

Conference call transcript

17 August 2023

INTERIM RESULTS PRESENTATION

Mzila Mthenjane

It's with mixed emotions that I say this morning, good morning ladies and gentlemen. I'm closing a chapter in my book of life today. This being my last day at Exxaro and we'll be beginning a new role and a new chapter on Monday, the 21st of August when I start in my new role as the CEO of the Minerals Council of South Africa. It has been a glorious decade for me at Exxaro and it has certainly been a blessing to serve you under this brand of Exxaro Resources for these past 10 years.

Some of the pages in this new chapter have already got some scribbles and I don't think it will take a genius to guess what that would be. But most of these pages are blank and these are the opportunities that lie ahead. I look forward to continuing to serve you and the country in this new role, because there but for the grace of God I go. I wish Ms Ling-Ling Mthapo, my successor, greatest success in her role as Chief Investor Relations and Liaison Officer for Exxaro.

So, with that, let me welcome you all to Exxaro's presentation of our interim financial results for the period ended 30th June 2023. I didn't see the chairman, but I did see our lead independent, Ms Geraldine – welcome – and other board members who may have joined us here or online. I'd also like to acknowledge our guests who have joined us online and on Choruscall. Thank you very much to all of you for your continued interest in Exxaro and for joining us this morning.

And I think as the normal practice, a safety briefing is appropriate at this point. If the alarm is activated, we do need you to respond, but to respond calmly. Safety marshals will assist you with evacuating the building and accompany you to the designated assembly points where roll call will be conducted. We should all remain at the assembly point until instructions are issued to re-enter the building. And please note that we do have medical personnel on site should you require any medical assistance. Please let us know. And I think with these safety notes, we always forget about those people who will be online. What should they do? For those online, we will communicate with you in terms of the stop and start of the session so that you're not hanging.

In terms of ablution facilities, as you exit the building, with the doors behind you to your right, there's a passage with ablution facilities on your right. And it is important that I should make mention of load shedding. We do not envisage any load shedding, however, should we experience power outage, do not despair. We do have generators on site who will kick in within three minutes, starting with the emergency lights, plugs, and then the Wi-Fi.

So, then moving on to the presentation, I think it's worth just as a preamble say that when we ended the presentation for the final year, we shared with you what we saw coming in the first six months. And that was obviously to a degree what the potential events of these first six months would be. And besides that foresight, it was still a challenging period. But certainly, as you will see from the presentation, the early value coal strategy continued to deliver and deliver on the mark. And so, to tell you more about this delivery, our CEO, Dr Nombasa, will take you through the macro view and highlights, and she'll then be followed by Kgabi, who will then present the operational performance, and then Riaan will present the financial results, and Nombasa will come back to do a close. So, with that, Nombasa, if I can invite you to please take us through your presentation.

Nombasa Tsengwa

Thank you, Mzila. Good morning, ladies and gentlemen. Please allow me to join Mzila in congratulating our new Chief Investor Relations and Liaison Officer, Ms Ling-Ling Mothapo, for taking over the hot seat. Ling-Ling is a metallurgical engineer by training, has been with Exxaro for 15 years, during which time she has accumulated a multitude of a laudable operational and strategic accolades. Her experience and expertise will be invaluable in this role. And I can assure you, our investors, that you are in very capable hands. Softer ones, of course. And let's ask Ling-Ling to stand up so you can all see her. Thank you. Thank you, Lings.

To Mzila, thank you for your decade of dedication. You have brought the meaning of your name to life in forging a path and building our stakeholder affairs capacity. You leave behind you an indelible wake of great performance and awards that will ensure that you remain in the history of Exxaro. It comes as no surprise that you have been named as a custodian of the broader mining industry, and we wish you all the best in your new role as CEO of the Minerals Council. Sir, congratulations and take a bow. So, we can say today, CEO to CEO, right? Welcome to the club.

On to the business of the day. Welcome to all of you in attendance, via the connection as well as those joining us online. A special word of welcome to our lead independent, SSG, as we call her, and other fellow board members in attendance, and to those who are attending online. A very special welcome also to the Pensioners Club. I think this club is a bit disorganised. Who is the convener now? Okay, still you, Dr Con. Good to hear. At least you're always here. Okay.

It is a pleasure for us to present our 2023 interim financial results to you this morning after a year, one year of service for me as the CEO. We always welcome your honest feedback after these presentations and during our roadshows to ensure that these solutions are worthwhile to all stakeholders and most importantly, our investors. We live in a dynamic global environment. The well-known challenges presented by the prolonged and devastating war in Europe, together with its knock-on implications for broader Europe and energy security across vulnerable economies, softened and yet volatile commodity prices and high inflation are having a significant impact on the mining industry, hurting margins and cash flows.

Added to the uncertainty around the intensity and duration of global macroeconomic volatility, the much anticipated tailwinds from a Chinese economic recovery have not yet been realised. And the continued increase in interest rates by the U.S. Federal Reserve contribute to the lingering retreats of global markets and softening of commodity prices. Securing a sustainable future remains a key priority for governments and businesses around the world. This translates into intensified opposition to coal mining and coal-fired power generation. So too, however, has the need to ensure that the future supply of critical minerals is secured in order to meet the rush to net zero emissions target by 2050.

