

Transcript

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ANNUAL RESULTS CONFERENCE CALL

Hugo Nunes

Good day, everyone, and welcome to Thungela's 2025 annual results presentation. I'm Hugo Nunes, Head of Investor Relations, and I'd like to take a couple of minutes to introduce today's agenda and to explain how the day will run. But first, allow me to draw your attention to a couple of disclaimers ahead of today's presentation. While you take a moment to read through the cautionary statement, we will start with the CEO, Moses Madondo, who will provide an update on the execution of our strategic priorities, Thungela's 2025 highlights and a market update. Thereafter, the CFO, Deon Smith, will take us through the financial and operational results for 2025, and Moses will then conclude the presentation.

This will be followed by a Q&A session, following which today's call will end. Turning to Q&A, for those wishing to ask questions directly, we ask that you please join the session using the conference call 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 your questions via text. Today, I'm pleased to introduce our new Chief Executive Officer, Moses Madondo, who brings deep operational experience and a strong track record in mining. Now, please allow me to hand over to Moses.

Moses Madondo

Thank you, Hugo, and good day to everyone on the call. Let me start with a matter that is affecting us all at Thungela, our concern for colleagues in Dubai. The events that have unfolded in the Middle East have understandably caused concern, not only because of the implications for the world economy, but primarily for the human impact. We are actively supporting our colleagues in Dubai, prioritising their safety and well-being, and staying close to them every step of the way. Our stakeholders can be assured that as we continue to support our teams through this difficult time, we have the necessary business continuity plans in place and continue to closely monitor the situation.

As the new CEO of Thungela, I am pleased to share with you the 2025 results. Reflecting on my time since joining Thungela, I am excited at the future prospects of the business. I've been inspired by the people, the business capabilities, and the strong culture within the organisation. Moving on to strategy execution, we have remained committed to the strategic objectives and have delivered a strong set of operational results. These

strategic pillars have served us well and remain core to our purpose. As we look to build the future from the solid foundation already formed, I'm working with the board as we determine the next chapter for Thungela's journey.

We are committed to the safety of our people. Safety remains at the core of everything we do, guided by a zero harm mindset, ensuring that our people return from work safe and healthy each day. I'm pleased to report that we have operated a fatality-free business for three consecutive years. We will continue to maximise value from our assets and derive value from the resources endowment.

A number of steps have been taken to create a longer life business, and we have now completed two key life extension projects, the Annea colliery, previously known as the Elders Project, and Zibulo North shaft, as well as increase the Thungela ownership of the Ensham mine in Australia to 100%.

The capital allocation framework remains central to the strategy and we will maintain this disciplined approach. I am pleased to announce that the board has declared a dividend for a ninth consecutive period, showcasing our focus on delivering returns to shareholders and creating long-term sustainable value for stakeholders.

Let me now turn to the group highlights for 2025. The group recorded 17.8 million tonnes of export -saleable production, exceeding the guidance range in South Africa and landing at the upper end of the range at Ensham. This is on the back of a strong performance at Mafube, the ramp up at Annea, as well as overcoming the challenging geological conditions experienced in the first half of the year at Ensham.

We achieved export equity sales of 17.8 million tonnes, up from 16.6 million tonnes in 2024, mainly as a result of high export saleable production in South Africa, which was further enabled by the improved TFR performance. The 2025 financial results were impacted by lower thermal core prices in South Africa and Australia, where benchmark prices were significantly lower year on year, approximately 15% and 22% respectively.

The financial results were further impacted by the effects of the weaker US Dollar and a stronger Rand. The group incurred a loss per share of R54.64 in 2025. This reflects the lower price exchange rate volatility and includes a non-cash impairment loss of R8.8 billion. The impairment loss is as a result of the lower benchmark coal price assumptions and exchange rate forecasts.

The group's dividend policy is to distribute a minimum of 30% of adjusted operating free cash flow. In the first half of the year, we generated adjusted operating free cash flow of R484 million. However, in the second half of the year, we incurred a negative adjusted operating free cash flow of R88 million. As a result, the board exercised discretion in determining an appropriate ordinary cash dividend. The board remains committed to prioritising shareholder returns where the balance sheet allows for it, and where the future prospects of the business remain supportive of a distribution.

