTINUED OPERATIONS INCOME STATEMENT

	Unaudited for the six months ended 28 February 2018 Rm	Unaudited for the six months ended 31 December 2016 Rm	Audited year-end 31 August 2017 Rm
Revenue	1 316	3 611	5 418
(Loss)/profit from operations before depreciation and amortisation	(173)	813	635
Depreciation and amortisation	–	(192)	(330)
Operating (loss)/profit (before items listed below)	(173)	621	305
Net foreign exchange (losses)/gains	66	(24)	(36)
Fair value gains recycled from equity	–	–	44
Net impairment of assets[6]	16	(1 389)	(1 494)
IFRS 5 adjustment[9]	(33)	(439)	(448)
Loss before net finance costs	(124)	(1 231)	(1 629)
Net finance costs[8]	(2)	(264)	(340)
Finance costs	(4)	(375)	(353)
Finance income	2	111	13
Loss before taxation	(126)	(1 495)	(1 969)
Income tax expense	44	28	22
Loss for the period	(82)	(1 467)	(1 947)
Loss on sale of subsidiaries	–	(3)	(3)
Deconsolidation of subsidiary[7]	–	(63)	(63)
Total loss for the period from discontinued operations	(82)	(1 533)	(2 013)
Attributable to:			
Owners of the parent	(82)	(1 535)	(2 015)
Non-controlling interests	–	2	2
Loss for the period	(82)	(1 533)	(2 013)
	Cents	Cents	Cents
Loss per share from discontinued operations[11]			
– Basic and diluted loss per share	(384,0)	(75 840,0)	(84 640,0)

** Amounts re-presented to show all operations in comparative results as discontinued operations.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital Rm	Other reserves Rm	(Accumulated loss) Retained income Rm	Non-controlling interest Rm	Total Rm
Balance at 1 July 2016	1 839	449	(688)	29	1 629
Total comprehensive loss for the period	–	(55)	(1 535)	2	(1 588)
Loss for the period	–	–	(1 535)	2	(1 533)
Other comprehensive income for the period, net of taxation	–	(55)	–	–	(55)
Vesting of share incentive scheme	–	(4)	–	–	(4)
New issue of stated capital*	37	–	–	–	37
Conversion of treasury shares	15	–	–	–	15
Dividend paid	–	–	–	(2)	(2)
Dividend in specie	–	–	(1 022)	–	(1 022)
Reversal of share-based payment reserve	–	(16)	16	–	–
Transfer within categories of reserves	–	22	(22)	–	–
Disposal of subsidiary	–	(27)	–	(29)	(56)
Deferred taxation directly in equity	–	5	(5)	–	–
Balance at 31 December 2016	1 891	374	(3 256)	–	(991)
Total comprehensive loss for the period	–	(17)	(480)	–	(497)
Loss for the period	–	–	(480)	–	(480)
Other comprehensive loss for the period, net of taxation	–	(17)	–	–	(17)
Realisation of translation reserve	–	(32)	–	–	(32)
Balance at 31 August 2017	1 891	325	(3 736)	–	(1 520)
Total comprehensive loss for the period	–	(39)	(82)	–	(121)
Loss for the period	–	–	(82)	–	(82)
Other comprehensive loss for the period net of taxation	–	(39)	–	–	(39)
New issue of stated capital	1 878	–	–	–	1 878
Balance at 28 February 2018	3 769	286	(3 818)	–	237

* On 16 November 2016 101 400 000 shares were issued at R1 each.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

as at	Unaudited 28 February 2018 Rm	Unaudited 31 December 2016 Rm	Audited 31 August 2017 Rm
Cash flows from operating activities			
Cash generated from operations before working capital movements	(93)	688	740
Working capital movements	(18)	697	594
Cash (utilised in) generated from operations	(111)	1 385	1 334
Finance income	2	111	13
Finance costs	(4)	(341)	(353)
Taxation paid	(3)	(29)	(45)
Net cash flows from operating activities	(116)	1 126	949
Cash flows from investing activities			
Acquisition/disposal of businesses	–	(75)	(11)
Net capital disposals	652	(820)	(211)
Movement in finance lease receivables	–	36	36
Net cash flows from investing activities	652	(859)	(186)
Cash flows from financing activities			
Issue of shares	–	37	37
Conversion of treasury shares	–	–	15
Dividends paid to minorities	–	(2)	(2)
Net decrease in interest-bearing borrowings	(567)	(447)	(995)
Net cash flows from financing activities	(567)	(412)	(945)
Net decrease in cash and cash equivalents	(31)	(145)	(182)
Effect of exchange rate of translation on cash and cash equivalents	(3)	(5)	(20)
Derecognition of cash and cash equivalents	–	(22)	(23)
Cash and cash equivalents at beginning of period	109	334	334
Cash and cash equivalents at end of period	75	162	109