Given all the market dynamics in play, it is essential that companies have the balance sheet strength to navigate the volatility and uncertainty that I have already talked to. This means adopting a bias towards cash preservation in anticipation of headwinds. Kgabi is going to talk a little bit about this later. The preservation results in under-investment in new projects in our sector and slower M&A activity in the industry. Although we've seen several high-value transactions within the M&A landscape, this has largely been driven by a few majors concentrated on scarce operational Tier 1 assets. We also see governments of critical minerals-producing countries altering the playing fields through the proactive introduction of structural adjustments and policies to discourage exports in favour of domestic manufacturing. And this is happening in Africa, by the way. And to control prices at the same time so that they can capture more value from these minerals.

This poses a significant risk and greater competition for these minerals, thus demanding disciplined and well-considered investment strategies to meet the agency required for future supply. This provides the backdrop against which global energy businesses must operate. And while issues around energy security present opportunities for us as a business for further uptake of renewables by customers. Given this enduring state of poly-crisis, we recognise that M&A decisions will need to be focused on building resilience and long-term value creation and not as an immediate reaction to prevailing volatility. The dynamics which have played out over the first half, reiterate that rapid and unpredictable change will continue to unfold.

Ladies and gents, with the global stage now set, we can unpack our resilient business performance. We've seen weakened thermal coal demand from Europe due to sufficient gas stocks combined with materially lower natural gas prices and improved renewable energy performance. We saw thermal coal prices slip over 60% from record highs of 2022 to a two-year low of \$99 a ton. So, it is important to remember, however, that current pricing remains stronger than those we've achieved pre-2022. So, if you look at the line graph on this slide, it illustrates how our portfolio of commodities deliver robust and complimentary market performance, thus cushioning our margins against the cyclical nature of these commodities.

You can see that the API4 price averaged at \$130 per ton in the first half, compared to the average of \$264 per ton in the second half of last year, whilst iron ore fines averaged at \$118 per ton versus \$101 respectively during this period. In addition to this, our domestic supply, especially to Eskom, further protects our margin from global market volatility, making our stock much more defensive. Changes in the global trade flows were evident as Australia resumed supply into China in the first half, after it had been halted since December of 2021, whilst the Russian supplies to Europe and Japan reduced materially. This is why we believe that our market to resource optimisation interventions must always be engaged. And you'll be happy to hear that India remains as a strong importer of our local from South Africa. And it has been as such in the past half and remains a key market for us as a company.

Let's talk about our country, which really remains as a challenging operating environment. It is not business as usual, particularly when our ability to respond to the opportunities which are presented by the high thermal coal prices of the recent past and the ever shifting trade flows is constrained by subpar rail performance. We've continued to experience recurring locomotive unavailability due to reported cable theft, derailments, operational inefficiencies and vandalism. So, it is easy to see then how the current soft pricing environment has rendered the trucking of coal, which is inherently a sub-optimal transport alternative, no longer feasible. This has further limited access to RBCT and alternative ports.

Lower Eskom demand from our Grootegeluk mine that Kgabi will talk about in this first half is not from a lack of Eskom's need for coal, but due to prolonged periods of unrepaired equipment at Matimba, which may be an indication of skills availability and possibly prioritisation within Eskom itself. However, we have no doubt that these volumes will be required for Medupi and Matimba, and we're very confident that Eskom will resolve short-term disruptions to this offtake. The worsening electricity supply shortage has negatively impacted the South African business and also economic growth prospects. While the supply shortages present opportunities for energy business, grid constraints, however, remain a key challenge in the rollout of renewables. We are proactively investing in and developing sites with grid capacity and appropriate energy resource levels to offset these constraints.

A volatile Rand will continue to have a pronounced impact on our bottom line. will continue to have a pronounced impact on our bottom line. So as a business, we are committed to a transition journey. If you look at our ESG, ESG is core to our business and a driver of value creation across all our markets. Decarbonisation of our operations and our entire value

chain is an urgent imperative to reduce CO2 emissions, which will result in the additional benefits of avoiding market barriers, fines, and the loss of social license to operate. By accelerating our decarbonisation plan, we can also realize cost savings, partnership opportunities, and favourable financing terms. Our commitment towards managing our impact towards long-term sustainability can be seen through our FTSE Russell scorecard, which has been on a positive multi-year trend over the past five years. Furthermore, it illustrates Exxaro's best in class amongst the FTSE Russell ESG indices with an average of four rating over the last two years compared to the global coal sector rating of less than 2.1.

Decarbonisation is central to our strategy and looks to contribute meaningfully to the energy transition through renewable energy generation for operations and other customers alongside the production of critical minerals. The transition to clean energy hinges on clean energy technology supply chains to source critical minerals because steel from manganese and iron ore will be required for wind turbines, plus more copper for transmission lines and offshore wind power, and even more aluminium from bauxite to support solar PV will be required. So, we are aware as well of the increasing scrutiny and pressure that coal companies are subjected to. This manifests through the exit of some international investors from the sector, who are multinationals who reorganised their portfolios.

As a result, we are happy to report that we have revised our scope 1 and scope 2 emission targets to 40% compared to what we've reported before of 43% by 2026 due to the change in the divestment of Leeuwan mine. We have finalised our value chain scope three emission analysis with the majority from our Eskom supply, very much around 97% of our scope 3. Hence, we need to pursue other Eskom suppliers to partner with us in dealing with scope 3 emissions.