Accordingly, the board has approved a final dividend of two rand per share, or R281 million. Together with the interim dividend of R281 million and the R139 million share buyback completed following the interim results, this brings the total shareholder returns relating to 2025 performance to R701 million representing 177% of adjusted operating free cash flow for the year.

Let me turn to safety. Our unwavering zero harm mindset is guided by three critical focus areas, effective risk and work management, doing the basics right, as well as driving a strong safety culture. The group's total recordable case frequency rate increased to 2.83, primarily due to the challenging operating environment during the production improved footprint transition.

During the year, Goedehoop North ramped down and Isibonelo transitioned to care and maintenance while we continue to ramp up efforts at Annea and completed the Zibulo North shaft project. Now, to improve our safety performance, we implemented targeted interventions for the increased risk areas and work crews through an innovative leading indicator safety heat map programme. I'm happy with the improvements we have made. And yes, we still have work to do to further entrench the zero harm mindset in the business.

Moving on to our ESG aspirations, we are committed to driving long lasting social impact, fostering community partnerships and responsible environmental stewardship. We're very pleased that we have achieved zero reportable environmental incidents in 2025, the first time since our listing in 2021.

Socio-economic development investments remain integral to our purpose. The Thungela Education Initiative and the Enterprise Supply Development Programme, Thuthukani, continue to deliver measurable and meaningful benefits to schools and suppliers within host communities. At schools, we are strengthening the school leadership, enhancing teaching, and providing learner support. Together, These programmes demonstrate our dedication to creating long-term sustainable value for stakeholders and helping to build communities that thrive beyond the life of our mines.

Now, earlier I touched on TFR's performance. In 2025, TFR's rail performance increased by 9% to 56.8 million tonnes. This reflects the benefits of ongoing efforts to improve rolling stock availability and strengthen network reliability through various initiatives enabled by collaborative efforts by industry and TFR. Looking ahead, we expect further improvements in performance as these initiatives continue to bear fruit.

We are encouraged by the Department of Transport's Rail Reform Programme and the facilitation of private sector participation to further improve logistics performance. Strengthening the coal logistics system benefits the broader industry, supporting both established producers and emerging participants, while reinforcing Thungela's position in the global coal markets.

The seaborne thermal coal market remained depressed for much of the year, largely due to weak demand in key coal-consuming countries. In China and India, seaborne demand fell short of expectations as both countries continued to expand or sustain domestic production and accelerate investment in alternative energy sources. India and China's production grew modestly, while Japan, Korea, and Taiwan increased their consumption of gas and nuclear power, which further reduced coal imports.

On the supply side, The sustained production levels from Indonesia, Australia, and South Africa from late 2024 and throughout 2025 created an oversupply imbalance, which the market could not fully absorb. In recent months, however, restocking activity in the major import hubs, combined with a pickup in the Indian sponge iron market, has provided price support for the higher CV South African coal. which provides us with a competitive advantage.

The weak market conditions, as well as the impact of linear discounts relating to the qualities we produced and sold, widened the discount in South Africa to 16.6%, while at Ensham, we achieved a marginal discount of 0.4%, primarily due to a higher proportion of fixed price agreements concluded on a favourable terms that mitigated the effect of declining prices over the period.

We, however, remain confident in the long-term fundamentals of coal in the energy mix. In developing economies, the starting point is energy security. Without reliable, affordable energy, industrialisation, job creation, and economic growth simply do not happen. Coal continues to provide firm and dependable baseload power at scale, which renewables cannot yet deliver reliably or affordably in most emerging markets. Coal also underpins critical industries, such as steel, cement, and manufacturing, which are foundational for infrastructure development and economic growth.

From a socioeconomic perspective, coal supports millions of direct and indirect jobs, sustains local economies, and contributes materially to export revenues and fiscal stability. Therefore, companies with high-quality coal operations, like Thungela, have a significant structural advantage in this market. The medium-term outlook for thermal coal reflects a market transitioning into a structural plateau, largely due to the continuing shift in demand by emerging markets in Asia coupled by potential supply-side interventions that we have seen from Indonesia.

