31 Spanner Road
Clayville
Olifantsfontein
1666

24 JULY 2025

EMPLOYEES COMMITTEE

Attention: **Mr. Simon Macheke**

Per Email: **simon@saewa.co.za**

RE: DAYBREAK FOODS // OFFER TO EMPLOYEES

1. The above matter and the consultations conducted on Monday 21 July 2025, as well as the Teams meeting of even date.

2. In order to resolve the treatment of salaries for the months of July and August, the BRP made a proposal to the employees committee.

3. The proposal made in this offer does not affect the employees who are working. These employees will continue to receive full remuneration during the business rescue proceedings.

4. The offer is concerned with employees who are not rendering services at any of the Company's premises (including head-office)

31 Spanner Road
Clayville
Olifantsfontein
1666

5. In the meetings, the BRP noted that the post-commencement funding agreement entered into with the shareholder and funder has conditions attached to the release of funds.

6. One of the conditions is the implementation of temporary lay-offs to reduce the monthly operational costs of the Company.

7. In addition thereto, the committee has been advised that employee claims will be treated as pre and/or post commencement claims.

8. All monies which are due to employees prior to the commencement of business rescue proceedings, will be treated as unsecured concurrent claims.

9. All monies due and owing after the commencement of business rescue proceedings, will rank preferent as set out more fully in Section 135 of the Act.

10. In relation to employees who have not been rendering services and have been receiving a reduced salary, the following applies:

    10.1. All portions of salaries which were not paid to these employees prior to the commencement, will be a pre-rescue unsecured claim against the Company and will be treated in conjunction with the remaining unsecured creditors in accordance with the proposals set out in the business rescue plan;

    10.2. All portions of salaries which were not paid after the commencement of business rescue proceedings, will rank preferent and will be paid in terms of the ranking of creditors set out in Section 135 of the Act. This means that

31 Spanner Road
Clayville
Olifantsfontein
1666

employees post-rescue claims will be paid before certain other creditors are paid.

11. The issues surrounding retrenchment and/or VSP's were also discussed.

12. The BRP advised that retrenchment proceedings cannot be instituted, pending the adoption of a business rescue plan. For this reason, the BRP is not considering retrenchment proceedings at this stage.

13. The BRP further advised that employees are free to propose the entering into of VSP's. This is, however, subject to the cashflow position of the Company and upon adoption of the business rescue plan. The BRP will only be in a position to determine the payment of VSP's as part of the proposals set out in the business rescue plan.

14. With the aforesaid in mind, the Company makes the following proposal:

14.1. The employees who are not rendering services will receive 50% of their July salaries.

14.2. The aforesaid payment is on condition that the employees who are not rendering services agree to temporary lay-off on the following stipend provisions:

14.2.1. Employees who earn less than R15,000.00, will receive a stipend of R1,500.00.

14.2.2. Employees who earn more that R15,000.00, will receive 10% of their gross salaries.

Company Registration Number: 2001/015025/07

DAYBREAK FOODS

31 Spanner Road
Clayville
Olifantsfontein
1666

14.2.3. No deductions will be made from the stipend paid to employees who are affected

14.3. The aforesaid arrangement will be in place for the month of July and August.

14.4. The manner in which the salaries will be treated post August 2025, will be set out in the proposals contained in the business rescue plan.

15. In the event that the offer is accepted, the Company will proceed to run the payroll between 25 and 28 July 2025.

16. In the event that an agreement cannot be reached between the parties, the BRP will resort to the default position by determining the stipend that the Company can afford to pay for the months of July and August 2025 and make payment of same, having due regard to the PCF agreement being reached between the Company and the Funder as well as the provisions of section 135 of the Companies Act 71 of 2008.

17. We trust that you find the above in order and request that you revert on or before close of business today.

ELECTRONICALLY SENT

____

Tebogo Maoto
Senior Business Rescue Practitioner