On the safety front, we regret to inform a regression in our lost time injury frequency rate performance, standing at 0.08 against a reduced target of 0.05, previously 0.06. And this is compared to the second half of last year. We have a focused social impact strategy, which guides our efforts and resources and creating real impact as we believe in powering the lives of the ordinary South Africans through jobs creation, skills development, and investing initiatives which support small businesses. Our investment of more than R8 billion over the last six years is testament to this commitment.

We believe that diversity, equity, and inclusion form the foundation of what equitable approach to a representative workforce and an inclusive culture where all employees and their uniqueness is valued. We are proud of the meaningful progress we have made on creating an inclusive and equitable organisation through our DEI enabling initiatives. From a governance perspective, significant progress has been made to ensure that we have a fit-for-purpose regime of policies and procedures to enable DEI. Implementation of these policies will strengthen our position as an equitable, fair, and empowering organisation.

Now, coming to our operations, the team was able to respond with resilience and tenacity to the macro dynamics already presented. We have delivered a remarkable cost containment performance that saw a Rand per ton decrease by 3.1%. While coal mining inflation increased by 9.7%, we effectively contained costs at 12.8% below the coal mining inflation. And this is really admirable performance by Kgabi's team, given the prevailing global inflationary pressures I've already talked to, and also the rising distribution costs that we've experienced. We have achieved a record average realised price of 98% against the API4 index. Very proud. And an increase of 8% compared to the second half of last year. Really well done to Sakkie and his team.

This sterling performance was enabled by our robust and diverse coal product mix on the back of our early value strategy, coupled with our market to resource optimisation initiatives. The coal business delivered a 4.7% production decrease due to short-term disruptions to the uptake at Eskom which I've talked to earlier, logistic challenges and geological conditions

that we continue to experience at Matla. This remains a solid result, and we commend the team for this performance, especially in light of the logistics constraints that we experienced on our export sales.

We've delivered wind energy, which has decreased by an average of 8% compared to the second half of 2022. This performance of the energy business is within the seasonal trend range. Achieving results such as these against the current global backdrop does not happen by accident. Great results don't drive themselves. Great results are driven by the people of Exxaro. As I have already mentioned, our ability to contain costs coupled with higher prices, despite operating in a high inflationary environment, saved the day.

We've continued to create shareholder value. As you can see, our group EBITDA decreased by 9% to R7.7 billion from the previous half, mainly attributable to the decrease in coal EBITDA, driven by lower export prices and lower sales volumes for both domestic and export sales. Our group EBITDA margin increased by 5% to 40% due to good cost management. Delivered headline earnings for the period of R24.43 per share, 6% lower compared to the second half of last year, including a contribution from SIOC and Black Mountain equity interests. We achieve an annualised return on capital employed of 36%. This achievement is attributable not only to our high basket price performance, but also to our efforts on efficient capital deployment and cost management, as I've already mentioned. These will be critical areas of performance as we embark on our growth journey ahead of us.

Given this performance and considering the unfolding uncertainty ahead of us and our growth aspirations, it is my pleasure now to announce the dividend, as declared by the board, of R11.43 per share based on our dividend policy, which Koppies we'll elaborate on. At least we still put something on the table. Thank you for that. This has been a year of going back to basics, towards zero harm, especially when we experienced that fatal, which was really unfortunate. And I really want to reiterate our determination towards sustaining zero fatality across all our operations. Our people are the heart of our business. And ultimately, their safety, their wellbeing is our true defence.

The resilience of the coal business continues to be tested through upturn and downturn cycles. What is clear is that when tested, the business emerging stronger, demonstrating our ability to generate sustainable earnings despite international price fluctuations. A key pillar to this performance being the robust earnings from our diverse product portfolio. In terms of our proactive and deliberate actions, the adoption of our early value strategy combined with the market to resource optimisation has borne fruit because of our high quality product mix, resulting in a best in class price performance. So, Kgabi, take us away.

Kgabi Masia

Thank you, Nombasa. It's good to sit between the two CEOs also. Let's just acknowledge it. We have certainly experienced a very challenging period during the first half of the year, as highlighted by Dr Nombasa. But I'm proud to be associated with the operations team, who has demonstrated tremendous resilience and responded positively to the significant challenges we have faced in the first half of the financial year. We have challenges with Transnet declining performance, as Dr Nombasa has highlighted, inflation pressures, and the declining export prices. Despite the above, we still managed to achieve the following results.

We had good performance in all areas on our health, environmental, and community scorecard. And despite our lost time injury frequency rate increasing to 0.08, we are still committed to zero harm. I always say safety will humble you. Our operational performance was hampered by the following: Lower Eskom offtake, as well as Transnet freight rail challenges.

Despite the above, we managed to maintain costs within the coal mining inflation and created value through record price realisation.

In summary, we have achieved good financial results with robust margins. I will now go through the details of our performance, firstly focusing on safety, environmental, and social. On the safety front, we achieved zero fatalities for the first half of 2023 against an unfortunate industry total of 22 fatalities. Sadly, we are still reminded of our last fatality which occurred in August of 2022. We, however, recorded a total of six lost time injuries resulting in a lost time injury frequency rate of 0.08 against the set target of 0.05. Management launched additional safety campaigns at all operations to improve our performance in the next six months as people remain our biggest asset and we strongly believe our vision of zero harm is achievable.