The recent escalation of the conflict in the Middle East provides evidence of how finely balanced the market is today. The disruptions in the flow of oil and gas in the region have again increased energy security fears and pushed up the prices of oil, gas, and coal. While coal's contribution to energy security remains evident, The outlook is increasingly influenced by volatile geopolitical conditions and evolving market pressures. Now let me hand over to Deon to cover the financial results for us. Deon.

Deon Smith

Thank you, Moses, and to those online for making the time to dial into our results presentation for the year ended 31 December 2025. While production and cost performance were solid, it has been a challenging year from a market perspective, with materially lower benchmark coal prices and a stronger Rand placing pressure on both revenue and margins. Despite this, we continue to invest in the business in line with our capital allocation approach and benefited from strong cash flows from operations.

In the next couple of slides, I will cover the key financial metrics for the year, unpack the major drivers behind the year on year movements, and close with a net cash position as well as shareholder returns. Let's turn to the results. Adjusted EBITDA for the year was R1.2 billion, reflecting the impact of materially lower benchmark coal prices and the stronger Rand against the US Dollar. Despite these headwinds, the operations remained resilient with positive EBITDA contributions from both South Africa and Australia.

We incurred a headline loss of R839 million, primarily driven by the lower pricing environment. After recognising non-cash impairment losses of R8.8 billion across our operations in South Africa and Australia, the group reported a net loss of R7.1 billion. These impairment losses reflect updated long-term assumptions on prices and exchange rate at the time of finalising the results, but do not affect liquidity or our ability to continue operating sustainably. Against this backdrop, the business continued to generate cash.

The group generated R2.4 billion in operating free cash flows. After accounting for the sustaining capital spend of R2 billion, we arrive at adjusted operating free cash flow for the year of R396 million. We ended the year with a robust balance sheet holding R6.1 billion in cash and a net cash position of R5.1 billion after deducting funds held on behalf of the community and employee trusts.

Our balance sheet structure provides resilience in the current market environment, preserving our ability to invest through the cycle and to continue to prioritise returns to shareholders. As a result, we are returning R281 million to shareholders as a final ordinary dividend. This, together with the interim dividend of R281 million and a share buyback of R139 million completed after the interim results, takes total shareholder returns relating to 2025 to R701 million.

Taking a closer look at the income statement, revenues are down mainly due to weaker coal prices combined with relatively stronger producing currencies gains the US Dollar. Operating costs, excluding depreciation and amort, were approximately R900 million lower than last year. This is a function of actions taken to improve cost discipline and the impact of lower prices through reduced commodity purchases and royalties, offset by inflation and higher selling expenses. These revenue and cost figures resulted in adjusted EBITDA of R1.2 billion.

Earnings were supported by net finance income of R2.7 billion, which includes R2.3 billion of gains from derivatives over foreign currency. The tailwinds from these derivatives, of which R1.3 billion has been realised in cash, became more pronounced as the Rand continued to strengthen against the US Dollar. We do not have the same level of currency protection in place for 2026 and currently do not expect the tailwind to be as pronounced in the current year.

The impairment losses of R8.8 billion have been recognised across operations in South Africa and Australia and reflect weaker forecast benchmark coal prices and a stronger local currency against the Dollar, contracting the projected margins over the life of our mines. Impairment losses are measured at a point in time, based on information available at 31 December, and changing market dynamics may have changed the outcome of the assessment if it was done at a different date.

The impairment reflects mainly a write-off of historical capital, and the remaining PPE balance of around R12 billion is more reflective of the capital spent post our listing in 2021 than the cash spent on the acquisition of Ensham. Income tax for the year is a credit reflecting the impact of net loss occurred in the year. Deferred tax assets of R1.1 billion have not been recognised based on the same factors contributing to the impairment losses.

Turning now to operational performance for 2025, export saleable production across the group remained resilient at 17.8 million tonnes reflecting 13.9 million from South Africa and 4 million tonnes from Ensham. FOB costs remained well controlled in a lower price environment. In South Africa, the FOB cost excluding royalties increased to R1,170 per ton, while in Australia, the FOB cost excluding royalties was stable at R1,435 per ton.

Sustaining capex for the group was R2 billion with R1.4 billion invested in South Africa and R600 million at Ensham, whilst expansionary capex of R1.1 billion was primarily directed towards the Zibulo North shaft project and the Lephalale coal bed methane project. Overall, our operational delivery remained robust, with continued progress on productivity, logistics performance, and disciplined cost control across both regions.

