(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:

SEPTEMBER 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 first status report of the Company and must be read in conjunction with all previously published circulars, correspondences and/or notices.

BACKGROUND TO THE COMPANY'S BUSINESS RESCUE PROCEEDINGS

Commencement and Appointment of BRP

3. The Company formally commenced with business rescue proceedings on 12 June 2025, pursuant to a resolution passed by its board of directors in terms of Section 129 of the Act.

4. Mr. Tebogo Maoto was appointed as the Company's senior business rescue practitioner on the same day.

5. The CoR 123.1 and 123.2 have been addressed to all affected parties.

First Meetings of Creditors and Employees

6. The first meeting of creditors was held electronically on 23 June 2025, in accordance with Section 147 of the Act.

7. The first meeting of employees was, similarly, held on 24 June 2025 as required by Section 148 of the Act.

8. At the said meetings, the BRP *inter alia* addressed the Parties on the:

8.1. actions taken by the BRP since his appointment;

8.2. reasons for the Company's financial distress;

8.3. engagements which the BRP and his team had with the various unions, employees and stakeholders of the Company;

8.4. aims of the Company's business rescue proceedings;

8.5. reasonable prospect of rescuing the Company;

8.6. role of the BRP and the Company's Board during the course of its rescue proceedings;

8.7. manner in which the employees and creditors may participate in the Company's business rescue proceedings;

8.8. employees and creditors rights to form committees; and

8.9. impact of the legal moratorium on the Company's business rescue Proceedings.

Formation of Committees

9. Pursuant to the first meeting of employees and creditors, both these groups of affected parties chose to form creditor and employees committees.

10. The Employees committee was formed on 07 July 2025, whilst the creditors committee was formed on 18 July 2025.

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11. The BRP and his team have had various meetings with both committees since the commencement of business rescue proceedings.

12. Both committees form a fundamental part of the Company's business rescue proceedings. The BRP and his Team will continue to consult with the said committees to address the issues faced by the creditors and employees in order to ensure the successful rescue of the Company.

OPERATIONAL ISSUES ADDRESSED BY THE BRP

13. When business rescue proceedings commenced, the Company faced a number of immediate challenges that needed to be addressed urgently in order to stabilise the Company's operations.

14. The Company's only operational divisions were the hatchery and breeder operations. The Feed Mill, Broiler Farms and Abattoirs were not operational at the time the Company was placed into business Rescue.

15. The BRP developed an approach in terms of which the business rescue proceedings would split into three separate Phases, being the Emergency, Reactivation and Stabilisation Phases.

16. In each of these Phases, the BRP and his Team identified certain key milestones that needed to be achieved to rescue the Company. These milestones are discussed more fully herein below.

17. Some of the critical issues that were attended to by the BR Team during this phase includes:

17.1. Suspended non-critical operations to preserve cash

17.2. Renegotiated supplier and creditor terms

17.3. Secured emergency funding

17.4. Accelerated receivables and internal collections

17.5. Froze capex and deferred major spend

17.6. Resumed Hatchery and Breeder operations through a strategic partnership with Astral (discussed more fully herein below).

Emergency Funding

18. When business rescue proceedings commenced, the Company was faced with a liquidity crisis. It had insufficient operational cashflow to continue trading and to keep its Hatchery and Breeder operations functional.

19. The BRP proceeded to engage the PIC to obtain emergency funding relief. Pursuant to negotiations, the PIC through its PICOF fund, provided a cashflow injection of R150m.

20. The said funds were earmarked and utilised to make payment of the Company's critical operational costs during the Emergency Phase of its business rescue proceedings.

21. Some of the critical operational costs included the payment of salaries, water and electricity, general maintenance and security related costs.

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22. The Emergency funding was sufficient to stabilise the Company's operations. More particularly, the Company was able to continue trading its Hatchery and Breeder operations and make payment of salaries.

23. The emergency funding has since been depleted in line with the budgetary requirements set out by the BRP and the PIC.

Hatchery and Breeder Operations

24. When business rescue proceedings commenced, the Company had insufficient operational cashflow to sustain its Hatchery and Breeder operations.

25. The dire situation was further compounded by a High Court order which the NSPCA obtained against the Company which severely limited its operations and required it to provide satisfactory proof that it would be in a position to feed its chickens.

26. In terms of this order, the High Court instructed the Company to cull or remove all of the broiler stock and a significant number of the breeder stock. In addition, the Company is required to obtain the consent of the NSPCA to conduct operations.

27. In order to mitigate the effects of the order, the Company entered into a strategic partnership 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.

