(IN BUSINESS RESCUE)
31 Spanner Road
Clayville
Olifantsfontein
1666

STATUS REPORT PUBLISHED TO ALL AFFECTED PARTIES IN TERMS OF SECTION 132(3) OF THE COMPANIES ACT 71 OF 2008

IN THE BUSINESS RESCUE PROCEEDINGS OF:

DAYBREAK FOODS (PTY) LTD (UNDER BUSINESS RESCUE)

("THE COMPANY")

FOR THE MONTH OF:

JANUARY 2026

INTRODUCTION

1. In accordance with section 132(3)(a) and section 132(3)(b) of the Companies Act 71 of 2008 ("Act"), if the business rescue proceedings of the Company are not concluded within 3 months from the date of its commencement, a business rescue practitioner is required to –

   1.1. prepare a report on the progress of the Company's business rescue proceedings, and update it at the end of each subsequent month until the end of the said proceedings; and

   1.2. deliver the report and update to each affected person, as well as the Companies and Intellectual Property Commission (**CIPC**).

2. This is the second status report of the Company and must be read in conjunction with all previously published status reports, circulars, correspondences and/or notices.

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Hatchery and Breeder Operations

3. The Company's hatchery and breeder operations remains ongoing and is stable.

4. Shortly after the commencement of business rescue proceedings, the Company entered into a Chick Supply Agreement with Astral in relation to its Hatchery and Breeder operations.

5. The said agreement remains in force and all parties concerned are complying with their respective duties and obligations.

6. Regular meetings are being held between the Business Rescue Practitioner (**BRP**) Team and the Representatives of Astral in order to ensure that the DOC's which are being supplied is of high quality and the appropriate quantity.

7. In addition thereto, the BRP and his Team attends weekly production meetings with the management team at the Company's hatchery and breeder divisions. This allows for the proper planning of production and demand management.

8. The hatchability rate at the Company's hatchery facility remains in line with the Ross Standard.

9. The Company furthermore continues to replenish its parent flock at its breeders to ensure a stable and ongoing supply of DOCs.

10. The Most recent flock replenishments took place at Diepputten and Merino, with two replenishments of 44,500 DOCs each.

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Labour Relations

11. The current labour position remains stable.

12. The formal retrenchment process commenced on 06 January 2026 with the issuing of the Section 189 and 189A retrenchment notices in terms of the Labour Relations Act (**LRA**) being issued to all employees across all divisions of the Company.

13. The first round of consultations took place on 09 January 2026. One of the primary purposes of the consultation was to discuss the issues surrounding the invoking of the facilitation process as prescribed for large-scale retrenchments in term of Section 189A of the LRA.

14. In addition thereto, the Company was provided with an update on the Temporary Employer/Employee Relief Scheme (**TERS**) application which the Company issued. In short, the meeting was advised that there may possible assistance for a total of 1,250 employees as part of the Reactivation Option in the adopted business rescue plan.

15. The Employees Committee and Union Officials advised that a separate meeting will be conducted amongst themselves in order to consider whether or not to invoke the facilitation process.

16. On 14 January 2026, the Company received a formal written response from the Employees Committee advising that the committee and the unions will not be invoking the facilitation process.

17. The written response was followed by a letter from Food and Allied Workers Union (**FAWU**) on 18 January 2026 confirming the decision not to invoke the facilitation process.

18. For the sake of clarity, the Company will not invoke the facilitation process and, as such, the retrenchment process will continue in the ordinary course.

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19. On 29 January 2026, the Company received the outcome of its TERS application. The application as rejected on the basis that the Company's financial statements for the 2025 financial year has not been audited.

20. As a result, the Company will proceed with the unavoidable retrenchment process in line with its current operational requirements. Naturally, re-employment should take place in line with the reactivation proposal set out in the adopted Plan.

21. The next round of retrenchment consultations will take place during the course of February 2026.

Internal and External Investigations

22. As part of the BRP's ongoing investigations into the affairs of the Company, the BRP has commissioned a full forensic audit. The audit is in the process of being conducted and its finding will be incorporated in the next amended business rescue plan to all affected parties once completed.

23. In the interim, affected parties are advised of the following criminal investigations that are underway:

Project	Nature of the Issue	Progress to Date
Logistics Service Provider	Fraudulent invoices for non-existent work (±R8 million)	The criminal investigation process is at an advanced stage by the Hawks. The Business Rescue Practitioners receive regular updates on progress being made.
Contract Grower (Ikutana Farm)	Theft of Daybreak birds to the amount of approximately R2 million	
Forensic investigation into Procurement irregularities reported on Sunday Times newspaper	Duplicate payments as well as Inflated invoices were paid to the amount of approximately R80 million.	A criminal case has been opened with the Hawks, Internal Audit is in contact with the Investigating Officer and receives regular updates.
Former CEO Salary Inflation	The alleged CEO's Salary was inflated by ±R1.3 million per annum	The matter was referred to the Hawks, a criminal investigation is currently underway.

