

Thungela's interim results presentation for the six months ended 30 June 2026

Transcript of event held on 17 August 2026

Hugo Nunes

Good day everyone and welcome to Thungela's 2026 interim results presentation. I am Hugo Nunes, Head of Investor Relations, and I would like to take a couple of minutes to introduce today's agenda and to explain how the day will run.

Joining us on the call today is Moses Madondo, our Chief Executive Officer, and Deon Smith, our Chief Financial Officer. Moses will begin with an overview of the Group's performance for the first half of 2026 and provide an update on market conditions and key industry drivers. Deon will then take you through the financial results for the period. Moses will conclude the presentation before we open the line for questions. Turning to Q&A, for those wishing to ask questions directly, we ask that you please join the session using the conference call facility provided as we can only take direct questions through this facility. In order to ask a question during the Q&A session, please dial *1 on your keypad, and this will register your intention to ask a question. Once the Q&A session starts, the operator will then open your line and ask you to go ahead with your question. For those joining via the webinar, you will have the opportunity to submit questions via text.

Over to you Moses.

Moses Madondo

Thank you Hugo. Good afternoon and good morning, to those joining us on the call today.

June 2026 marked 5 years of Thungela's existence as a stand alone listed entity. In these 5 years, we have created and returned value to our shareholders and stakeholders. We have done this by reshaping the portfolio, advancing life-extension projects and maintaining the financial flexibility required to build resilience through the cycle. In this period, we returned just over R23 billion to shareholders through dividends and share buybacks, as well as approximately R2 billion to the community and employee trusts. This demonstrates our purpose – to responsibly create value together for a shared future.

As August began, I marked my first year with Thungela. I am encouraged by the dedication of our employees and the continued support of our shareholders. I am proud of what we have achieved to date – with a strong first half performance, underpinned by consistent operational

execution and financial discipline. We are focused on delivering the business of today, that enables us to earn the right to build the Thungela of tomorrow.

With that let me start with one of our most important measures in the business – the safety of our people. Safety and health remain at the core of everything we do and is the foundation on which decisions are made. We have operated fatality-free for three and a half years. This reflects the continued focus across the Group on getting the basics right, effective work management and building a strong safety culture.

The Group's total recordable case frequency rate improved to 2.62 in the first half of the year, from 2.83 in 2025. Ensham's total recordable case frequency rate improved significantly to 5.52, displaying the alignment with Thungela's work practices. This includes the site's focus on visible leadership, hazard identification and continuous safety improvement. In South Africa, we are pleased with the reduction in reported injuries. We did see a slight regression in the frequency rate, because of the reduced number of worked hours, following the closing of Goedehoop and Isibonelo at the end of 2025. We remain unwavering in our commitment to keep our people safe and ensure that everyone returns from work, safe and healthy each day.

Now, moving onto business performance.

Our first half performance demonstrates the resilience of the business and the benefits of disciplined execution. Adjusted EBITDA increased to R1.3 billion, supported by higher benchmark coal prices, increased sales volumes and lower operating costs. Earnings per share increased by 467% to R10.95 cents. Cash generation was particularly strong, reflected in the net cash of R6.1 billion at the end of June 2026. Accordingly, the board has declared an interim cash dividend of R5.50 per share. In addition, the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will also receive R57 million collectively. We are pleased that this is the 10th consecutive dividend that will be paid to shareholders since our listing in June 2021.

These results demonstrate solid operational execution in South Africa and Australia. Let us now turn to operational performance.

Operationally, the first half reflected a number of positive improvements. Group export saleable production increased by 6% to 8.5 million tonnes. Export equity sales increased by 7% to 8.9 million tonnes. This was supported by improved rail performance in South Africa and higher sales from Ensham.

In South Africa, export saleable production was broadly in line with the prior period, despite Goedehoop North ceasing operations at the end of 2025. Khwezela recorded a strong first half performance and was 1 million tonnes up on the prior period. At Zibulo, year-on-year production was lower. This was mainly due to challenges from underground infrastructure in the current mining footprint that will be retired as production shifts to Zibulo North Shaft. This feature is transient and we therefore remain confident in the full-year production guidance.

