Introduction

- Coal experiencing more challenging operating environment
- Profitability has been negatively affected
- Introduction of cost cutting measures
- Declining yields, ageing mines, more difficult geology, poorer quality coal reserves and rising regulatory costs
- Declining labour force
Exports and prices

• Weak global thermal coal market – slower commodity demand
  • significant decline in employment numbers
• Decrease in export revenue
• The volume of exports decreased by 7% between 2013 and 2014
• Depressed export thermal coal price – down 30% from 2013
Since end of bull market in 2011, US$ prices fell and Rand prices have been in decline

Average Rand Coal price currently at R700/t, same level as 5 years ago in 2010

Dollar Coal prices have declined by 35%, since 2010 (-55%, 2012 peak)

Source: SA Chamber of mines, Bloomberg
South Africa’s export sales have slowed, near levels reached in 2003, 2008 financial crisis times

Exports value relative to total Coal sales

Source: SA Chamber of mines, SAIMM, Industry research
Production and costs

• Rapidly increasing production costs over the past few years
• Eskom electricity crises and load shedding impacting on production
• Impact of declining reserves
• Challenges with securing capital for future and expansion projects
• The impact of previous above inflation increases
Higher than inflation increases in coal

Average wage trends and CPI, 2007-2013

Source: Chamber coal wage agreements, Statistics SA