



CHAMBER OF MINES  
of South Africa

# CHAMBER PRESENTATION ON THE STATE OF THE COAL SECTOR IN 2015

Economic context  
11 June 2015



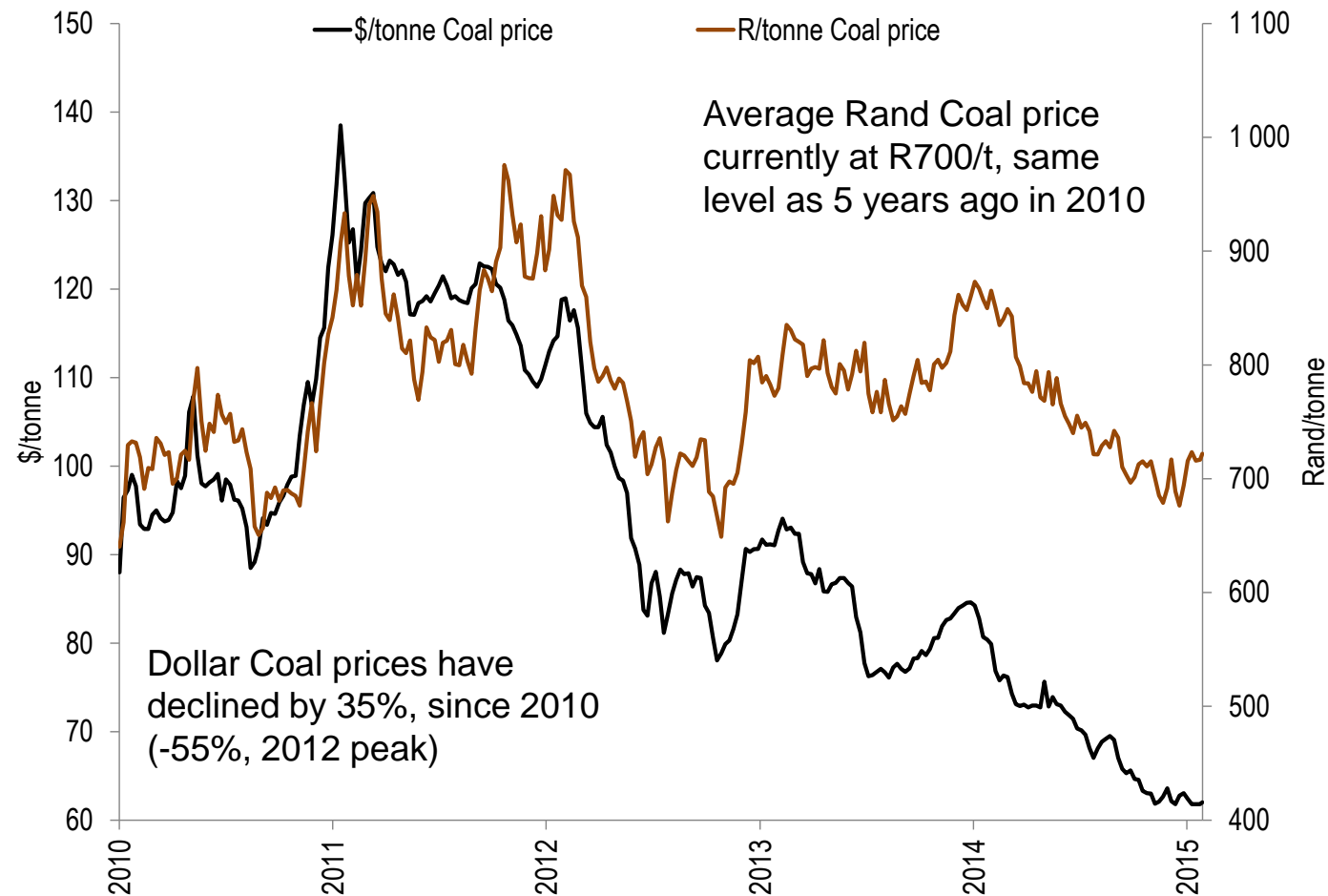
# Introduction

- 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

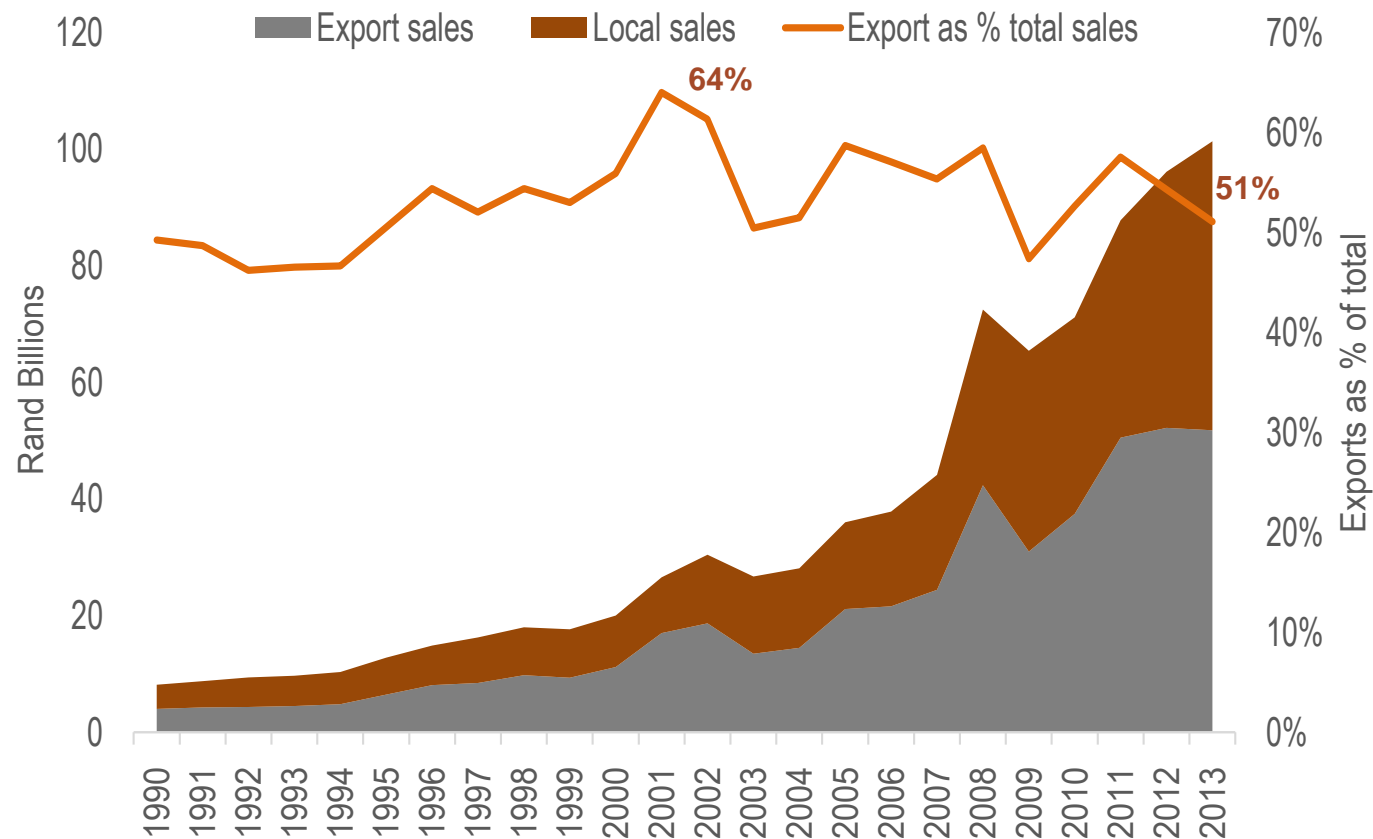