SUMMARISED CONSOLIDATED STATEMENT OF DISCONTINUED CASH FLOWS

as at	Unaudited 28 February 2018 Rm	Unaudited 31 December 2016 Rm	Audited 31 August 2017 Rm
Net cash flows from operating activities	(116)	1 126	949
Net cash flows from investing activities	652	(859)	(186)
Net cash flows from financing activities	(567)	(412)	(945)
Net cash outflow	(31)	(145)	(182)

NOTES

(1) Basis of preparation

The unaudited summarised consolidated financial statements for the six months ended 28 February 2018 have been prepared in accordance with the framework concepts, measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and contains information required by IAS 34: *Interim Financial Reporting*, the JSE Limited Listings Requirements and the South African Companies Act. The accounting policies and their application are consistent, in all material respects, with those detailed in eXtract's previous annual financial statements, except for the adoption on 1 September 2017 of those new, revised and amended standards and interpretations detailed therein. These financials have not been reviewed or reported on by the Company's auditors.

The adoption of the new and amended statements of generally accepted accounting practice, interpretations of statements of generally accepted accounting practice, and improvements project amendments did not have a material impact on the Group.

These financial statements were prepared under the supervision of JL Serfontein CA(SA).

(2) Assets classified as held for sale

	Unaudited 28 February 2018 Rm	Unaudited 31 December 2016 Rm	Audited 31 August 2017 Rm
Property, plant and equipment	–	–	52
Leasing assets and inventory	176	870	778
	176	870	830
Liabilities directly associated with assets held for sale			
Interest-bearing borrowings	26	151	375
Current taxation liabilities	–	48	45
enX mezzanine debt	75	–	250
	101	199	670

Excess assets comprises leasing assets in all operations. There were sales of R652 million during the reporting period to 28 February 2018.

Management believes that the sale of these assets is highly probable within the next 12 months.

Corporate transaction disposal statement of financial position

	Disposal statement of financial position 8 November 2016 Rm
ASSETS	
Intangible assets	3
Property, plant and equipment	257
Leasing assets	5 056
Other investments and loans	30
Finance lease receivables	2
Inventories	853
Trade and other receivables and derivatives	646
Operating assets	6 847
Taxation in advance	58
Cash and cash equivalents	75
Unallocated loss on sale from the corporate transaction	(487)
Total assets	6 493
LIABILITIES	
Trade and other payables and derivatives	1 153
Interest-bearing borrowings	6 575
Loans due from Contract Mining entities	(2 853)
Operating liabilities	4 875
Deferred tax liabilities	411
Current tax liabilities	114
Total liabilities	5 400

The sale of the Fleet Management and Logistics division and the Industrial Equipment division to enX took place on 8 November 2016. The disposal balance sheet is disclosed above.

As part of the corporate transaction, subsidiaries of eXtract in the Fleet Management and Logistics and Industrial Equipment divisions were transferred to enX on the effective date being 8 November 2016.

(3) Interest-bearing borrowings

	Unaudited 28 February 2018 Rm	Unaudited 31 December 2016 Rm	Audited 31 August 2017 Rm
Facility breakdown			
External senior bank debt	–	465	–
enX Mezzanine debt	–	1 656	1 277
Preference shares	–	600	600
	–	2 721	1 877

In the current reporting period all bank debt was repaid.

The remaining portion of enX mezzanine debt was converted into equity except for R250 million which remained as due and payable from the sale of assets and has been reclassified as "liabilities directly associated with assets held for sale". Of this R250 million, R75 million remains payable as at 28 February 2018.

(4) Capital commitments

	28 February 2018 Rm	31 December 2016 Rm	31 August 2017 Rm
Capital commitments	–	229	–
– Contracted	–	59	–
– Authorised by directors but not contracted	–	170	–
Guarantees	–	19	2

(5) Fair value hierarchy disclosures

Valuation methodology

Level 1 – valuations with reference to quoted prices in an active market:

Financial instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

Level 2 – valuations based on observable and unobservable inputs include:

Financial instruments valued using inputs other than quoted prices as described above for level 1 but which are observable for the asset or liability, either directly or indirectly, such as quoted price for similar assets or liabilities in an active market; quoted price for identical or similar assets or liabilities in inactive markets; valuation model using observable inputs; and valuation model using inputs derived from/corroborated by observable market data.

There are no financial asset and liabilities that are recognised and subsequently measured at fair value, analysed by valuation technique.

(6) Impairment of assets

	28 February 2018 Rm	31 December 2016 Rm	31 August 2017 Rm
Impairment of leasing assets[1]	–	1 329	1 411
Impairment of intangible assets	–	42	32
Impairment of restricted cash	–	18	18
Impairment of property, plant and equipment	–	–	33
Impairment and reversal of impairments of loans	(16)	–	–
Total impairments	(16)	1 389	1 494
Discontinued operations	16	(248)	(1 494)
Continuing operations	–	1 141	–

*Amounts re-presented to show comparative results from discontinued operations.