Group revenue for the year declined by 17% to R29.6 billion. As shown in the graph, this was largely driven by materially lower benchmark coal prices and a stronger Rand. In South Africa, revenue reduced to R22.1 billion. The benchmark price was 15% lower year on year and we also saw wider discounts as market conditions remained weak across most of the year. This impact was partially offset by higher export volumes.

Domestic revenue was lower due to reduced production at Isibonelo, softer industrial demand, and the sale of Rietvlei in late 2024. Revenue from Australia decreased to R7.5 billion consistent with a 22% decline in the Newcastle benchmark coal price. Importantly, Ensham's discount remained very narrow, with realised prices at 99.6% of the benchmark. Finally, the stronger average Rand relative to the US Dollar also weighed on ported revenue, given that export sales are denominated in Dollars.

Turning to unit costs in South Africa, FOB costs, excluding royalties, increased to R1,170 per ton from R1,130 per ton in 2024. The key drivers of the increase were inflationary pressures in the mining value chain, lower domestic revenue offsets, and higher selling expenses associated with increased rail activity. These pressures were partly offset by stronger export production, lower underlying production costs, and a lower non-cash charge related to the environmental provisions year on year, reflecting updated assessments of future rehabilitation requirements.

Together, these factors helped us contain unit cost inflation below typical mining inflation levels in what remains a challenging environment for margins. Including royalties, which were lower due to realised prices, FOB costs increased by only 2.2% to R1,176 per export ton. At Ensham, the FOB cost performance remained stable year on year. Excluding royalties, the FOB cost was R1,435 per export ton, broadly in line with the prior year's R1,433 per ton. This stability reflects a reduction in the non-export cost related to environmental provisions, which helped to offset inflationary pressures and higher selling expenses.

The increase in selling expenses was driven by above-inflation rate adjustments and additional rail capacity that we secured to support our sales commitments in the second half of the year. When including royalties, the FOB cost reduced from R1,674 per ton last year to R1,598 per ton in 2025. This reduction is consistent with the lower realised coal prices given the progressive royalty regime in Queensland.

I would like to pause for a moment on the evolution of our capital spend in South Africa. On the slide we show total capex spend, the sum of sustaining capital from 2022 through to 2025, and as expected in 2026 based on the upper end, of the guidance we issued today. In 2022, the total capex of R1.9 billion was largely spent on sustaining capex, reflecting a focus on asset integrity and business continuity following the demerger. In 2023 and 2024, capex peaked at close to R3 billion as a result of expansionary capex spent to build Elders and Zibulo North Shaft projects.

The successful execution of these projects has transformed Thungela from a short-life business at the time of listing into one with longer-life assets that should generate attractive returns through the commodity price cycle. In 2025, total capex stepped down to R2.5 billion as the LIFX projects neared completion. Expansionary capex in 2025 also included spend on the gas project.

Looking to 2026, we expect a reduced capex spend rate. Total capex is expected to reduce by 56% year on year to R1.1 billion at the upper end of guidance, as expansionary capex has largely been spent and sustaining capex moves in a lower run rate. This reflects the group's commitment to disciplined capital allocation, investing through the cycle and now transitioning the South African business into a lower capex phase.

Looking at the movement in net cash for the year, we started the year with R8.7 billion in cash. We paid R2.2 billion to shareholders through the 2024 final dividend and the 2025 interim dividend and buyback. We generated R2.4 billion in cash from operating activities, and that includes the R1.3 billion in inflows from the settlement of derivative currency instruments. We invested R1.1 billion in extending the life of the business through the Zibulo North Shaft and gas projects, and a further R2 billion in sustaining capex.

In addition, we contributed R478 million into the green funds in South Africa and Australia, as required by the providers of environmental guarantees in those jurisdictions. We acquired the additional interest in Ensham for a total of R511 million, together with other smaller movements. This leaves us with a total of R5.1 billion in net cash at the end of the year.

Reflecting on what that means for shareholder returns, you'll be aware that the group's dividend policy is to distribute a minimum of 30% of adjusted operating free cash flow in the preceding period to shareholders. The group generated adjusted operating cash flows of R396 million for the year, which in itself does not necessitate a further distribution in terms of the dividend policy, recognising the interim dividend of 281% is well above the minimum of 30%.