28. 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,

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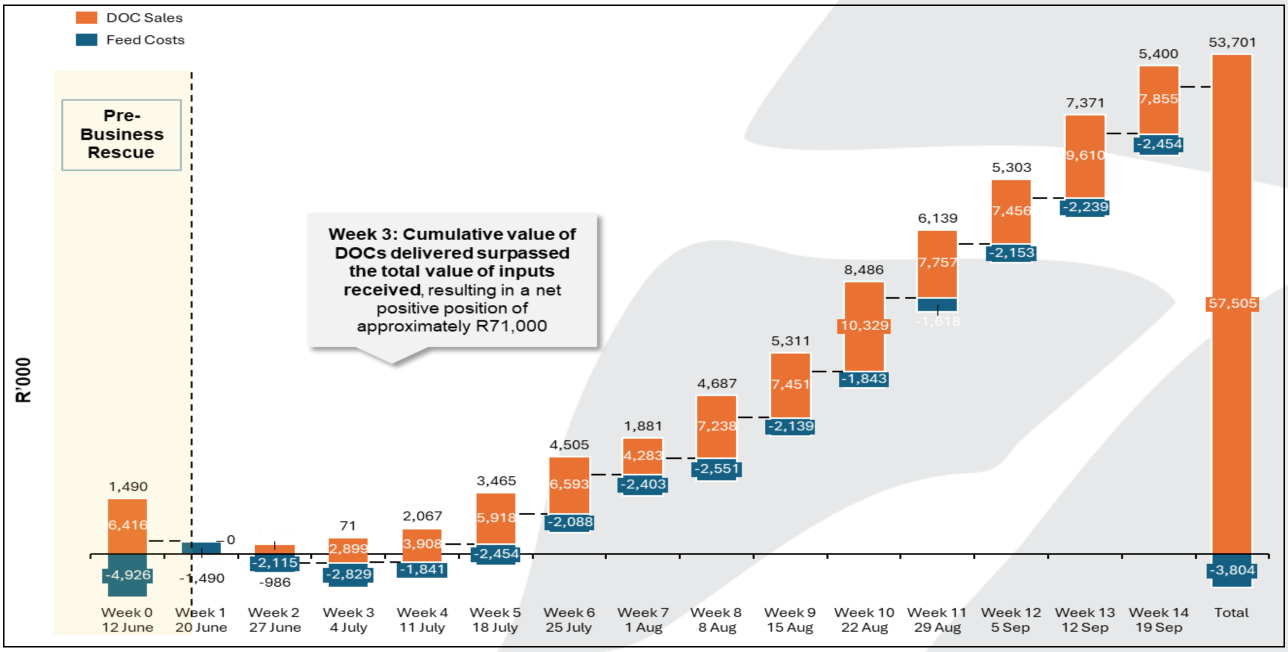
resulting in a net positive position of approximately R71,000. As of the latest update, Daybreak holds a net positive position of R53.7 million.

29. During this period, the Company went from an initial hatchability rate of 74% in June 2025, to 87% in August 2025. The average number DOCs being hatched per week went from no DOCs at the Commencement Date, to an average of 800,000 DOCs per week as at the Publication Date.

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

31. The below table sets out the performance of the Hatchery and Breeder divisions sine the commencement of business rescue proceedings:



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IT Systems

32. When business rescue proceedings commenced, the Company was in arrears with its monthly service fees to its IT systems provider; Altron.

33. This significantly hindered the Company's ability to trade and conduct its daily business operations.

34. In order to address this issue, the BRP engaged in negotiations with Altron to obtain a settlement.

35. Pursuant to lengthy negotiations, the Company reached a settlement with Altron during the later part of July 2025. The Company's IT systems were fully restored and this allowed the Company to conduct its operations in the ordinary course.

Labour Issues

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

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

38. The employees who are employed at the Breeder and Hatchery facilities embarked on an unprotected strike, which commenced on the morning of Friday, 04 July 2025.

39. On 07 July 2025, the employees who participated in the unprotected strike action were locked out in terms of Section 64(3)(d) of the LRA.

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40. On 10 July 2025, the employees stationed at Merino and Diepputten embarked on unlawful picket action at Diepputten.

41. The BRP and his team engaged in negotiations with the then newly formed committee of employees in order to reach an agreement to stabilise the Company's labour.

42. Since then, the BRP and his team through constant engagement and meetings with the Employees Committee, have manged to stabilise the Company's labour.

43. One of the critical issues addressed during these consultations was the payment of salaries.

44. During the months of June and July 2025, employees who rendered services received full remuneration, whilst employees who did not render services received a stipend equal to 50% of their salaries. The payment of stipends based on this scale, was not sustainable based on the Company's cashflow position.

45. As a result and since August 2025, the stipend paid to employees who are not rendering services, was reduced to 10% of the value of the employees salaries who were earning in excess of R15,000 per month, whilst employees earning less than R15,000 per month receive a monthly stipend of R1,500.