On the environmental side, we improved our performance on a number of metrics. Firstly, rehabilitation showed an improvement of 3% in terms of land rehabilitated. We have maintained the outstanding environmental performance by ensuring we have no level 2 and level 3 major incidents. Our water intensity has improved by 25%. This was mainly attributed to improving recycling of feed water at our Grootegeluk operation and the implementation of mobile water treatment plant at our Belfast operation. Our operational decarbonisation focus is bearing results. This is largely due to the implementation of the energy efficiency measures at our operations resulting in a 13% decrease in carbon intensity. Our social performance remains in line at R896 million spent. Our small enterprise support initiatives benefited 73 SMMEs. We sustained 688 jobs and skills development initiatives supported more than 1,517 beneficiaries.

Now, looking at our production and sales, our production declined by 4.7%, as highlighted by Dr Nombasa, during the first half of the financial year, with Grootegeluk down by 754,000 tons, mainly due to 1 million tonnes lower sales to Eskom, resulting in us having to match production to sales. Belfast's operation increased by 159,000 tonnes due to the ramp up after the fatality in August 2022. Matla production was 418,000 lower due to the geological conditions as mentioned by Dr Nombasa at our Mine 2 and Mine 3. Leeuwpan increased production by 253,000 due to the commissioning of the catch and screen plant. And finally, our buy-ins from the Mafube JV declined by 433,000 tonnes due to [unclear] challenges and some equipment availability issues.

On the sales front, the Grootegeluk domestic sales were negatively impacted, reducing by 1 million tonnes, largely due to lower offtake from Eskom's Matimba power station, caused by unplanned downtime on a stacker reclaimer, which is expected to return for service in early September. The Mpumalanga domestic sales were softer on the back of the production challenges at Belfast in Q1 and Leeuwpan in Q2. Matter sales were softer on the back of the production related mentioned challenges above. Our export performance remains a function of available logistical channels and cost, which currently makes transport to some ports economically challenged.

In the light of the reduced coal prices, we have temporarily stopped trunking coal and are therefore expecting a similar level of sales for the next six months. We continue to explore economically viable alternative routes to export coal. We forecast production to increase by 7.8% and sales by 11.5%, mainly due to the following. An increase at Grootegeluk resulting from the latest 2023 offtake plan received from Eskom. We believe that Eskom requires the coal as it is needed for the energy security. An increase of 32% in Belfast production in the second half due to the successful onboarding of a new contractor in the second quarter. Matla is going to increase production by 700,000 tonnes to 3.4 million tonnes. While the geological challenge is improving, we've moved to more favourable areas.

Now moving to our export performance. As highlighted by Dr Nombasa, the coal price in the second half of financial year 2022 was at \$265 and now we're talking \$130. It's almost 50%. And despite these international coal prices correcting materially in the last six months, our discipline in executing our market to resource optimisation strategy and the very good performance of our sales team, which is led by Sakkie, have enabled Exxaro to achieve a record price realisation against the API4 index across the total sales portfolio, significantly increasing from 90%, which was our high last year, to now 98%, as can be seen in the bottom right graph.

Turning to the top right graph, you'll notice the benefits of our value and market resource optimisation strategies. You can see that the sustained increase in the quality of our sales mix augments the strong product portfolio performance from our mines very well. In spite of softer European demand, we were able to increase the RB1 portion of our sales mix to 70%. And this is expected to further increase in the second half of the financial year.

Turning to markets, you'll see in the panel on the left, which is a dark blue colour, we've managed to increase our Indian and Asia sales while sales to Europe have been softer. Our agility and the flexibility in markets continue to serve us well in the turbulent times. Indian demand for South Africa coal recovered as the international coal prices reduced with Exxaro sales increasing significantly from 7% to 32%. We were able to capture value in Asian markets as the pricing differentials between South Africa API4 index and Australia API6 index persisted.

Having dealt with export, we'll now look at the cost performance. We are proud that our Rand per ton cost decreased by 3.1% despite mining inflation increasing by 9.7%. This means that effectively we've achieved a 12.8% and well done to the team. Looking at the bottom left corner, I would like to further highlight how we effectively manage the inflation impact on an annual basis at 8.9%. Please note that comparative values have been restated and now it's with royalties to fully align with the components that make up the coal mining inflation index. As indicated in the shaded area of the bottom right graph, our production costs only increased by 3.4%.

That is our contributing cost, with major contributors being the onboarding of a new mining contractor at Belfast contributing to increased production volumes, and at Leeuwan enabling production overburden removal, resulting in contractor costs increasing by R14.70 or equalling about 3.1%. And an increased maintenance at Grootegeluk and Leeuwan linked to the overburden volumes within the mining areas mentioned, culminated in an increase of R8.50 per ton or 1.6%. The above overburden removal activities are related to a once-off backlog and are expected to normalise. And we're not expecting impact on our strip ratios going forward.

The above was offset by a decrease in fuel, which contributed to R2.90 per ton, or about 1%. The transport cost of our product remains challenging, and we continue to move our volumes to where it makes financial sense to protect our margins. The remaining cost buckets, which do not directly form part of the production cost, will form part of Koppies' feedback. Also enabling our cost management is our evolving digital Exxaro programme, which is led by Somai Pillay in my team, and we are now deploying machine learning models to inform our decisions. We were able to generate insight about critical cost drivers and efficiencies, which all contributed to delivering part of the cost performance reported today.