24. In addition thereto, the following civil and/or criminal matters are presently underway:

Project Name	Nature of Investigation	Target Completion Date	Progress to Date
Allegations received by the Shareholder (PIC)	Investigation of various (35 allegations and 9 questions from National Treasury)	30 May 2026	Chavani Forensic Auditors were appointed to conduct forensic

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Project Name	Nature of Investigation	Target Completion Date	Progress to Date
	allegations relating to governance, human resources management and procurement irregularities		investigation into the allegations received. Investigations are currently in progress.
R100m & R174m Cash Injection	Forensic investigation into the utilisation of funds.	28 February 2026	Open Water Forensic Auditors were appointed. An investigation is currently underway in collaboration with the in-house internal audit team.
Contract Growers	Investigation of various allegations including theft of birds, feed and other consumables by the contract growers	31 March 2026	
Human Resource Management	Investigation into various irregularities within recruitment and selection as well as industrial relation practices.	31 March 2026	
Siphoning of Funds	Investigation of allegations of fraudulent payments made to certain suppliers.	28 February 2026	

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25. Due to the sensitive nature of these investigations, the BRP will refrain from providing specific details until such time as the investigations and subsequent prosecutions have been concluded.

Water Use Licences (WUL) and Sundra Abattoir Wastewater Treatment Plant (WWTP)

26. In terms of the Reactivation Option set out in the adopted business rescue plan ("the Plan"), the Company aims to restart the Sundra Abattoir and ramp up production at the hatchery and breeder operations.

27. The Plan contains a detailed description on the issues faced in relation to the water use licences (**WU**L). In short, the Company operated without the required water use licences at its divisions, and the wastewater treatment plants (**WWTP**) at certain of its divisions were not operational and/or in a state of disrepair.

28. In line with the Reactivation Option, the Company intends to apply for the required water use license at the hatchery and breeder operations, as well as at the Sundra Abattoir.

29. In addition thereto, the Company will repair the WWTP at the Sundra Abattoir and rehabilitate the three natural ponds that have formed from the water discharge form the WWTP.

30. The WUL application in respect of all the divisions of the Company has commenced and is on track.

31. The Company appointed Ms. Salome Beeslaar to act as Environmental Practitioner (**EP**).

32. The BRP team attended to numerous Teams meetings and a site visit with Ms. Beeslaar as part of the WUL application.

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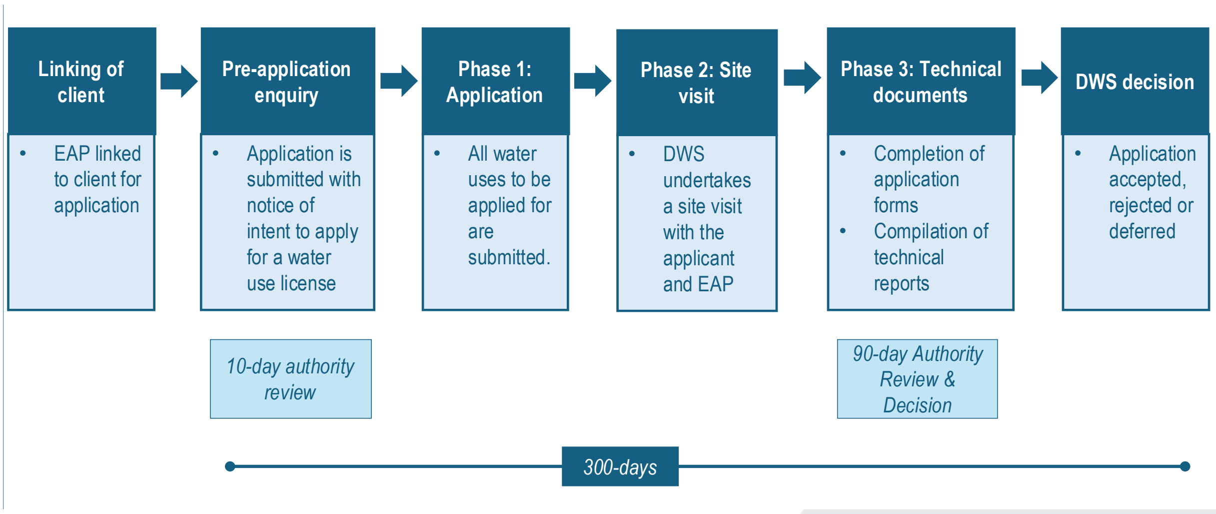
33. The below timeline indicates the proposed steps to be taken across all the divisions surrounding the WUL applications:



34. The Company has selected three suppliers to conduct full assessments and prepare reports on the manner in which the WWTP and ponds can be remedied.

35. The suppliers attended to onsite meetings at the Sundra Abattoir to conduct initial onsite assessments during the course of December 2025.

36. The potential suppliers have provided the Company with quotations to conduct feasibility studies and to prepare a report on the projected costs to remedy the WWTP.

37. The quotations were duly paid to the potential suppliers, who have since commenced with onsite inspections and the preparing of the reports and quotations

38. Due to the festive season holidays, the feasibility studies and reports should be submitted during the course of February 2026.