In Australia, Ensham delivered a strong production uplift, with a resultant improvement in unit cost performance. Free-on-board cost per export tonne improved by 23% compared with the prior period. We invested R705 million in sustaining capital expenditure during the period. This spend focused on maintaining the long-term sustainability and reliability of our assets.

Having delivered a stronger operational performance, it is important to understand the market metrics that influenced these results. 2026 started with prices at similar levels to 2025. Following the onset of the conflict in the Middle East, coal markets experienced volatility and coal prices strengthened. These price increases were on the back of energy security concerns that support global oil, gas and coal prices. As a result, the average Richards Bay benchmark coal price increased by 15% for the first half of the year, and the average Newcastle benchmark coal price increased by 25%. The increase in the Richards Bay Benchmark was moderated by lower demand from North and South Asia.

Another key feature of the period was a continuing strength of the South African rand. The US dollar has remained weak, while positive sentiment for emerging markets and South Africa specific economic factors has kept the South African rand strong. A strong rand impacts the relative competitiveness of South African exporters. This reduces the benefit derived from translating US dollar revenue into rand while most operating costs remain locally denominated. This places margin pressure and limits the currency-driven advantage South African producers traditionally enjoyed.

Against that backdrop, improved rail performance allowed us to maximise the benefit of the stronger pricing environment.

Rail performance improved during the first half of the year from the level of approximately 48Mt last observed in 2023. The North Corridor achieved an annualised run rate of 59.9 million tonnes, a 5.5 percent improvement compared to 2025.

We are particularly pleased that these improvements have been achieved without significant capital investment by Transnet. Our view is that this performance is expected to remain at these

levels in the near term, with potential for further upside. The rail improvement reflects the collaboration between industry participants and Transnet, together with higher locomotive availability, security improvements and operational enhancements.

Export sales in South Africa increased to 7.4 million tonnes, as we utilised additional rail where value-accretive opportunities existed. Third-party coal sales of 602 thousand tonnes allowed the Group to capture additional value in a stronger pricing environment.

This demonstrates the value of our agility.

In summary, the first half of 2026 demonstrates the resilience of Thungela's business model and the benefits of focused execution. We delivered improved safety performance, stronger export sales, higher earnings, robust cash generation and balance sheet strength.

With that, let me hand over to Deon to take you through the financial results in more detail.

Deon Smith

Thank you, Moses. And thank you to those online for making the time to dial into our interim results presentation.

The first half of 2026 reflects a meaningful improvement in financial performance compared to the 2025 half year results. A highly volatile market resulted in currency headwinds and coal price tailwinds. We were however fortunate to have benefitted from a much improved TFR rail performance in South Africa with access to market we last seen in 2020.

Adjusted EBITDA increased by 91% from June 2025 to R1.3 billion and net profit increased to R1.4 billion.

Our cash generation for the first six months includes R1.1 billion in realised gains from foreign currency instruments. Adjusted operating free cash flow, which is essentially our cashflow from operations, was R1.9 billion, including these FX instrument gains. This measure of cashflow is also net of what we have spent on sustaining capital during the period under review.

Headline earnings per share, which excludes the non-cash profit from the sale of the Kleinkopje mining right of approximately R1 billion increased to R4.80 per share. The business maintained a robust balance sheet with net cash of R6.1 billion at the end of June 2026.

Overall, the results demonstrate the benefits of stronger operational performance, improved export sales volumes and disciplined cost management. As a result, we are returning R773 million to shareholders as an interim dividend.

Let's look at the income statement in more detail.

So, notwithstanding the closure of Goedehoop and Isibonelo at the end of 2025, our revenue still increased modestly to R15.2 billion driven by stronger export sales volumes and higher benchmark coal prices. The impact of stronger coal prices was however offset by the stronger operating currencies against a generally weaker US dollar.

Operating costs decreased compared to the first half of 2025, largely due to structural changes following the end of life of Isibonelo and Goedehoop. Operating costs also benefitted from the acquisition of the remaining 15% stake in Ensham in February 2025, as we no longer acquire 15% of the coal production at market prices. Our cost efficiency efforts continued to deliver on our internal targets but were offset by higher purchases of third party coal and selling expenses, related to increased export volumes. These factors supported adjusted EBITDA of R1.3 billion with the South African operations generating an EBITDA margin of 6% and Ensham a margin of 16%.