We are committed to remain within our guidance of continuing to beat the coal mining inflation. It is, however, important to know that continued logistical restrictions can pose a threat to this commitment going forward if operations are continuously unable to produce at desired production levels. We will now conclude with our capital expenditure. Our total forecasted capital spent for 2023 is in line with our guidance provided in the June 2023 of the FD pre-close. This is a result of the capital excellence journey where projects are constantly reviewed and reprioritised to optimise planning, timing,

cost, and business impact. The capital expenditure in this year is slightly lower due to the timing and optimization of various projects with a second half expenditure expected at Grootegeeluk with the main focus prioritising truck and shovel strategy. The same is expected at Leeuwpan and Belfast. Financial year 2024 capital expenditure is also expected to be in line with our overall guidance of R2.5 billion per year on average in real terms. This is supported by the capital excellence program, which is led by Lundi and Mellis in my team, which maximises value while improving the efficiency of our capital process, thus promoting a responsible capital spend approach and still maintaining our commitment to executing our early value strategy.

This now gives me the opportunity to thank my operations team, mostly are seated on the right, who have shown diligence and agility during a very volatile and challenging period. And I also like to give a big thank you to my colleagues, I see most of them on my right, and the supporting functions that have enabled us to achieve this exceptional result in this reporting period. I now hand over to Koppies, who will take us through the financials.

Riaan Koppeschaar

Thanks, Kgabi. Good morning, ladies and gentlemen. It's a pleasure to present our financial results for the six month period ended 30 June 2023. So, the results will be compared to the six month period ended 31 December 2022. So, the IFRS results are adjusted with headline earnings adjustments to make the results more comparable. Further details on this are included in the backup slide. So, on the first slide, the high level overview of the group results highlights the difference between our own managed operations depicted on the top left and right graphs and income from our equity accounted investments on the bottom left graph.

So, following the record performance on the back of the high commodity prices in 2022, the tougher conditions we experienced in the first half of this year are evident in the lower revenue and EBITDA numbers. But despite the 21% decrease in revenue, our EBITDA only decreased by 9% and headline earnings per share by 6%, demonstrating the actions we're taking to protect our margins. We will unpack revenue and EBITDA later on. The contribution from our non-managed operations was in line with the second half of last year, and that will also be discussed on the following slide. This translated into headline earnings per share of R24.43.

On this slide, you will see our financial scorecard highlighting the impact of the lower earnings on cash generation from our operations. If we look at EBITDA, coal EBITDA decreased 19% to R7 billion. Energy EBITDA increased 2% to R476 million on the back of higher energy generation, while the rest of the group contributed an additional R828 million which we will expand on in the next slide. Looking at the equity income, the increase in equity income from Sishen to R2.6 billion was mainly driven by iron ore prices combined with the impact of the Rand Dollar exchange rate. Mafube, our 50% joint venture with Thungela, recorded a lower equity accounted profit of R276 million as a result of lower coal prices and sales volumes due to the TFR performance and production challenges relating to equipment availability, which Kgabi highlighted.

As a result, headline earnings decreased by 6% to R5.9 billion. The cash generated from our operations was R6.3 billion, resulting in a net cash balance of R7.2 billion as at the end of June. If we look at the EBITDA waterfall graph, firstly the price bar. Our exports at the lower benchmark API4 price resulted in the average price realised of \$127 per ton, a 47% decrease compared to the second half of last year, and only a 2% discount to the benchmark API4 price due to the quality of the product and sales weeks. This was partially offset by higher prices we realised in the domestic market.

If we look at volumes, export volumes decreased 224,000 tonnes as a result of the ongoing logistical challenges. As Kgabi pointed out, we also experienced lower offtake from Eskom due to the equipment downtime and unplanned plant maintenance, mainly at Matimba power station. Inflation, we experienced inflationary pressure with electricity cost increasing 9%, labour cost 1.4%, and the rest of our cost at PPI of 9.7%. However, there was some relief as our diesel cost decreased by 20%. The buy-ins from the Mafube JV also decreased by 443,000 tonnes at the lower price of R1,365 a ton.

Looking at the other costs, the royalties expense decreased in line with lower revenue, resulting in a positive variance of R910 million. Selling and distribution costs decreased R452 million in line with the lower export volumes, although it was partially offset by higher costs incurred at Grootegeluk as we used road transport to mitigate the ongoing logistical challenges. The R346 million positive variance on rehabilitation is an adjustment of R163 million in the second half of 2022, not occurring again in this half, relating to post-closure water treatment costs combined with the positive impact of using a higher discount rate to calculate our liability in the first half of this year.

Bonus payments and employee costs were also lower in line with the lower profitability and performance targets not being met. The net positive forex variances due to the impact of the weaker Rand Dollar exchange rate on the realised and unrealised forex differences on foreign debtors and cash balances. Included under other are the following: That is on our insurance programme due to the nature of new insurance products we entered into. From an accounting perspective, the treatment changes from a premium expense to a financial asset in the balance sheet going forward. We also had positive fair value adjustments on forward exchange contracts of R278 million, and on funds in the environmental trust fund of R40 million.

On the following slide, we split out the revenue in EBITDA of the coal business between Waterberg and Mpumalanga. So, despite the EBITDA decreasing at Mpumalanga, our Waterberg operations continue to be robust, demonstrating the benefits of our good cost control and the stable revenue from the Eskom sales contracts. The increase in EBITDA at Waterberg of R345 million is mainly as a result of the following. Although we had a decrease in revenue as a result of lower export prices realised on higher export volumes of R1.1 billion, this was offset by higher prices achieved in the domestic markets, although the lowest volumes were lower of R770 million. There was also a corresponding decrease in the royalties of R714 million. But we incurred higher distribution costs as we used the road transport to evacuate coal via road to Richard's Bay of R116 million.

