(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:

NOVEMBER 2025

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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<u>Hatchery and Breeder Operations</u>

3. The Company's hatchery and breeder operations remain 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. As at November 2025, the Company has generated a net cash position of R113,800,000 from the sale of DOC's.

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

9. The average number DOC's being hatched per week during the current reporting period is about 1 million DOC's per week.

10. The Company has approximately 1,200,000 eggs in its egg bank. This should systematically increase as production is ramped in line with the Reactivation Option set out in the adopted Plan.

11. The Company furthermore continues to replenish its parent flock at its breeders to ensure a stable and ongoing supply of DOCs. The Most recent flock replenishment took place in the third week of November 2025.

Labour Relations

12. The current labour position remains stable.

13. The primary issue remains the Temporary Employer / Employee Relief Scheme (**TERS**) application.

14. During the month of November 2025, the BRP and his team continued to have various engagements and meetings with the TERS committee.

15. Pursuant to the peaceful march will took place on 28 October 2025, the DOL undertook to provide the Company with a response on the TERS application within 7 days.

16. The BRP attended to additional queries from the DOL and since then the Company is yet to receive a response on its TERS application.

17. The BRP and his team will continue to engage the TERS Adjudication Committee in an effort to attract the necessary TERS relief for the Company.

18. The delay in the TERS application outcome is affecting the proposed retrenchment process which the Company intends to commence. At present, the Company is not in a position to initiate the retrenchment process before obtaining an outcome from the TERS application.

19. In the absence of an outcome from the TERS Committee by close of 2025, the Company will commence with the retrenchment process in early January 2026.

Internal and External Investigations

20. It is common cause that the Company was pummelled with mismanagement and alleged unlawful activities, both internally and externally.

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21. 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.

22. In addition thereto, the BRP has mandated the Company's internal audit department to conduct a full-scale investigation into all acts of unlawful conduct by the Company's employees, management, external service providers and clients.

23. The internal audit department has prepared a number of individual reports that focusses on specific acts of alleged unlawfulness.

24. The internal audit department has laid formal criminal complaints against the alleged perpetrators. The BRP will also take the necessary civil steps to recover all damages suffered by the Company as a result of these alleged unlawful acts.

25. In addition to the aforesaid, the internal audit team is finalising its investigations into current employees that have been placed on suspension. The disciplinary enquiries should be conducted in the ensuing reporting period.

26. 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")

27. 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.

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28. The Plan contains a detailed description on the issues faced in relation to the water use licences (**WUL**). 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.

29. 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.

30. 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.

31. The WUL application in respect of Sundra has commenced and is on track.

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

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

34. The response to the Pre-Directive Notice (addressed to us by the Department) was prepared and submitted to the Department on 14 November 2025.

35. A formal meeting with the Department took place on Monday, 17 November 2025. The team presented a presentation to the Department and provided them with an update on the current status of the WUL application. The meeting was positive and the Department agreed to the action plan which the team presented to the Department.

36. The presentation, together with the action plan, is attached hereto for ease of perusals.

37. As part of the WUL application, a pre-inspection meeting with the Department of Water and Sanitation (**the Department**) took place on 21 November 2025 at 09H00. This was an onsite meeting and is the first step in the WUL application process.

38. The next step is the submission of the WUL application form. In short, the application can take up to 300 days to finalise and will cost approximately R1,500,000.00 (excluding costs to the preparation of proposals from suppliers for the WWTP and the rehabilitation of the three ponds).

39. An onsite meeting took place on 24 November 2025 with the EP at the hatchery and breeder facilities. The EP will conduct a site inspection and assessment as part of the process to apply for WUL's at these facilities.

40. Similar to Sundra, these applications may take up to 300 days to finalise. The Company will engage the Department on an ongoing basis and provide them with regular updates.

41. There are no pending directives or any sanctions that have been issued by the Department in respect of the hatchery and breeder operations. The swift application for WUL's at these premises will mitigate the risk of any potential sanctions or directives, pending the finalisation of the WUL application processes.

42. The project to repair the WWTP at the Sundra Abattoir is underway and is progressing well.

43. There are two primary issues that need to be attended to in this respect. Firstly, and in the short to medium term, the Company must resolve the water quality and level issues in respect of the three ponds that have formed. Secondly, the Company must remedy the current WWTP to get it fully operational in line with the requirements of the abattoir operating at full capacity.

44. In relation to the first issue, the Company has received a proposal from a potential supplier to conduct an assessment on the current state of the ponds and prepare an action plan to rehabilitate same.

45. In relation to the second issue, the Company is in the procurement phase and have had various engagements with potential suppliers.

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

47. A total of three suppliers attended to onsite meetings at the Sundra Abattoir to conduct initial onsite assessments.

48. 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.

49. The feasibility studies and reports should be submitted during the course of January 2026.

50. 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.

51. The initial indications are that the WWTP can be repaired within a period 6 months, whilst the ponds can be remedied withing a period of 3 months.

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

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

54. 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.

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

56. The BRP is in the process of instructing an engineering firm to conduct a full technical assessment on the requirements to restart the Delmas' Abattoir.

57. A decision will be made on which abattoir to restart, once the BRP is in receipt of the technical report from the engineering firm.

58. If it is financially feasible to restart the Delmas Abattoir, the Company may recommence with meat processing as soon as June 2026. The restart of the Sundra Abattoir, on the other and, is depended on obtaining the necessary water use licenses, which could up to 300 days to finalise.

Strategic Equity Partner Process

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

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

61. 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).

62. 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.

63. Initially, the deadline to submit the final bids was earmarked for 12 December 2025. Having regard to the fact that the outcome of the funding application of the Company would have a significant impact on the bids which the Company could expect to receive, the BRP deemed it prudent to provide all SEP participants an extension to 16 January 2026 for the submission of their offers. The BRP reiterated that the finalisation of the funding application is outside the scope of his control and requested all SEP participants to remain patient during this period.

Funding Requirements for Reactivation Option

64. 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.

65. 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.

66. The funders are in the process of finalising the due diligence process. The Company should have clarity on whether its funding application was successful during January 2026.

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

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CONCLUSION

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

69. The December festive period is now fats approaching. The breeder and hatchery operations will, however, remain fully operational.

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

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

72. The next status report will be published during the course of January 2026.

Tebogo Maoto

Senior Business Rescue Practitioner