Below EBITDA, there are three important items to note. The first is the R1.0 billion non-cash profit recognised on disposal of the Kleinkopje mining right. So, this transaction became effective on 15 June and the profit mainly resulted from the derecognition of the related environmental liabilities.

Secondly, foreign exchange derivative gains continued to provide meaningful benefits, although lower than the comparative period due to lower currency volatility.

Thirdly, the effective tax rate increased mainly due to accounting treatment relating to deferred tax assets in South Africa and Australia. Together these resulted in profit for the period increasing to R1.4 billion.

Revenue growth remained modest despite significantly higher benchmark prices, largely because of currency impacts.

If you look at higher export prices contributed more than R2 billion in additional revenue, mainly in South Africa. Realised prices in Australia increased only marginally given 2025, our revenue benefitted from higher fixed price contracts in the first half.

Increased export volumes added close to R1 billion between South Africa and Australia. These benefits were offset by the stronger rand, which reduced reported revenue by approximately R1.7 billion for the period. The average exchange rate reduced by almost R2 from the first half of 2025 to H1 2026, from R18.39 to R16.41. Domestic revenue declined following the closure of Isibonelo and Goedehoop at the end of 2025.

So, looking at our price realization in a bit more detail, the South African realised export prices increased to approximately 89 US dollars per tonne compared to 78 US dollars per tonne in the first half of 2025. The average realised discount of 15.7% widened therefore from 14.9% as a greater portion of our sales book is now in the mid-quality range in this period. We expect the full year discounts to remain within this range if not tighten a bit within SA.

At Ensham, the realised price averaged approximately 111 US dollars per tonne, reflecting a discount of 13.3% compared to 109 US dollars per tonne, reflecting a premium of 6.6% in the prior year first half. The widening of this discount is a result of our fixed price contracts were concluded ahead of the price rally caused by the Middle East conflict. We expect the full year discount against the NEWC index to narrow slightly as we seek to conclude certain fixed price contracts which, if these were to have been concluded in the first half of the year, would have resulted in a narrower discount around 12% discount rather than the 13.3%.

Without the forex headwind, revenue growth expressed in rand would have been considerably stronger. Looking forward, the near term dollar weakness is expected to continue but we also expect coal prices to hold a higher floor as the Middle East situation remains highly unstable.

Lets's now turn to cost performance, starting in South Africa.

FOB cost including royalties increased to R1 374 per tonne from R1 264 per tonne. The main drivers were inflation, lower production volumes and higher selling costs associated with increased rail and export sales volumes. The closure of Isibonelo and Goedehoop had a positive impact on the FOB cost per tonne. Although first-half costs were higher than the comparable period, performance remains within guidance and we expect costs to further moderate towards the end of 2026 and this is as production run rates improve during the second half, in line with what we have observed in prior periods.

While South African costs increased, Ensham delivered a particularly strong production performance which benefitted unit costs. Ensham's performance continues to highlight the value of diversification within the portfolio with FOB costs and this is the measure including royalties, reducing significantly from R1 904 per tonne to R1 466 per tonne. The largest

contributor was the 37% increase in production, which improved operating leverage and lowered unit costs.

Improved operational efficiencies and disciplined cost control contributed further to the lower unit cost number, which also benefitted from the stronger South African rand, which reduced the translated cost base on consolidation. The FOB costs of R1 466 per tonne were below the lower end of the guidance range during the first half of 2026.

Moving from costs to cash and capital allocation, let's turn to our cash generation for the period.

Adjusted operating free cash flow for the period increased substantially to R1.9 billion, from R484 million in the first half of 2025. This was driven by stronger adjusted EBITDA, material foreign currency gains. Those are from derivative instruments and working capital release of about R500 million and that was based on timing of sales and payments from customers. After funding sustaining capital, paying taxes and meeting environmental funding commitments in the period, the Group still generated substantial free cash flow.

Let me turn to our cash evolution for the period.