The Mpumalanga decrease in EBITDA of R2.1 billion is attributed to lower revenue of R4.5 billion, mainly due to lower export prices of R1.4 billion and at lower prices of R2.5 billion. And there was also a saving in distribution cost in line with the lower export volumes of R394 million. We bought in lower volumes from Mafube at lower prices, resulting in an overall R1.6 billion Rand benefit. So, this translated into a healthy 38% EBITDA margin for the coal business, up from the 37% we reported in the second half of last year.

On Cennergi, we've seen an improvement in the wind conditions in 2023. And for the first half of this year, Cennergi's wind operations generated 335 gigawatt hours of electricity, despite the 15 gigawatt hour generation loss at one facility due to a Eskom distribution line fault that occurred earlier in the year. As demonstrated in the graph, the wind patterns are seasonal and we expect higher generation in the second half of the year. Cennergi's operational EBITDA margin was very stable at 80% underpinned by the long-term nature of the off-take agreements. The Cennergi project financing amounted to R4.5 billion and will be settled by 2031. It has no recourse to the Exxaro balance sheet and is hedged through interest rate swaps at an effective rate of 12.7%. Hedge accounting is applied, and therefore it has very limited volatility on the income statement.

We then come to capital allocation and cash generation. So, in applying our capital allocation framework, we always aim for a net debt EBITDA ratio, excluding project financing, of below 1.5x. Cash flows in the first half of this year totalled R6.8 billion, comprising R5 billion from our own operations and dividends received of R1.8 billion mainly from Sishen. In terms of the capital allocation framework, we then used this to sustain our own operations and functions with capital of R800 million. And we paid dividends of R4 billion, consisting of a pass-through of the SIOC dividend of R1.4 billion and R2.6 billion from our own operations. Included in the other bucket of R475 million are shares acquired to settle vested share-based schemes of R622 million, offset by the translation of foreign cash balances of R111 million. So, excluding the Cennergi net debt of R4.4 billion, this resulted in a closing net cash position as at the end of June of R11.6 billion, which positions us well for growth.

We shared the value generated of our stakeholders as depicted on the left as follows: R3.4 billion with employees and we contribute R2.7 billion through taxes and royalties to the state's coffers. We paid R3.7 billion to shareholders as dividend and shared R42 million with our communities. As Nombasa already pointed out, we're pleased to announce that the board has resolved to pay an interim dividend of R11.43 at an overall group cover ratio of 2.1x. This is a pass-through of the SIOC dividend and a cover of 2.5x on Exxaro adjusted group earnings. As you will see from the graph on the left, we are now reaping the benefits of the R16 billion we have spent on our coal expansion projects with R2.25 billion of our dividend from our own managed operations, now exceeding the R1.96 billion dividend from SIOC.

We have now also considered the level of our cash retention in the business which could be dilutive to our return on equity. To balance the level of cash retention with our growth strategy and taking into account the possible size of future acquisitions, plausible downside scenarios and to retain balance sheet flexibility, we aim to retain net cash of between R12 billion to R15 billion, excluding the project financing associated with our energy business for our growth strategy. And to reference this, as at the end of June, this net cash balance was sitting as R11.6 billion as illustrated on the previous slide. Importantly, this level of cash retention will continuously be reviewed, taking into account the economic outlook and the pace of the implementation of our growth strategy.

So, with that in conclusion, I'm going to hand over to Nombasa. I'd also like to thank all the people at Exxaro for your perseverance and contribution to these results, wherever you are situated at the operation or at one of our functions. And then also a special word to the finance team for all the hard work and all the late evenings. Thank you very much.

Nombasa Tsengwa

Thank you very much, Koppies, and also to you, Kgabi. We are positive and quite confident in our ability to create value as we navigate the logistics challenges, softening thermal coal and iron ore pricing environments and dynamic commodity trade flows. With the current constraints we are having to navigate, it is important to remember that the coal business has been designed to run optimally at a production level of 50 million tonnes and with an export volume of 8 to 12 million tonnes by rail to RBCT. Very important information to be kept in mind because there is a threshold to these volumes below which even the most stringent of cost containment measures will be rendered ineffective, especially if the reduction of our export volumes due to rail disruptions continues unabated, which means that there would come a point where our operations stop being optimal at these levels of rigour, which then ask for different measures from us as leadership in the organization. Just thought let's put that on the table.

We've done well. The team has really looked at how to respond to the current challenges we experience in operations, because volume still makes sense at the price levels at which we are at. However, if these dynamics change and our export

lever is not helping us, then volumes as a cost abatement as well or management lever just won't work for us. I thought we must make that point. We believe that though, the new business partnership with government under Business Unity South Africa, under the custodian of the private sector CEOs, will have the impetus necessary to address the socioeconomic challenges which are facing our country. With the combined and focused intention, resources and capacity, we believe we can turn these challenges around.

We are steadfast in our commitment to journey towards being a business that positively contributes to the global energy transition and future energy growth. Through this evolution, we will grow your business and diversify the portfolio responsibly. This will enable us to decarbonise the business and ultimately safeguard its future relevance. As with all growth, decisions must be aligned to our previously communicated investment criteria. For us, this means acquiring access to grow your business while creating a diversified mining and renewable energy company.