46. When business rescue proceedings commenced, the Company was in arrears with payment of the pension/provident fund deductions to the respective administrators.

47. The BRP and his Team engaged in negotiations with the pension and provident fund administrators to address the non-payment of contributions.

48. This issue was settled during September 2025 when the Company made payment of all outstanding pension/provident fund contributions.

49. This payment ensures that the future financial stability of the Company's employees is protected, whilst also ensuring compliance on the part of the Company.

50. The Company continues to engage the employees committee on a weekly basis to address all employment related issues.

51. In order to assist the employees committee members in performing their functions, a monthly allowance of R5,000 is being paid to each committee member. The allowance is earmarked for travel, accommodation and food costs which are associated with the frequent in-person meetings that are being conducted with the said committee.

Internal and External Investigations

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

53. 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 circulated to all affected parties once completed.

54. 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.

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

56. 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.

57. 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.

BUSINESS RESCUE PLAN AND ITS ADOPTION

Publication

58. The Company's business rescue plan was initially published on 22 August 2025.

59. Pursuant to this, the business rescue plan was amended on 12 and 25 September 2025. The business rescue plan was published to all known affected parties.

Proposals

60. As set out above, the Company's business rescue proceedings have been split into three separate Phases.

61. Phase Zero is the Emergency Phase. The Goals in this phase have been achieved.

62. During the Reactivation Phase, the Company aims to ramp up production at its breeder and hatchery facilities, whilst also restarting the Sundra Abattoir.

63. During the Stabilisation Phase, the Company aims to attract an SEP partner to invest in the business and ramp up full production across all of the Company's divisions.

64. The first business rescue plan deals with the implementation of the Emergency and Reactivation Phases of the Company's business rescue proceedings.

65. A summary of the timeline in which the various phases of the Company's business recue proceedings will be implemented, is set out herein below:

	1 'Emergency' Phase 0	2 'Reactivation' Phase 1	3 'Stabilisation' Phase 2
Description	Aims to restore liquidity, protect core operations and enable short-term recovery, paving the way for stabilisation	Leveraging existing assets and partnerships to unlock quick wins, restore operational rhythm and generate early cash flow	Shifting to asset-light, margin-rich operations, building predictability and control through strategic partnerships and modular growth
Time Period	~2 - 3 Months	~3 - 6 Months	> 6 Months
Focus Areas/ Strategic Options:	• Secured R150 million in emergency funding and sustained critical hatchery and breeder farm operations through a strategic partnership with Astral Foods • Executed robust cash preservation measures, including suspending non-essential operations, freezing capex and renegotiating supplier and creditor terms • Restored hatchery output to over 800,000 chicks per week, achieving a net positive cash position of ~R53.7 million, while stabilizing labour relations, IT systems and asset protection	• Restarting key operations at the Sundra abattoir via operating partnerships, using a lean, modular model to rebuild cash flow and operational rhythm • Labour rationalisation in progress, with up to 2,230 retrenchments planned; engaging with TERS to mitigate impact and support re-skilling • Reemployment of labour (~906) for the restart of Sundra abattoir • Liquidity and revenue initiatives include leasing cold storage, activating DOC resale and securing funding for Reactivation • Sale of non-core assets (e.g. KZN Hatchery, etc.)	• Pursuing a Strategic Equity Partner (SEP) to inject capital and expertise, with a formal RFP process underway and binding offers expected by December 2025 • Operational expansion includes restarting the feed mill and abattoir via partners, leasing broiler farms and scaling DOC resale through a reseller network • Driving revenue and efficiency through branded sales relaunch, tolling arrangements, outsourced logistics and value chain partnerships to reduce fixed costs

Second Meeting of Creditors and Adoption of Business Rescue Plan

66. The adjourned second meeting of creditors was held on 26 September 2025.

67. At this meeting, the BRP *inter alia* highlighted the material terms of the proposals set out in the Reactivation Phase. The business rescue plan was adopted by the

requisite majority of creditors. Affected parties are referred to the circular addressed on 26 September which sets out the detailed results of the voting.

68. There are three options which can be implemented. The implementation of either option is based primarily on the amount of funding which the Company manages to attract.

69. The best case scenario is the implementation of Option 1. In terms of this option:

69.1. The Hatchery and Breeder operations will ramp up to full capacity.

69.2. The Sundra Abattoir will be restarted through the implementation of a tolling agreement with a tolling partner.

69.3. The Broiler Farms and Feed Mill will remain mothballed, subject to the entering of possible leases for the Broiler Farms.