Notwithstanding this, the board remains committed to prioritising shareholders returns where the balance sheet allows for it, and to the extent that the future prospects of the group are supportive of such. Accordingly, the board has declared a final ordinary dividend of R2 per share, reflecting a distribution of R281 million pertaining to the final 2025 dividend declaration.

Together with the interim dividend and the share buyback completed after our interim results, we are returning a total of R701 million to shareholders or 177% of adjusted operating free cash flow generated in 2025. The trusts will also receive a further R31 million. This leaves the group with a cash buffer of approximately R4.7 billion, which the board considers to be appropriate in the current market circumstances. With that, let me hand back to Moses for concluding comments.

Moses Madondo

Thanks for that overview, Deon. Now let's turn to guidance for 2026. Starting in South Africa, productivity improvements across the portfolio, coupled with the improvements in TFR rail performance, have limited the production hiatus we previously expected in 2026. Accordingly, export saleable production guidance for 2026 is 13 to 13.6 million tonnes.

Our production footprint is in transition. Annea continues to ramp up and is expected to reach steady-state production run rates in 2026, replacing volumes from Goedehoop. Zibulo North is also in ramp-up and is expected to reach steady-state production run rates in 2027.

FOB cost excluding royalties is expected to be between R1,320 and R1,370 per ton, in line with the previous guidance assumptions adjusted for inflation. Sustaining capex is expected to range between R700 million and R1 billion in 2026, with key life extension projects in South Africa now substantively complete. Expansionary capex of only R100 million is expected in 2026, related to the completion of activities at the Zibulo North shaft.

At Ensham, export saleable production guidance for 2026 is between 3.9 and 4.2 million tonnes. The mine is now better equipped to traverse geological faults, while we have also made good progress on improving productivity. FOB costs, excluding royalties, is expected to be between R1,480 and R1,570 per ton. Sustaining capex is expected to be between R500 million and R700 million. Production in 2027 across both geographies is expected to be broadly in line with 2026.

Thungela moves into a new year as a resilient and well-positioned business. We remain focused on operating a fatality-free business and will reinforce the zero-harm mindset through targeted interventions. Our established track record of controlling the controllables remains firmly in place and will continue to drive operational excellence through cost efficiency and productivity improvements. These will be supported by a successful ramp-up of Annea and Zibulo North and the gas project will continue to validate the commercial viability and marketability of the resource.

Thungela's disciplined capital allocation framework remains a cornerstone of our strategy delivery. We will continue to maintain balance sheet resilience, ensuring the long-term sustainability of our assets by investing through the commodity cycle, while also prioritising returns to shareholders. As we look forward to the next chapter of Thungela, we'll build on a solid foundation and seize the opportunity to grow the business to its full potential, emboldened by good assets, resources, and supportive stakeholders.

Our people remain at the heart of the business, and I look forward to leading this amazing organisation with a people-centric culture driven to achieve. I extend my sincere appreciation to the board, my executive team, our employees, community partners, and our shareholders. Thank you. Back to you, Hugo, for Q&A.

Hugo Nunes

Thank you very much, Moses. We will now move to Q&A. 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'll be reading those out. Operator, please could I ask you to open the line for the first question?

Operator

The first question we have is from Tim Clarke of SBG Securities. Please go ahead.

Tim Clarke

Thank you very much. My first question, Moses, is just your point, I think it's still on screen now, where you talk about diversification options and creating future diversification options. You also spoke earlier on just about the interaction with the board on working with the board on the next chapter. So, given you've been in the business for a few months, I wonder if you could give us a little more flavour on that.

My second question, maybe just while I've got the mic, is just for Deon on the hedges. The gain was R2.3 billion. You said it was R1.3 billion in cash. Does that mean that the other cash is coming in this year? And are there any hedges outstanding at the moment? What is your hedge position as we stand right now? I'll leave it there for now.

Moses Madondo

Tim, thank you for that question. Certainly, as I said, we have a business that's really set as a strong foundation and really a base to set us up for growth. And of course, what we are very clear about is that we are going to chase growth, and that growth is going to come informed by two things really. We play where we have really strength to play and take those opportunities where we believe we can immediately see value come out of those assets.