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39. The three suppliers have since conducted further onsite visits a spart of the preparation of their assessment reports and quotations. The BRP awaits the finalisation of these reports.

40. The BRP will elect the preferred supplier once the reports have been prepared and, depending on the funding which the Company may receive as part of the Reactivation Option in the Plan, will commission the start of the project.

41. The Company has received Environmental Authorisation in respect of Section 24G of the Water Use Act, authorising it to operate the Delmas Abattoir' WWTP.

42. This authorisation is pursuant to an application which the Company made during July 2025.

43. This, in effect, enables the Company to legally operate the Delmas Abattoir, subject to all other status and regulations such as the necessary health and safety protocols.

44. The BRP, as part of the Reactivation Phase, will consider this positive development to consider the Delmas' Abattoir as a possible candidate for restart.

45. The BRP has instructed an engineering company to conduct a full technical assessment on the requirements to restart the Delmas' and Sundra Abattoir.

46. These assessments remain ongoing, with the initial assessments have been concluded on both abattoirs. The technical advisor is in the process of preparing a report setting out the repair costs of each abattoir. The report will be based on varying assumptions of capacity. In this regard, the BRP will consider the forecasted demand and repair the identified abattoir in line with these projections.

47. The BRP trust that the reports should be finalised during the course of February 2026.

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Strategic Equity Partner Process

48. The SEP process is underway and is progressing well.

49. The SEP process is being conducted in conjunction with the Reactivation Option set out in the Company's adopted Plan.

50. The Daybreak Strategic Equity Partner (**SEP**) process is being managed by Park Village Auctions. The two-phase process commenced on 18 August 2025, with an advertisement calling for Expressions of Interest ("EOI") from all Interested Parties, with a view to an investment in and/or acquisition of all or part of the company's business and assets. The advert required interested parties to sign an NDA, comply with FICA requirements, and pay a R3 million refundable deposit. The EOI phase closed on 30 September 2025 with Park Village receiving four qualifying EOIs. All four Interested Parties were invited to the Due-Diligence (**DD**) phase of the SEP process (1 October 2025 – 12 December 2025).

51. In the DD phase, Interested Parties were given access to a Virtual Data Room (**VDR**) containing relevant company information and provided with an opportunity to seek further information through a Q&A process. The Parties also conducted site visits to the various Daybreak sites and held information sessions with the BRP to understand the BRP strategy and status of the BR process.

52. The SEP offers were scheduled to be received on the 12th of December 2025, but the submissions dates were revised due to delays in information provision and requests by potential bidders for clarity on the Sundra reactivation funding terms.

53. The SEP offers were subsequently received on 16 January 2026, with two asset acquisition offers, one operational partner offer and one party not submitting an offer.

54. The two parties with asset acquisition offers were requested to submit proof of funding to support their offers, which were received on 28 January 2026. One of the parties has been requested to resubmit their proof of funding as it does not meet the unconditional funding support requirements of the SEP process.

55. The said SEP participant has subsequently submitted an amended performance guarantee. The BRP has proposed that additional amendments be incorporated into this guarantee letter and awaits a reply from the said participant.

56. Below is a summary of the timeline of events:

12 December 2025	Original offer submission date
19 December	Revised submission date submitted to SEP Participants.
16 January 2026	SEP offers received (3 offers from the 4 interested parties)
20 January 2026	BRP requests proof of funding to support the two-asset acquisition offers.
28 January 2026	Proof of funding received (1 does not meet requirements)

Funding Requirements for Reactivation Option

57. The BRP and his team continues to engage the potential funders to inject the required R350 million in capital which the Company requires to restart either the Delmas or Sundra Abattoir and ramp up to full production at its hatchery and breeder operations.

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58. A breakdown of the capital requirements is set out in the adopted Plan and the previously published status report. Affected parties are requested to refer thereto for further information.

59. The funders are in the process of finalising the due diligence process.

60. The BRP and his team have had various engagements and consultations surrounding the loan application with the funder. In this regard, the BRP and his legal team are engaging the funder in finalising the proposed terms and conditions, as well as the conditions precedent and subsequent that must be met for the funding to be advanced.

61. The negotiations are at an advanced stage and the BRP expects to receive an outcome during the course of February 2026

62. Affected parties will be kept abreast of the developments in this regard.

CONCLUSION

63. The BRP and his team continue to work tirelessly to implement the proposals set out in the adopted Plan.

64. The breeder and hatchery operations remain fully operational.

65. In addition thereto, the SEP process will remain ongoing, as well as the due diligence processes for the required funding for the Reactivation Phase.

66. The retrenchment process is ongoing and should be concluded during the course of February 2026.

67. The BRP should receive an outcome in the loan application from the Funder and the WULA's remain on track.

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68. The BRP thanks all affected parties for their ongoing commitment in ensuring the successful business rescue proceedings of the Company.

69. The next status report will be published during the course of February 2026.

Tebogo Maoto
Senior Business Rescue Practitioner