So, the Group generated healthy cash flows during the first half as cash from operations was supported by improved earnings as well as realised cash inflows from foreign exchange derivative settlements. We funded R705 million of sustaining capital expenditure, and R104 million of expansionary capital in the period. We also contributed R100 million to the green fund in South Africa, and established an investment arrangement of R180 million linked to life of mine property access at Ensham in Australia. Importantly, despite these investments and commitments, the balance sheet strengthened during the period, and our net cash increased to R6.1 billion. A strong balance sheet remains a central component of our capital allocation framework.

Our framework continues to balance three fundamental objectives.

First, maintaining balance sheet resilience and liquidity. Second, funding sustaining capital and our environmental obligations and then thirdly, returning capital to shareholders while retaining flexibility to pursue opportunities to grow in a manner that further enhances our ability to prioritise returns to shareholders over time.

Maintaining balance sheet flexibility, rather than only focusing on the minimum cash buffer, alongside the investment evaluation criteria, remains a cornerstone of our disciplined capital allocation approach, as we selectively evaluate opportunities to grow or extend the life of our business.

At period end, the Group not only held R6.1 billion in cash but also R3.2 billion of undrawn facilities. The board has determined that maintaining a strong liquidity position is appropriate given current uncertain market conditions and potential opportunities available to the Group.

The Board has declared an interim dividend of R5.50 per share - reflecting a distribution of R773 million or over 40%, 41% of adjusted operating free cash flow generated in the first half of 2026. The underlying principle remains unchanged: disciplined capital allocation and long-term value creation for shareholders.

Having covered earnings, cash generation and capital allocation, let me conclude with our outlook for the remainder of 2026.

Starting in South Africa with export saleable production. The year to date export saleable run rate would bring us to below the bottom end of that full year range. We however consider the production challenges at our underground operations to be transient as Moses said earlier. We are accordingly expecting a stronger second half, in line with past periods and remain confident that we will deliver on full year guidance.

FOB cost per tonne is already within the guidance and with the production step up in the second half, we expect to remain within the range for the full year.

The range for sustaining capital also remains appropriate as capital spend is typically weighted towards the second half of the year

At Ensham, export saleable production is trending above the upper end of the range, however, current operating plans continue to support delivery within that guided range for the full year.

FOB cost per tonne for the first half is well below the bottom end of the guidance range that also contributes to the translation benefit of reporting currency, on consolidation. Unit costs in the operating currency remain on plan and considering the uncertainty of exchange rate movements, we believe that the cost guidance remain appropriate at the stated exchange rate

Sustaining capital at Ensham is expected to come in within the range of R500 to R700 million. Overall, current operating plans support delivery within our full year guidance ranges.

With that, let me hand back to Moses for concluding comments.

Moses Madondo

Thank you Deon. Thungela remains committed to responsible stewardship ensuring that the value we create delivers lasting benefits for our communities beyond the life of our operations.

For the reporting period under review, there were no significant level 3 to 5 environmental incidents. We have made significant progress in delivering on our Social and Labour Plan commitments. The Nkulo Community Partnership Trust advances on its mandate to create a lasting and positive impact in host communities. Our investment in education infrastructure helps to create a safer, inclusive and conducive learning environment.

Thuthukani, our Enterprise and Supplier Development programme, continues to build local economic capacity. Since its inception in 2023, a total of 185 entrepreneurs have graduated from various programmes and are now contributing to local communities and economies. I am confident about the next chapter of our business, underpinned by a strong balance sheet, a portfolio of quality assets and a strategy focused on resilience and growth.

Following its review of the strategy, the board reaffirmed the Company's strategy to grow earnings and build resilience through the cycle, with a focus on creating long-term value for shareholders. Our priorities remain clear: maximising the value of our existing assets, building future optionality to support long-term growth and pursuing selective growth opportunities where we can leverage our expertise. Underpinning these priorities is our focus on safety and ESG, the strength and capability of our people, technical and operational excellence, and disciplined capital allocation. Our capital allocation framework continues to prioritise returns to shareholders, that is after funding environmental obligations and investing in capital to sustain our business.

As I conclude, let me reinforce the key priorities that guide our business and underpin our long-term value proposition.