In addition to acquisitive growth, organic growth will be a key lever for the renewable energy business, even at this early stage of our growth path. We know what it takes to grow the business. Success for us lies in how we acquire these assets, ensuring that executed transactions are value accretive. For us to achieve this, we have exercised patience, restraint, and deep discipline. It has not been easy, but we have to be disciplined. We have to scrutinise each and every transition that is put in front of us. And we continue to evaluate opportunities as reported and guided in March. And we also continue to evaluate our ambitions. The bottom line remains, however, that we won't buy assets for the sake of acquisition.

The coal business will fuel our future growth. And as such, we will continue to optimise it to ensure that maximum value creation comes out of this business. Taking into account our cash generation, we have also considered the level of cash retention that Koppies is talking about, balancing shareholder returns with our growth aspirations. Following up on what we have guided before, I am happy to report that we have reached financial close of the 68 megawatt Lephalale Solar Project at GG in June of this year. Construction is expected to start in this half with the mine, which is Grootegeluk, generating its first green electrons in 2025.

As I've said earlier, we have observed slower mining M&A activity due to rising interest rates, risk aversion, and uncertain economic environment. We believe that the mining M&A outlook remains positive as miners pivot from cash returns for growth and pay attention and focus on increasing their exposure to energy transition metals. In pursuing opportunities, we have gained much experience and insights, and as we continue to execute our strategy, this experience stands us on solid, fertile ground. We understand the markets for the three selected metals, manganese, copper, and bauxite. We continue to invest in our market intelligence capabilities and strong networks to ensure that our project pipeline and deal flow is robust.

In this light, it is my pleasure to introduce you to our new Chief Growth Officer, Mr Richard Lylecker [?]. Richard, will you please stand up whilst I tell the room who you are? Richard brings extensive experience as an investment banker and dealmaker. He has led execution of many M&A deals across the continent. We are very pleased to welcome Richard to our executive and look forward to his leadership and contribution in making the minerals and energy growth strategy a reality. Let's give Richard a round of applause. You are welcome.

Ladies and gents, I now conclude through this slide. Logistics remains our biggest concern in this current business. And as a result, we encourage any interaction between the private sector and government to resolve this matter. We are encouraged by legislation development such as the white paper for national rail, which they call National Rail Policy white paper. That could enable the private sector participation on rail. It's very clear, stated the role of all players in that

legislation. And it is a request when we interact with government to please fast track the implementation of this legislation. We realise that when solving for the current logistic challenges which face the coal business, there's also an opportunity to take a holistic view to the solutions that we can derive from this to also address those logistic challenges on the manganese line.

So, looking ahead to our growth aspirations, we look forward to engaging further with you, the market, to facilitate and support understanding of our strategy. Through engagement, we aim to further the market's understanding of our approach to capital allocation between the two growth focus areas, those being energy and minerals. And as Koppies has mentioned, we believe the optimum amount of net cash to be retained is between R12 billion and R15 billion to enable and set the execution of our strategy up for success. We do not intend to build our cash reserves beyond this range. We do not intend to build our cash reserves forever. As mentioned earlier, this range will be continuously reviewed and considered, looking at the economic outlook and the pace of implementation of our growth strategy, as Koppies has said.

We have been executing our grants strategy for the last one and a half years. And as such, we have great appreciation of the constraints which are introduced to our growth aspiration by just looking at three minerals. After robust discussion with our board on this matter, bearing in mind the competitive minerals landscape, the board has supported a view to look beyond the initial three minerals. We believe that in order to meet our long-term targets, diversifying the minerals based on which to identify opportunities will secure the achievement of our strategy on condition that once again, we remain within our investment criteria which we shared with the market.

We also realise how critical the right resources are in the execution of this strategy. And that is why you will see us continuously adding the right capabilities as we go along to our team. So, skills will enable execution. So will partnerships to solve the different outcomes with key focus being on partnering to limit risk and bolstering our balance sheet. All being said, our strength lies in the women and men who year in and year out work tirelessly to contribute to the value of your business. I'd like to thank each and every one of them for their continued dedication and resilience. And wherever they are, they know that we are #cruisingnicely. Thank you very much, ladies and gents. I give over to Mzila.

Mzila Mthenjane

Thank you very much, Nombasa, for that lovely ending. Thanks to the team for a great set of results and presentation. And I can share with you compliments from the markets for a good set of results. And maybe I can start with the first question, maybe just to set the record straight. Okay, before I carry on, I'd like to invite Leon. He's going to take my seat and I will be walking around as I facilitate the Q&A. Leon is our MD for Energy. And while he walks to take on his seat, Riaan, the first question to you is: Yes, great results. How should we think about the net cash guidance that you've given and the dividend policy? Do we still get a dividend if net cash falls below R12 billion due to acquisitions or downturn in prices? I think this is a question that the pensioners would also be quite interested in.

Riaan Koppeschaar

So, the dividend policy, there's no intention to change the dividend policy, but as Nombasa pointed out, the maximum cash accumulation that we foresee at this point in time is within that R12 billion to R15 billion range. We're not going to accumulate more cash or cash indefinitely. And then obviously this will be reviewed on an ongoing basis. If you tomorrow do an acquisition, then you won't retain that amount of cash. But that is taking into account the size of acquisitions, also in the current landscape looking at possible downside scenarios. This is the modelling that we've done that we think the optimum size is.