We've of course got a strong balance sheet that's supportive for that growth. And the board has been really supportive of this thinking in terms of our growth. And we are going to keep our discipline on capital allocation, which has been the theme of this business, and really has helped us deliver on our strategy. And maybe to close, there are no specific assets that we are necessarily targeting, but really driven by value and where we can realise value.

Tim Clarke

Sorry, just to follow up on that. Just to understand playing to your strengths, is that a mining strength, a project strength? Moses, having been there for a few months, where do you see the kind of critical strength where you can add value to other projects?

Moses Madondo

Yeah, I think that's a very good follow up, Tim. Thanks. Really, the business is a business that has strength in people and capabilities. And some of those capabilities, of course, have showed up in our project delivery, which is incredible. We deliver projects on time, within budget. And really, that provides us an opportunity to target those things that will allow us to apply those strengths. And technically, the team is strong. And so the ability to realise the value that we've seen out of Ensham, also gives us the confidence that our ability to diversify to where the opportunities are, that we can take full advantage of those opportunities.

Deon Smith

Hi, Tim. Yes, thanks again for dialling in. In relation to your hedges question, there are two parts to the answer. The first one is the R2.3 billion tailwind in our income statement consists theoretically of three parts. Part one is you might recall in 2024 we booked a loss in relation to derivatives of about R450 million through the income statement. Clearly that was at a point in time assessing the derivatives we had on hand, but that subsequently reversed in 2025. So, that's one part.

Part two is the R1.3 billion in cash that we made off the back of those derivatives. And then part three is essentially recognition that at the end of the year, we still had hedges in place. will only unwind during 2026. So, the most recent check on what we still have in place, which is the second part of the answer to your question, is that we have around R580 million forward sales, the most simplistic instrument to talk about. And the average rate of those was around R18.13 to a Dollar. So in Jan and Feb, we converted about \$170 million of that already at R18.40, and then clearly there's another \$400 odd, \$410 million, that will vest up to the end of November this year, 2026, at an average rate of about R18.04.

Tim Clarke

Thanks. Yeah, that's really very helpful. Thank you very much.

Hugo Nunes

Thank you. Operator, any other calls?

Operator

The next question we have comes from Brian Morgan of RMB Morgan Stanley. Please go ahead.

Brian Morgan

Hi guys, thanks very much for the time. Can you just maybe chat to us about what your marketing team has been seeing in the last three weeks in the coal markets? Perhaps if you could differentiate between energy customers or your power station customers and the sponge iron customers. I'd be interested to hear what they've been seeing.

Hugo Nunes

Bernard, can I ask you to take that one?

Bernard Dalton

Thanks very much. And thanks for the question, Brian. So, in the last two weeks, we have obviously seen an increase in the prices across both South Africa and also Richards Bay on the back of the war in the Middle East

and Iran. Specifically, in terms of the two market sectors you spoke about, Brian, the first being the sponge iron, we'd actually started seeing the sponge iron demand increase towards the back end of last year and become very strong during the first quarter of this year. Moses and I, in fact, were in India towards the back end of January and met with a number of the sponge iron customers, and they were extremely bullish.

So, we'd already started to see that increase in demand during that period. Of late, given the energy security, but energy security across all sectors, we have seen an increase in demand. We've seen that in Southeast Asia. We're seeing it even in parts of Africa. So, right now, we are definitely seeing firmer demand for all our products. Thanks.

Hugo Nunes

Sorry, that was Bernard, our Executive Head of Marketing. Any other questions?

Brian Morgan

That's fantastic. Thanks very much. Yeah, just maybe a follow-up if I may. Given what's happened to coal prices, would you expect the sponge iron demand to remain firm, or would it begin to roll off?

Bernard Dalton

Brian, that's a good follow-up question. Right now the demand does remain firm. I guess the only concern we may have is that as we go forward and these prices remain firm, that the inflationary pressures may step in and start muting demand a bit. But I have to say overall, if you look at specifically India and you look at the infrastructure development plans, I remain positive for that sponge iron industry.

Brian Morgan

Very good, thanks very much. If I can just move on to another question. The Kleinkoppie sale, how much of the rehab liability was transferred to the buyer?