First and foremost, safety and health remain at the core of everything we do. Nothing is more important than ensuring that every employee and contractor return from work safe and healthy each day. Our commitment to an unwavering zero-harm culture is not merely an operational objective; it is a fundamental value and shapes every decision we make across the organisation.

Secondly, despite ongoing market volatility and external challenges, we remain focused on driving growth and operational excellence. We have maintained our full-year guidance. This reflects our confidence in the resilience of the business and the quality of the asset base. At the same time, we advance life-extension and optimisation projects. This will further strengthen the

competitiveness of our assets, enhance operational performance and sustain cash generation over the long-term.

Our third priority is portfolio optimisation. We remain disciplined in allocating capital to opportunities that offer the greatest potential for value creation and support our strategic objectives. In South Africa, we continue to advance our portfolio optimisation approach to position our assets to deliver attractive returns while strengthening the overall quality and resilience of the portfolio.

Finally, our ability to execute our strategy is underpinned by the strength of our organisation and our people. We will build leadership depth, organizational capability and technical expertise to support our growth ambitions and deliver sustainable, long-term value

Thank you. Let us now move to the questions, Hugo.

Hugo Nunes

Thank you very much Moses.

A reminder that if you wish to ask a question directly, please join the Conference Call facility using the link you would have received upon registration. Dialling *1 will indicate to the operator that you would like to ask a question. For those who have submitted questions via the webinar platform, I will be reading those out.

Operator, please could I ask you to open the lines for the first question.

Conference call Operator

Thank you. First question, comes from Shashi Shekhar of City, please go ahead.

Shashi Shekhar

Hi, can you hear me?

Hugo Nunes

Yes, we can, Shashi.

Shashi Shekhar

Yeah, hi. So, good afternoon, and thank you very much for taking up my questions. I have two. The first one is on depreciation. So, I was wondering why the number is so low compared to the last year, and what is the normalized level of depreciation we should estimate going forward? And my second question is on dividends. Well, you have a net cash position of around 6.1 billion

rand, and thermal coal prices they are also at decent levels. So why not a higher dividend compared to what you announced, considering the cash buffer is around 5 billion rand, so if we account that, you still have 1.1 billion rand excess cash.

Deon Smith

Hi Shashi. Good to hear your voice. So, in terms of the depreciation, clearly the big delta period on period has been the impairment. If you look at our PPE balance in the comparable period from memory, it was around 20 billion rand. It's come down by that impairment of more than 8 billion rand at year end. So therefore, we have reset that level of depreciation, and if you reflect on what a forward-looking rate could be, currently what you're seeing is likely to be what we see into the future, absent any other obviously material movements in our PPE balance. So, the impairment is the single biggest reason behind that that reduction.

In terms of the dividend, you are correct that the board has a lot of flexibility. We have a minimum dividend policy of 30% return of adjusted operating free cash flow, but there isn't necessarily a maximum on that, and therefore it's very much a view that the board takes at a point in time how best to balance returns to shareholders through the cycle. And what you would have seen in this instance is that had we declared the absolute minimum dividend based on the 30% of adjusted operating free cash flow, mathematically that would have been around a four rand per share dividend. The 550 therefore reflects a higher payout compared to the minimum policy, but is a balanced outcome relative to a number of forward-looking factors. Also playing into that clearly is one the level of volatility in the market, not only in coal prices but FX. But then two also reflecting the fact that the board wants to retain a resilient balance sheet in order to also take advantages of any further growth opportunities, whether that might be investment in our gas project or other factors.

Shashi Shekhar

Okay, thank you very much. Very useful. Thank you.

Conference call Operator

Next question comes from Patrick Mann of Investec. Please go ahead.

Patrick Mann

Good day, and very much for the presentation. I think I mean you spent a bit of time explaining the realized price in Australia, and it was flat year on year in dollars and in ZAR terms actually lower, despite the sort of well because of the swing from a premium in the last year to a discount. So, understand it's a portion of all that it's fixed cost contracts, but can you just help us think about how should we think about your leverage to nuke prices, and what sort of lag does it come through with? So, I think Deon, you said it goes from 13% to 12% but is that on you know on the updated or the higher benchmark price now into the second half of the year, for example? That's my first question, thanks.