(7) Deconsolidation of subsidiary

	28 February 2018 Rm	31 December 2016 Rm	31 August 2017 Rm
Discontinued operations			
Gain on deconsolidation of subsidiary	–	156	156
Provision for liabilities	–	(67)	(67)
(Net of expected proceeds)			
Impairment of inter-company loans	–	(152)	(152)
Total	–	(63)	(63)

The Karowe contract in Botswana was unlawfully terminated and money withheld which resulted in the Botswana entity being placed in liquidation. The Group was therefore no longer in control of the subsidiary and it was deconsolidated.

A deconsolidation gain was offset by the relevant impairment on inter-company loans and provision for liabilities for which guarantees were provided.

(8) Net finance costs including fair value gains

	28 February 2018 Rm	31 December 2016 Rm	31 August 2017 Rm
Net finance costs from continued operations	–	(134)	–
Net finance costs from discontinued operations	(2)	(130)	(340)
Total finance costs	(2)	(264)	(340)

(9) Discontinued operations

All operations have been classified as discontinued in line with the Group strategy.

(10) Net/(deficit) asset value per share attributable to owner of the parent

28 February 2018 cents	31 December 2016 cents	31 August 2017 cents
1 112,9	(198,8)	(576,8)

(11) Headline loss per share

	28 February 2018 cents	31 December 2016* cents	31 August 2017* cents
Reconciliation of discontinued headline loss per share			
Basic and diluted loss per share	(384,0)	(75 840,0)	(84 640,0)
Net impairments of assets	(75,6)	68 620,0	62 740,0
IFRS 5 fair value adjustment	157,1	21 680,0	18 820,0
Loss on sale of subsidiaries	–	140,0	140,0
Deconsolidation of subsidiary	–	3 120,0	2 660,0
Taxation effect	–	(19 220,0)	(2 660,0)
Headline loss per share	(302,6)	(1 500)	(2 940,0)
Diluted headline loss per share	(302,6)	(1 500)	(2 940,0)

** Comparative period basic and headline loss per share have been adjusted to reflect the effect of 200:1 share consolidation implemented during the reporting period.*

(12) Weighted average number of shares in issue for the period

	28 February 2018 Rm	31 December 2016* Rm	31 August 2017* Rm
Number of ordinary shares			
– in issue	21,3	2,5	2,5
– in issue (net of treasury shares)	21,3	2,5	2,5
Weighted average number of ordinary shares in issue during the period	21,3	2,0	2,4
– opening shares (net of treasury shares)	506,9	2,0	2,0
– Additional shares issued	–	0,1	0,4
– Share consolidation	(485,6)	–	–
– disposal of treasury shares	–	0,0	0,0
Diluted weighted average number of ordinary shares	21,3	2,0	2,4

** Comparative period shares in issue have been adjusted to reflect the effect of 200:1 share consolidation implemented during the reporting period.*

(13) Significant judgements and estimates

The preparation of the interim financial report requires the group's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The following accounting policies have been identified as involving particularly complex or subjective decisions or assessments:

IMPAIRMENT OF ASSETS

An impairment loss is recognised when the recoverable amount of an asset is estimated to be less than its carrying amount. In assessing fair value, management have obtained independent valuations of all assets held-for-sale based on current market conditions.

INCOME TAXES

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes due to the complexity of legislation and the different tax jurisdictions involved. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated taxes based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

CONTINGENT LIABILITIES

Management applies judgement to the probabilities and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

INVENTORY PROVISIONS

The provision for inventory obsolescence is based on a physical count and inspection of stock items which is performed periodically and takes into account the age, condition and usage rates of the inventory.

FAIR VALUES AND FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities with a maturity of less than six months are assumed to approximate their fair value.

OTHER PROVISIONS

Management have taken a conservative view on various other potentially recoverable assets, these continue to be pursued and will only be recognised once reasonable certainty exists over the recoverability of the asset. These include Cash and cash equivalents, property, plant and equipment, trade receivables and inventory.

(14) Exchange rates utilised:

Average USD: ZAR of 13.04

Closing USD: ZAR of 11.75

Closing BWP: ZAR of 1.25

(15) Cash and cash equivalents:

Mozambique: The equivalent of R20 million is held in the bank account of Eqstra Mozambique Limitada (a subsidiary of eXtract) for potential claims. Management are of the view that the cash will be repatriated to South Africa. However, the repatriation of this cash is subject to Exchange Control approval.

Nigeria: The equivalent of R8 million is held in Nigeria in the bank account of Eqstra Fleet Services Nigeria Limited (a subsidiary of eXtract) and continues to be impaired.

NAME AND REGISTRATION NUMBER
eXtract Group Limited
1998/011672/06
JSE share code: EXG
ISIN: ZAE0002223202

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