



(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:
MAY 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 status report must be read in conjunction with all previously published status reports, circulars, correspondences and/or notices.

Hatchery and Breeder Operations

3. The Company's hatchery and breeder operations remain ongoing and is stable.
4. The BRP and his team continues to attend 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.
5. The hatchability rate at the Company's hatchery facility remains in line with the Ross Standard. The Company's DOC sales have declined due to a general lack of demand.
6. In the previously published status report, affected parties were advised that the BRP has entered into various negotiations with potential clients for the supply of fertile eggs and DOCs. This should result in a significant increase in the average weekly DOC and eggs sales.
7. The Company continues to replenish its parent flock at its breeders on a continuous basis, with regular flock replenishment taking place in line with the current and projected future demand.
8. The Company confirms that it successfully obtained export licenses for its Hatchery and Diepputten Breeder Farm. The Company awaits formal confirmation that it has been placed on the AI Free List, whereafter it may legally export fertile eggs and DOCs to neighbouring and international countries.



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Labour Relations

9. The current labour position remains stable.
10. 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.
11. The Company's retrenchment proceedings are drawing to a close. The said process at its non-operational divisions have been finalised. A total of 1 879 employees have been retrenched in its Abattoirs and Feed Mill operations.
12. The retrenchment process in relation to the Company's operational divisions (Hatchery, Breeders and Head Office) is in the final stages. The Company, Employees Committee and respective Unions have reached agreement on the new operational structure of the Company, including the number of employees that will be affected by the retrenchment proceedings in the operational divisions.
13. The Company attended to two consultations with the Employees Committee during the course of May 2026.
14. The Company and the Employees Committee has since reached agreement on the number of retrenchments and the specific individuals that will be affected by the retrenchments. In reaching agreement, the Company applied vertical and horizontal bumping in order to reduce the impact of the retrenchments.
15. The termination notices for the employees affected by the retrenchments in the operational divisions will be addressed during the first half of June 2026. As part of this process, the HR Team will conduct individual consultations with affected employees.

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16. The Company is in the process of finalising the Head Office structure and will present same to the Employees Committee for consideration and approval at the next scheduled meeting.
17. The Company aims to conclude the retrenchment process at Head Office during the course of June 2026. Once this is concluded, the retrenchment process as a whole will formally conclude.

Internal and External Investigations

18. As part of the BRP's ongoing investigations into the affairs of the Company, the BRP has commissioned a full forensic audit.
19. In the interim, affected parties are advised of the following update on the criminal investigations that are underway:

#	Project	Nature of the Issue	Progress to Date
1	Logistics Service Provider	Fraudulent invoices for non-existent work (±R8m)	The criminal investigation process is in progress by the Hawks. The Investigating officer is currently awaiting banking records of the embezzled funds from First National Bank.

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#	Project	Nature of the Issue	Progress to Date
			Last point of contact with the Investigating Officer was on 22 May 2026.
2	Contract Grower (Ikutana Farm)	Theft of Daybreak birds to approximately R2m	The criminal investigation process is in progress by the Hawks. Last point of contact with the Investigating Officer was on 4 June 2026.
3	Former CEO Salary Inflation	The CEO's Salary was inflated by ±R1.3m per annum	The matter was referred to the Hawks; a criminal investigation is currently underway. Currently awaiting feedback from the Hawks Officer on the progress to date.
4	Forensic investigation into Procurement irregularities reported in Sunday Times newspaper	Duplicate payments as well as Inflated invoices were paid to the amount of approximately R80m.	A criminal case has been opened with the Hawks and is underway. Last point of contact with the investigating officer was on 18 February 2026. The Officer is undergoing a process of taking statements from the witnesses. We have also engaged with the various firms that conducted the investigation to obtain the

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#	Project	Nature of the Issue	Progress to Date
			investigation file, as part of the request by the investigating officer. Refer below for further investigative work that was performed by the Forensic Accountant (Paragraph 1 below).
5.	Delmas Water Recycling Plant	A payment of approximately R28m was made to a supplier for an excessively expensive water recycling plant. Further, duplicate payments were noted to the amount of approximately R1 million	The matter has been referred to the Hawks for a criminal investigation. We await further feedback from the Hawks in this regard.
6.	Engineering Supplier	Duplicate payments to the amount of R1m were made.	The matter has been referred to the Hawks for a criminal investigation. We await further feedback from the Hawks in this regard.