Deon Smith

Hi Patrick. Good to hear from you. Yes. So, so clearly, what has happened in the Newcastle

market is that the actual absolute market level increased much faster than what you would have seen in API four. So, I think nuke was around 25% up compared to the prior year, whereas I think API four was only around 15% up compared to the prior year. In our Australian business, there are a couple of features in that a large portion of our coal exports is under fixed price arrangement, and one of those in particular only settled after the results announcement, and that is for a couple of 100,000 tons in the first half of 2026, where our coal deliveries were still being done at sort of around 110 prices and settlement with that fixed price contract is likely to be closer to the \$130 a tonne mark, and therefore, once that comes into the book, clearly that 12% that I spoke about is the realization or discount rather than 13. We do see a widened discount in that market, and that is mainly as a result of a much higher nuke compared to in the prior period, but also as a result of supply-demand dynamics in that market, so it's something that we expect to continue for the next number of months and hopefully in time moderate again.

Patrick Mann

Thanks. Can I, as a follow-up, and it actually ties in very well to what I think you were just saying there. I mean, if I read your results, you don't, and correct me if I'm wrong, you don't sound particularly bullish on the outlook for coal. So, for thermal coal. So, for South Africa, you're talking about India being price sensitive and the high freight rates that we're seeing, and then for nuke or for your Australian business, you're saying that you know the exporters are not necessarily competitive versus the alternative supply in Northeast Asia. Whereas I think maybe versus the market, I think people are looking at you know gas levels, gas storage levels, what's happening in energy prices, and to be honest, scratching their heads as to why coal prices aren't higher. Can you maybe just elaborate a little bit more on those market dynamics that you're seeing? Because I think it's very interesting. Thanks.

Deon Smith

Absolutely, Patrick. I mean, just for absolute clarity, everybody on this side of the line are coal bulls, so we do believe in the medium to longer term fundamentals of coal. We appreciate the dislocation in energy markets that we saw in March, the geopolitical impacts on it. We absolutely appreciate the low levels of gas storage at the moment in Europe, the continued uncertainty in the Strait of Hormuz and the energy challenges that that is likely to bring to the world, but I think we're moderate in our outlook because there are a number of other factors at play also, we're seeing increased domestic supply in both China and India. We're seeing a level of buy at home focus by those geographies, and so therefore there are a couple of realizations that it's not a one way street. If you then balance that with that increased domestic supply side capacity, you would see that that's also come with its fair share of safety and other challenges, which is which we remain hopeful that that would obviously underpin coal prices in the second half. We've also seen reduced hydro energy off the basis of weather and lower rainfalls, and clearly we're expecting a post monsoon recovery in India as temperatures increase post the rainy season. So obviously we see all the green shoots in the market, but at the same time we want to be cautious that we haven't necessarily seen in the forward curve a similar to what you've not seen. We have not seen these factors play properly into the forward curve yet, which

means that the market is probably seeing more than what you and I are seeing at the moment, and that's why our commentary remains fairly modest at this point in time.

Patrick Mann

Great, very interesting. Thank you so much.

Conference call Operator

The next question comes from Tim Clark of SBG Securities, please go ahead.

Tim Clark

Thanks. Can you hear me?

Hugo Nunes

Yes, we can, Tim.

Tim Clark

Perfect. Thank you very much. I've got a couple of questions. Let's start off with just Zibulo. The challenges at Zibulo. Fully appreciate that you know you're transitioning to the north shaft. Just wonder if you could give us a little bit more color on timing. Should we anticipate a similar type of scenario for the second half of this year, or how long does it last? Maybe that's the first question.

Moses Madondo

Tim, thank you for the question. Yes, we did see challenges in the first half of 26 at Zibulo. In the back of the main shaft environment, where the team has really been pushing to the boundaries and limits of the mine as we wrap up effective the extremities of mining the environment and begin to shift towards the north shaft, and as a result of that, we've seen challenges with infrastructure, longer belts, and therefore more support required because of the extremities of the mine that we. But part of this would have been expected. We are starting now to transition. To us and North shaft which means we're going to pull back some of that infrastructure and start to cut back in terms of the stretch for the team in that respect. And so, we do expect an improved H2 as a result, as we continue to shift the center of gravity of the operations towards the north shaft.