Deon Smith

So, Brian, in both the Kleinkoppie sale as well as the Goedehoop North transaction, whilst we entered into definitive sale and purchase agreements over the last number of months, both of those transactions are still subject to Section 11 approvals. That process also involves replacing the environmental guarantees in a methodology that we, alongside the regulator, need to get ourselves comfortable is sustainable and a responsible transfer of those liabilities. We estimate across those two transactions, if they are both successfully completed during 2026, which is our current timeline, that we would de-recognise around R1 billion of environmental liabilities by the end of the year.

Brian Morgan

Okay, cool. Thanks Deon. Do you have any others in the pipeline that you'd be looking at?

Deon Smith

At this point in time, nothing to talk to you about, Brian.

Brian Morgan

Okay, cool. That's all from me.

Hugo Nunes

Thank you. Operator, any more questions online?

Operator

There are no further questions, sir.

Hugo Nunes

Thanks. I'll be reading out some questions, Moses, Deon, Bernard. Perhaps the first one, Deon, for you from Giles at Apex Partners. With the post year-end depreciation of the ZAR relative to the USD and the increases in the benchmark coal prices, is there a likelihood of a portion of the R8.8 billion impairments being reversed in the first half of 2026?

Deon Smith

It's indeed a very good question. And as we've said before, we do an impairment check probably every six months. It so happens that at the time of end of December, there was a confluence of matters that, between the forward-looking coal price and the foreign exchange rates, that this impairment was fairly pronounced. The review as to the appropriateness of our PPE balance will continue every six months.

The hurdle to reverse an impairment is much higher. The board management needs to be convinced and have high conviction that the structural change in price in FX into the future is indeed sustainable. And therefore I think it's highly unlikely for such a reversal. Remember this impairment was non-cash and a non-cash reversal I think would be even less likely. So, whilst we will review it, and if there is a structural change, and we can convince ourselves of the need to reverse fully or partially, but I think that is highly unlikely.

Hugo Nunes

Next question, Moses, for you. What is the optimal TFR rail performance volume for Thungela? If it was 56.8 million tonnes in 2025, what would TGA management like to see this improved to in 2026?

Moses Madondo

Thank you, Hugo. Richards Bay Coal Terminal this year are planning to receive up to 60 million tonnes in 2026, and this is reasonable from what we've seen in the first three months of the year. We are comfortable that we can rail our allocation to that 60 million tonnes.

Hugo Nunes

Deon, a question from Chris Reddy at All Weather Capital. Regarding capital and excess cash going forward, what are the views regarding buybacks and/or special dividends going forward, given higher coal prices and weaker currency?

Deon Smith

Good to know All Weather is on the call. Thank you very much for your question. So, you might recall two years ago that we had some of our larger shareholders not voting in favour of our special resolution at the AGM to approve the share buyback. And clearly we're respectful of all shareholders' perspectives and wishes on whether to receive cash back or through buybacks.

What we've demonstrated is that we will at every cycle carefully consider the proportion of buybacks versus dividends. But as a general rule, I think what we've said before and we can repeat is that our dividend policy remains. We will pay back a minimum of 30% of our adjusted operating free cash flow, and any excess cash above that 30%, we would split between a buyback and a dividend, and probably in the ratio of one-third buyback and two-third cash dividends. Shareholders are, of course, welcome to reinvest that cash back into the share also.

Hugo Nunes

Thanks, Deon. Moses, a question from David Fraser at Peregrine Capital. Please clarify, would you look at acquisitions outside of coal?

Moses Madondo

Thank you for that question. We're working with the board. Again, we're looking at our strategy this year and look towards June to complete that process. Of course, as we again reiterate, our position is always we look for those opportunities where we are able to make a difference and add value and where our strengths are right to play. So, of course, opportunities that come and fall within those parameters we will most certainly consider.

Hugo Nunes

Thanks, Moses. Deon, a question from Sashi Shekhar from Citi. The FOB cost guidance implies a circa 15% increase in South Africa cost while just 6% increase in Australia. Could you please elaborate more on this?

Deon Smith

Hi Sashi, good to hear from you. And I know we can unpack this in a lot more detail a bit later on our one-on-one call. In some ways we are a victim of our success in the cost per tonne in 2025. Previously we estimated, if you look at our guidance range for 2025, that we'll spend a lot more per ton. Clearly the markets didn't allow us to do that and we also produced at a much higher run rate than what we anticipated last year, also achieving above run rate production outcomes relative to our guidance.