# Since end of bull market in 2011, US\$ prices fell and Rand prices have been in decline



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

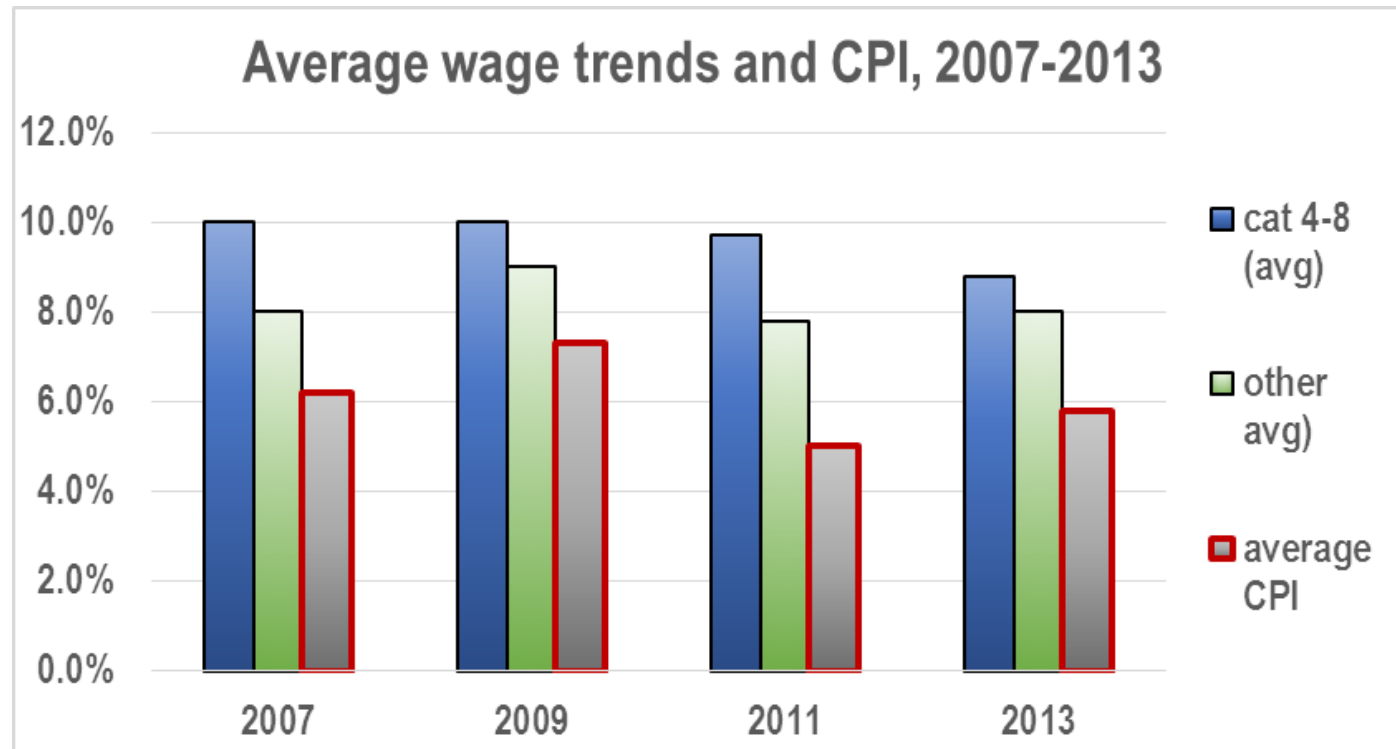


Source: SA Chamber of mines, SAIMM, Industry research

# 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



Source: Chamber coal wage agreements, Statistics SA