Tim Clark

Thanks, and then and then sort of an optimal level what in the first half of next year or maybe the second half of next year, so pathway towards that.

Moses Madondo

So, we do expect that Zibulo should be performing at this level in the second half of the year. We've already seen some of the improvements to come through in Zibulo.

Tim Clark

Thank you very much. My second question, Deon, just on derivatives. Can you just, you spoke to us in in in June just about what you've got outstanding now, what the forward looking derivative position is? I wonder if you could give us a reminder on that, or an update,

Deon Smith

Tim. I must confess, I can't remember exactly where we were when we spoke last, but I can tell you where we are now. In that we continue to place instruments into the future to convert, obviously, our dollar revenue into the best possible rand number that we can find, and at the moment we have a for the second half of 2026, we've, we're fairly confident, and there's a detailed note in the financials that you can unpack to see where I get this from, but we're fairly confident in the conversion of about 390 million dollars of FX in H2 at just below 18 rand. In 2027, what you might not see in the note is that we have about 120 million dollars at 18, a conversion of 18, and then in 2028, in the first half, we probably have about 60 million dollars to convert confidently at around 18,53, roughly. So that's our forward positions at the moment.

Tim Clark

Oh, that's super helpful. Thanks so much Deo. And just maybe my third question. Just and I'll make this the last one, so someone else can get to turn. Just on your rehab, you spoke about being fully covered once Goedeheope North goes out, and you've built up quite a strong green fund and rehab position. You've been working down the rehab. You've sold some of the rehab. Are we at a sort of inflection point now where some of these costs and cash outflows for rehab are going to slow down, or do you anticipate that they're still, you know, we should. I'm just wondering if, as we reach that full cover point, if there's an inflection.

Deon Smith

I think it's a very, it's a very good question, Tim, in the context of the broader capital allocation framework. We're not at that 100% coverage in SA yet. We expect to potentially get there by end of the year, on the basis of asset growth and moderating our liability. But yes, we will certainly be at that inflection point in early 2027. Correct.

Tim Clark

Does that mean that post that point you might put cash into the green fund and bring the rehab down, or does that decision still sort of sit there, or does it mean that that that's done and dusted? Sorry, I'm not enough of a rehab specialist to understand.

Deon Smith

Yes. So no, it is a good question. It very much depends on where our assessments come out at the end of this year. As you might recall, once a year we have a very comprehensive assessment about, to establish our full extent of our liability, that work lands about in November, and then when we get to talk to you about full year results, we'll have a good sense as to what our best estimate is of our forward-looking liabilities. We also then take a legal view on what the NEMA, the likely NEMA outcomes would be relative to the department, the minimum regulatory provisions, and as you you'll see, there's a very big delta between those two. But all of that work will happen around year end, and we'll be able to answer some of your following

questions, which I which I no doubt will come early next year more confidently than what we can do so today.

Tim Clark

Thank you very much.

Conference call Operator

The next question comes from Brian Morgan of R&B Morgan Stanley. Please go ahead.

Brian Morgan

Hi guys, thanks very much. Deon, could you help us just bridge out the interim cost guidance 1306 rand in the first half, and then lower end of the guidance was 1480 in the second half. It suggests a big lift in the second half. You haven't changed the guidance, so just what's driving that?

Deon Smith

Hi Brian. Good to hear from you also. I think a similar question was actually asked online also, and happy to answer both in in the same breath. On balance, our FOB cost guidance for Australia is probably fairly conservative relative to what we have achieved and what we're likely to achieve in the second half, but having said that, typically many of the increases in that part of the world occur mid-year, so therefore we are expecting higher cost run rate. But then, what an important feature, Brian, is that in the first half of the year we've had a particular impact in that the translation from the Australian dollar cost per tonne into rand benefited clearly the rand result relative to our guidance, and very difficult to see what the Australian dollar does relative to the rand for the second half of the year, and therefore on balance, we remain fairly conservative in not updating that guidance to a lower number at this stage.

Brian Morgan

Okay, cool thanks Deon. And then the second question is with Annia and Zibulo North ramping up. Could you just give us a steer on the sort of SA portfolio FOB costs, and you know are they going to be higher or lower once those two once those two are in, and then if you can also maybe just couple that with your expectations around discounts, you know once those two mines are in.