So, our cost per ton benefited very favourably in 2025 from conditions at the time. If you then look at the midpoint increase, so from what we actually achieved in 2025 to the midpoint in 2026, that increase isn't as pronounced. It's slightly higher than inflationary. But we'll unpack that a bit later on today when we speak one-on-one. It is a normalisation of that cost. Yet again, for obvious reasons, internally we will target the lowest possible cost per ton in 2026, and we hope to surprise you again on that outcome.

Hugo Nunes

Thanks, Deon. Deon, just a question from Herbert from Absa. With the developments in the Middle East, are you getting any interest from Europe? Are you in any position to service that market?

Deon Smith

Hi. Good to hear from you, Herbert. The answer is always yes. In the last two, three years, Bernard and his team has broadened the flow of our coals across many, many, many jurisdictions, ranging from Europe, Middle East, Far East, Southeast Asia, and our spread of coals is now much broader. Yes, the heightened tensions in Europe and recent events even over this past weekend has given Europe much to reflect on in terms of energy security. And inbound calls from actually many geographies, not only Europe have continued since the onset of the conflict in Iran.

Hugo Nunes

Thanks, Deon. Operator, any questions on the call?

Operator

We have a question from Tim Clarke of SBG Securities. Please go ahead.

Hugo Nunes

Go ahead, Tim.

Tim Clarke

Thank you very much. Can I ask about your life of mine? I just noticed in your reserves that there's a bit of a transfer out for the 4 Seam at Mafube. Does that affect life of mine? I know you're only going to release the full reserve statement later. I was wondering if you could give us that one. And then, Deon, just on depreciation for

next year. With the massive impairments, it's quite hard for us to back out what the depreciation is likely to come out at, given the PPE is down so much. Can you give us some guidance there, please?

Moses Madondo

Tim, I can cover the front, and you can cover the second question there, Deon. In terms of the life of mine, of course, both Annea as well as Zibulo do have opportunities for us to exploit in terms of the 4 Seam opportunities there. So, the current life of mine, of course, informed by the 2 Seam work, we are continuing, starting work now to study the opportunities that 4 Seam opportunities provide. Of course, in the right market and the right prices, those opportunities can come to bear. But like I said, we are starting the studies on both of those.

Deon Smith

And just in terms of the resource and reserve statement, so the 4 Seam at Mafube is not going to affect the life of mine at Mafube. There are options that we are looking at extracting that also. So no, Tim, that is just a temporary feature as to where that mine finds itself in its life of mining cycle until the most credible pathway to extract that 4 Seam and sell it is redetermined.

In terms of your second question on depreciation, you would have seen that if you look at our income statement a bit more closely, and again on our one-on-one call later today, we can unpack that a bit more, but our depreciation has actually increased in 2025. And the reason for that increase is clearly as a result of the Elders, or now Annea mine. And there's Zibulo North shaft capital that has made its way into PPE, so that depreciation has come into our income statement also. We will certainly help with a high-level view on what we believe depreciation is likely to be in 2026, but you are correct that it is probably going to be down by about 40% on what we've seen historically, so that's into 2026 as a result of that impact.

Tim Clarke

Okay. Thank you very much.

Hugo Nunes

Okay, last question then just for Moses. Ensham had good production volumes in the second half of the year to recover full year volumes after the challenging geology in the first half. Is there any more challenging geology expected in the mining plan in 2026?

Moses Madondo

Thank you for that question. Of course, mining has always got geology that we need to navigate through. I think the challenges of H1, the team has done good work to learn. And therefore you saw the response in H2, as you point out, quite a positive response. It's really informed by our ability to respond to those geological conditions

and setting ourselves for success. We've created capacity to build an exceptional team to deal with geology, as well as panels that we can keep the five key teams that are operating at Ensham always in full production.

Hugo Nunes

Good. I'll wrap up the Q&A session here. If we were not able to get to your question today, please do get in touch with myself or Shreshini via email. Thank you to everyone for making the time to join our results presentation today, and we wish you a pleasant afternoon further. Thank you.

END OF TRANSCRIPT