70. In order to implement Option 1, the Company requires funding in the amount of R350m, which is repayable over a period of 5 years and is broken down into:

70.1.	Capex –	R93.2m
70.2.	Flock replenishment –	R85.1m
70.3.	Restart costs –	R107.9m (incl. care and maintenance)
70.4.	Working Capital –	R63.8m

71. The funding will be repayable over 5 years from the cash generated from operations.

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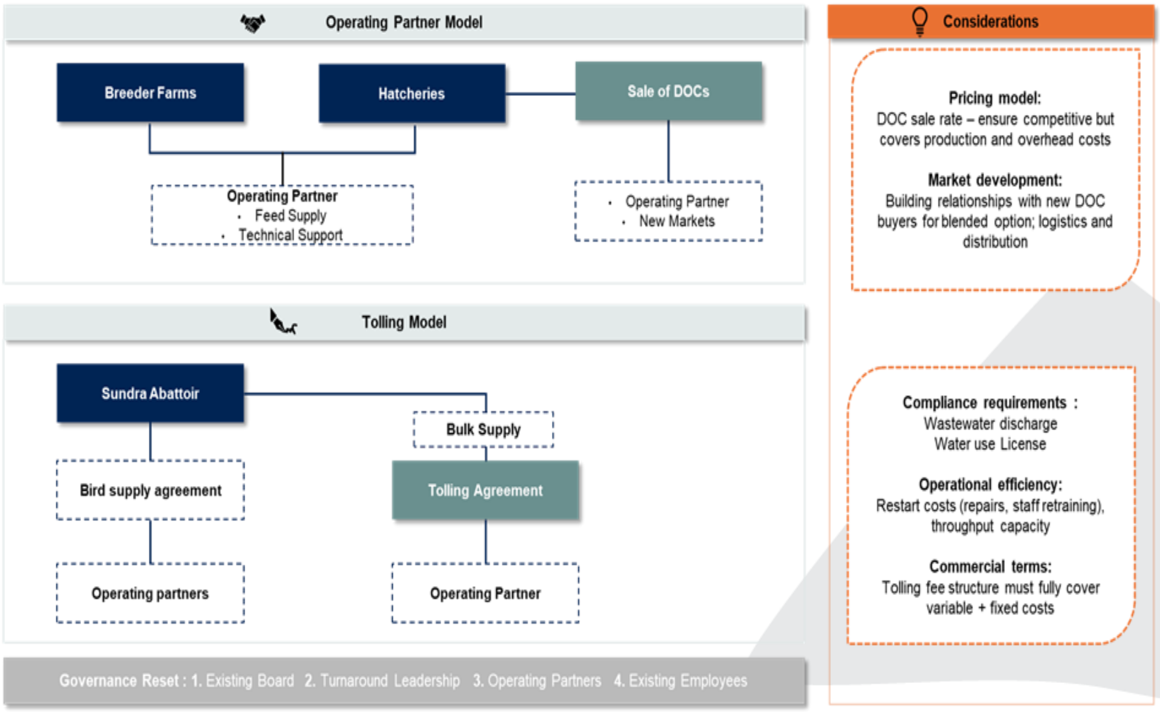
72. The diagram below sets out the proposed operational structure of the Company if the first option is implemented:



73. The implementation of Option 1 will have the least impact on the employees. In terms of this Option, the estimated retrenchments amount 1,324 people if there is TERS support.

74. In terms of the Second Option, the Hatchery and Breeder operations will be ramped up to full capacity with the assistance of a funding partner. Full stock replenishment will also take place.

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75. The Abattoir, Broiler Farms and Feed Mill will not be restarted, subject to the option of lease agreements being entered into for the broiler operations.

76. Option Three of the Reactivation phase proposes the systematic wind-down of the hatchery and breeder operations over a period of 6 months in the anticipation of obtaining a strategic equity partner. There will be no stock replenishment and the remaining operations will continue to be mothballed.

77. The employees committee have been fully briefed on the issues surrounding the potential retrenchments. This process will be managed in a fair and transparent manner. The number of potential retrenchments will be informed by the funding and TERS support which the Company manages to attract.

78. The BRP, in conjunction with the employees committee, will proceed to engage TERS in a collective fashion as part of the application process to obtain the necessary funding support.

79. The Company will formally embark on the retrenchment process in line with the required legislation and based on the potential TERS support.

CONCLUSION

80. The BRP and his team will now proceed to implement the proposals set out in the business rescue plan.

81. The BRP is in ongoing negotiations with potential funders to provide the funding support which the Company requires to implement the proposals set out in the adopted plan.

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82. These negotiations are at its infancy and affected parties will be kept abreast of the developments in this regard through regularly published circulars and status reports.

ELECTRONICALLY SENT

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Tebogo Maoto
Senior Business Rescue Practitioner