Deon Smith

Absolutely. So, if I can start with the FOB cost per ton. If you look at the current run rate in South Africa and what the resultant FOB cost per ton was, you'll recognize that as a result of being slightly less than optimal in our SA portfolio, and this has much to do with what Moses just referred to you too, in that Zibulo is operating a very wide footprint currently, and that as that old shaft comes to its end and most of the production units move to the new north shaft, we should see a contracting footprint, a contracting absolute cost spend, and with a higher denominator, we should see the structural improvement in the FOB cost per tonne. So, our view is that the SA portfolio should be able to consume inflation over the next year or two. So therefore, in real terms, we should see a slight reduction in our cost per tonne over the next

number of years, that as Annia and Zibulo ramps up to its nameplate capacity. If I then cast back to discounts, I mean, as you can appreciate, it's almost like forecasting the actual coal price a year or two out. So very difficult for us to reflect on what the coal prices would do a year or two out, but in terms of contained energy, clearly Zibulo has, with the North Shaft coming online, shifted its average quality level slightly lower than what it used to be. So, in the past year, we were producing closer to a price equivalent of 6000. It's now closer to a 5850 for the most of it, and therefore we've now seen a slightly higher discount in South Africa, whilst we see that narrower bit for the remainder of this year. This is probably the new norm, and that's citrus paribus on all other factors, given a slightly lower contained energy at Zibulo. Annia is very similar to what we retired at Goedehoop so we're not seeing a portfolio shift in quality as a result of a Annia.

Brian Morgan

Okay, that's cool. Thank you Deon. That's all from me.

Conference call Operator

Thank you. At this stage, we have no further questions from the telephone lines.

Hugo Nunes

Thank you. We'll move to some questions online. Moses, Herbert from Absa asks around Transnet. What is your full allocation on rail? What is the current delta to actual availability? And will this trigger an adjustment to our mine plans to take advantage of the current improved rail performance.

Moses Madondo

Herbert, thank you for that question. So, allocation is based on RBCT at 23.5% at about 60 million tonnes we were 13 and a half, 14,13, to 14 and a half, 40 million tons would be allocation, and as you would have seen, our operations were able to respond to that run rate and deliver to the tonnages in our RBCT. So, we do expect, of course, that any other increase gives us an opportunity to take more advantage of whatever our capacity we can still get out of our operations, and of course, where opportunity allows, you'd have seen some of the third-party coal also come through as we take advantage of that opportunity in the market. In the longer term, we do have projects that you would have had us refer to in the past opportunities on our four SIM opportunities in Annia and Zibulo, so we do have opportunity to continue build on our delivery to the market.

Hugo Nunes

Great, thank you. Deon, a question from Jandre Pieterse at Umthombo Wealth. What do you expect in terms of working capital in the second half of the year.

Deon Smith

Yes, so Jandre, obviously there are two elements that's very difficult to predict, which is the price and the FX, and those two have a direct impact on accounts receivable. So, so if I put accounts receivable to one side, which is very difficult to anticipate or predict, we're expecting

our inventory to rebuild slightly in the second half. So, you might recall that at the end of last year we had about 1.6 million tons, or over 1.6 million tons. At the end of June, we have about 1.4 million tons in stock. So, there was a slight inventory drawdown in the first half of the year. We expect that to be rebuilt slightly in the second half of the year, but fortunately, we see a lot of that coal at bay or at port because the rail is no longer such a big constraint or a constraint as it was. So, we expect a slightly higher inventory number, and in accounts payable, we expect a fairly consistent number, so no real surprises on working capital. But then, obviously, as I said, it very much depends on December prices and FX and sales, which difficult to predict at this point as to where accounts receivable will land at the end of December.

Hugo Nunes

Thanks Deon. Any more questions online?

Conference call Operator

Thank you. I've got no more questions on the telephone lines.

Hugo Nunes

Thank you. With that, we'll wrap up the Q and A. If we were not able to get to your question today, please do get in touch with myself or Shreshini via email.

Thank you everyone, for making the time to join our results presentation today, and we wish you a pleasant afternoon further.