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20. 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) allegations relating to governance, human resources management and procurement irregularities	30 June 2026	PIC appointed Chavani to investigate alleged irregularities at Daybreak. The investigations are at execution stage. Required information from time to time is provided to the Investigators from the Company's internal audit team.
R100m & R174m Cash Injection	Forensic investigation into the utilisation of funds.	30 June 2026	PIC appointed Open Water to investigate alleged irregularities at Daybreak. We are reviewing their draft report for our comments to be incorporated into the report. We continue to support the investigators from time to time to the Investigators.
Contract Growers	Investigation of various allegations including theft of birds, feed and other consumables by the contract growers	30 June 2026	
Human Resource Management	Investigation into various irregularities within recruitment and selection as well as industrial relation practices.	30 June 2026	
Siphoning of Funds	Investigation of allegations of fraudulent payments made to certain suppliers.	30 June 2026	

21. 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.

Technical Assessment and Compliance

22. The WUL applications in respect of all the divisions of the Company has commenced and is on track.
23. The majority of the testing has been conducted on the various sites. Once all testing has been completed and the various expert reports have been compiled, the Company will proceed with Phase 2 of the application process by formally applying for the various WUL's across the Company's divisions.
24. The application process in respect of the Sundra abattoir is the most advanced with all specialist studies having been conducted.
25. The Company has experienced delays in the submission of the WUL applications for the various divisions. This is largely due to delays experienced with the water tests and reports across certain of the Company's divisions. The Environmental Practitioner expects the applications to be launched during the course of June 2026.
26. The BRP has instructed an engineering company to conduct a full technical assessment on the requirements to restart the Delmas' and Sundra Abattoir.
27. These assessments remain ongoing, with the initial assessments have been concluded on both abattoirs. The technical advisor has provided the BRP with a report on both the Delmas and Sundra abattoirs.
28. One of the key issues to resolve is to reconnect electricity supply to the Delmas abattoir in order to accurately determine the condition of the equipment within the plant and, in so doing, to assess what equipment must be repaired and or replaced.

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29. The Company has instructed an electrical services provider to attend to the restoration of electricity at the said abattoir. The works are expected to commence during June 2026.
30. The technical assessment of the Delmas Abattoir will be completed once electricity supply has been restored.
31. In assessing the viability of the restart of one of the abattoirs, the following requirements will be taken into consideration:
- 31.1. the condition of each abattoir and the projected capital expenditure required to restart;
 - 31.2. the regulatory and compliance issues which each abattoir faces;
 - 31.3. the customer and product requirements upon the restart of an abattoir; and
 - 31.4. the employment and community considerations of each respective abattoir.
32. The BRP will provide affected parties with the outcome of the assessment process and provide the reasoning therefore on the preferred supplier has been identified.

Strategic Equity Partner Process

33. The BRP has prepared a report on the outcome of the SEP Process to the Company's stakeholders for their consideration. At this stage, the BRP does not deem it prudent to provide a summary of the offers received by the Company due to the sensitive nature of this information.
34. The BRP expects to receive feedback from the stakeholders during June 2026. Based on this feedback, the BRP may close the SEP process and provide affected parties with the outcome in the revised business rescue plan.

Funding Requirements for Reactivation Option

35. 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.
36. 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.
37. The BRP is pleased to confirm that agreements have been entered into with two funders for an amount of R150m each. The drawdowns are taking place in line with the terms and conditions of the respective agreements.

CONCLUSION

38. The BRP and his team continue to work tirelessly to implement the proposals set out in the adopted Plan.
39. The BRP thanks all affected parties for their ongoing commitment in ensuring the successful business rescue proceedings of the Company.
40. The next status report will be published during the course of June 2026.



Tebogo Maoto



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Company Registration Number: 2001/015025/07