(IN BUSINESS RESCUE)
31 Spanner Road
Clayville
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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:**

**OCTOBER 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.

**Hatchery and Breeder Operations**

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. In terms of this arrangement, Astral Foods would supply feed, transport and vaccines to the Company, on condition that the Company supply Astral Foods with DOCs. The cost of the feed would be offset against the sales price of the DOCs.

5. Initially, Daybreak was in a payable position; however, by the third week, the cumulative value of DOCs delivered had surpassed the value of inputs received, resulting in a net positive position of approximately R71,000. As of the latest update, Daybreak holds a net positive position of R95.2 million.

6. During this period, the Company went from an initial hatchability rate of 74% in June 2025, to now being inline with the Ross standard during the current reporting period.

7. The average number DOCs being hatched per week during the current reporting period is about 1 million DOCs per week.

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8. The Company has approximately 1,300,000 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.

9. The Company furthermore continues to replenish its parent flock at its breeders to ensure a stable and ongoing supply of DOCs. The next flock replenishment is scheduled for the third week of November 2025.

**Labour Relations**

10. One of the key issues that required immediate attention, was the stabilisation of the labour relations at the Company.

11. When business rescue proceedings commenced, the Company's labour force was fraught with disputes and instability.

12. The current labour position remains stable.

13. The primary issue remains the TERS application. During the month of October 2025, the BRP and his team had various engagements and meetings with the TERS committee. A number of queries were raised by the said committee, to which the BRP swiftly responded. To date, the Company awaits a formal outcome from the TERS application process.

14. On or about 28 October 2025, employees embarked on a peaceful march to the Department of Labour (**DOL**). The march delivered a memorandum requesting that the Company by provided with the necessary TERS assistance as a matter of urgency.

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15. The DOL advised that it would respond within a period of seven days on its decision. On the seventh day, the TERS committee addressed a short email to the Company in which it sought additional clarity on the historical payroll for the period 2023 to date.

16. The BRP responded on the same day addressing the queries that were raised. To date, the BRP awaits a formal response from the committee.

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

18. The Company, however, is now in a position where the possible TERS relief that it might receive, will reach equilibrium with the monthly PCF that the Company is incurring from the balance of the salaries of the employees that are on stipend.

19. The Company cannot continue with the current position indefinitely and will take decision on the unavoidable retrenchments in the ensuing reporting period.

**Internal and External Investigations**

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

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

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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 has been scheduled for 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.

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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. The suppliers which we have engaged thus far for the WWTP at Sundra have all indicated that the current plant is capable of being repaired and/or retrofitted. This will avoid the excessive costs of constructing a new WWTP.

48. The team aims to conclude the procurement process by January 2026 once all the assessments form the potential suppliers have been conducted and the reports prepared.

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**Strategic Equity Partner Process**

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

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

51. 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).

52. 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.

53. The Interested Parties are currently finalising their DDs with a view to submitting their final bids by 12 December 2025. The BRP team and Park Village continue to assist the Interested Parties towards this aim. Although some of the Parties had indicated

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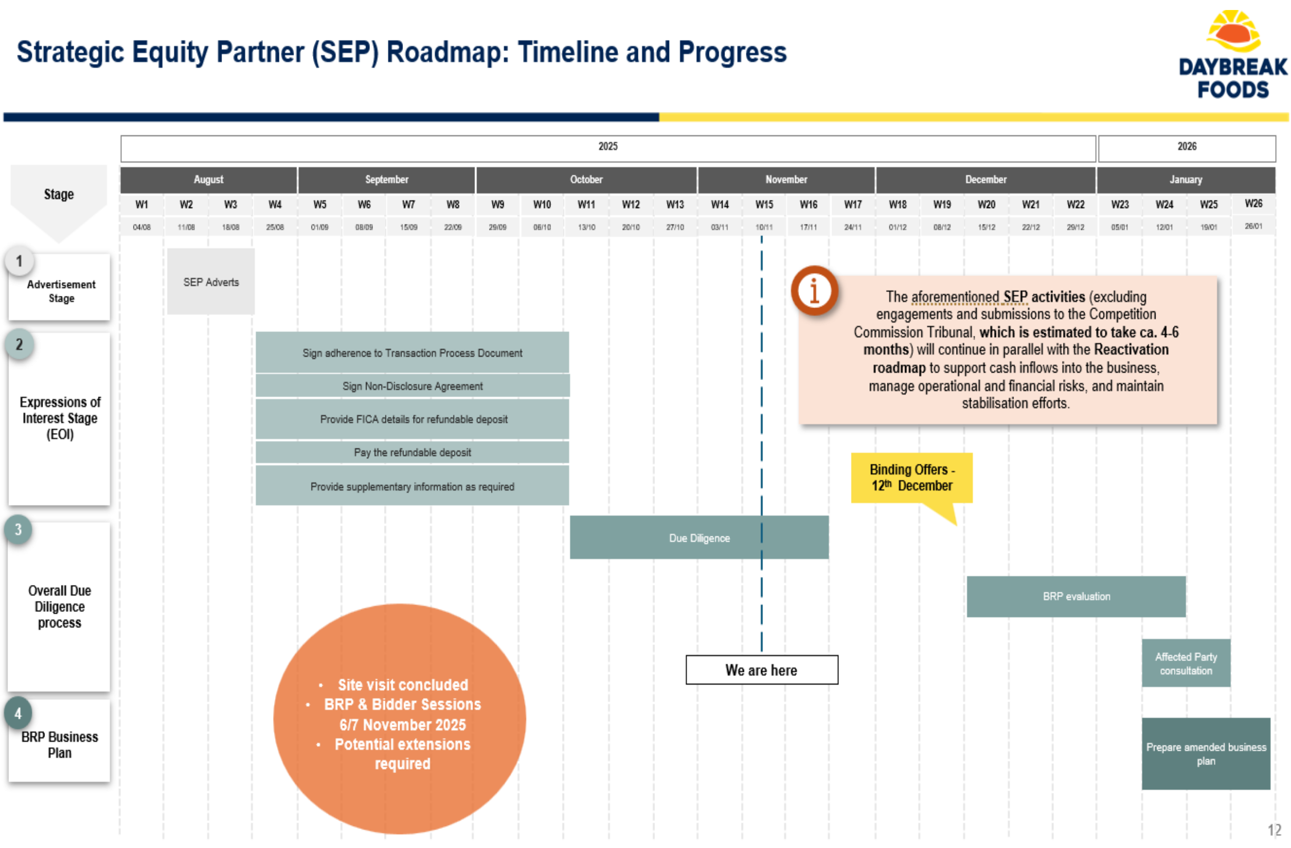
potentially requiring additional time to complete their DD and internal approval processes, no formal requests for extension have been received at this point.

54. A summary of the SEP process and roadmap is set out in the diagram herein below.




## Funding Requirements for Reactivation Option

55. 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 the Sundra Abattoir and ramp up to full production at its hatchery and breeder operations.

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56. 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.

57. The funders are in the due diligence process. The BRP and his team have engaged in various meetings and have submitted the required due diligence information pack.

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

**CONCLUSION**

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

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

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

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

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

**ELECTRONICALLY SENT**

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**Tebogo Maoto**

**Senior Business Rescue Practitioner**