Mzila Mthenjane

Okay, thank you very much. And then I'll go to a high level question, which I think has partly been covered in the presentation regarding our outlook. To the extent that some of these challenges continue, to what extent could they materially hit on volumes, particularly in terms of break-even? You spoke, Nombasa, about Transnet performance. There's reference to Eskom, but also if coal prices continue to come down, what's the likely impact on the business that we see going forward?

Nombasa Tsengwa

Look, as we said earlier, that there is a level in volumes at a certain price that our operations would be suboptimal, which then would force us to look at operations that are sensitive to price first and see how we can adjust. And indeed, you know we will do so. We are comfortable where we are at the moment. There's no indication that we are closer to that price range but it is possible, Mzila. It will be done.

Mzila Mthenjane

Okay, no, great. Thank you very much for that. Then a couple of questions on the coal business. Firstly, congratulations on the 98% record price realisation. And the question is for your forecast of 95% in the second half, are you being conservative?

Mzila Mthenjane

Sakkie will take that question.

Sakkie Swanepoel

Thank you. Nombasa, no, I'm not conservative at all. So, no, the 98% I think is important to see in context, the drivers of that. So, we continue to benefit hugely from our market to resource optimisation strategy that really assist in upgrading our production mix to a sales mix of much higher value. That process will continue and we expect to continue to get very good results from that. The mix of which we sell obviously play a big role in that number. And as we said for the second half, we expect that number to increase the percentage of RB1. But looking out to 2025, the number that you referred to, there are some uncertainties about that period and we've just been realistic. What we also have currently that's hugely helping us is the impact of fixed price sales that we still have in our sales book that is helping us in this period of lower pricing. So, I would say the current number is a very bullish number and we think the 95% is definitely doable but not overly conservative. Thanks.

Mzila Mthenjane

Thank you very much, Sakkie. And then on Leeuwpán, how should we think about the longer term future of Leeuwpán as coal prices continue to normalise?

Nombasa Tsengwa

So, I think we've made it quite clear that indeed Leeuwpán is quite sensitive to the export volatility. And our strategy has always been to settle Eskom within the domestic market, which we have been successful in the last year and we'll continue to look into those opportunities. And there will come a time where we make an announcement should we see that risk, but for now we think that we could settle them within this good market for Eskom of lower product.

Mzila Mthenjane

Okay and then maybe just picking up on that and something that you've touched on in terms of progress with M&A, anything else you want to add on progress on Exxaro's M&A strategy?

Nombasa Tsengwa

Look, it's been a very interesting one and a half years of looking at opportunities out there on the market. And we've asked ourselves, we've asked advisors to say, is there an opportunity we may have missed? And the answer has been not necessarily. You guys seem to have looked at everything that you said for yourselves and really feeling that yes, it is indeed to do a deal. You can do a deal any day, but the most difficult one is to do a good deal. And that's what we're looking for. And we will not allow, and this board will not allow deviations for what we said we would do from an investment criteria point of view. We know what we must get on top of work. That is on the table, and we keep to that because we think that would be good for investors.

Mzila Mthenjane

Great, and then there was a question which unfortunately somehow has disappeared from our screen here from Mr Magagula, relating to the energy business. Measured in EBITDA terms, what is the threshold where we feel that it has reached sufficient scale? And my reading of his question is that there's probably a lot more to the question than what reads the question.

Riaan Koppeschaar

Yes, it could be conceived as a loaded question. So, our EBITDA currently is roughly R1 billion. But from an industry perspective, you look at installed capacity, net installed capacity. Now, the bigger players are in the range of 500 to 1500 range, and the really big players exceed that. So, I think you can have a linear relationship, obviously understanding that the equity IRR in the process plays a role. So as things are now, your IRRs are lower, so you probably can't have it directly linear, but probably times three or times four to make it really sizable.

Mzila Mthenjane

Okay, thank you very much. And then before I move to Choruscall – I don't know if we have any questions there or online – the last question was, Riaan, on the numbers that you presented. Somebody just wanted clarification on net stock movements and buy-ins, which we indicated at about R1 billion. And what is included in the other EBITDA of R211 million? It used to be a negative R1 billion annualised.

Riaan Koppeschaar

So, stock movement, there was a bit of stock build up. Mellis, I don't know what the figure is. You can perhaps give detail.

Mellis Walker

Thanks. Yeah, on the stock we did have a bit of an increase. We did end up with healthy stocks at the end of June. We've seen subsequently the stocks coming down a little bit in July. So, we bought in 175,000 tonnes in the first six months and our stocks did increase half year on half year.

Mzila Mthenjane

Thanks, Mellis.

Riaan Koppeschaar

The other one is around the insurance. So, I can take that. The others, the R211 million is mostly, as I pointed out, our insurance programme. So, in the past, the way that the programme was set up was expensed through the income statement. And now we've got a new insurance product which doesn't require us to expense it anymore. It's treated as a financial investment because to the extent that you don't have claims. You ultimately get the money back in the future. So that was one of the major issues in that bucket.

Mzila Mthenjane

Okay, thank you. Do we have any questions online, Choruscall?

Operator

Yes, we do. We have a question from Brian Morgan of RMB Morgan Stanley. Please go ahead.

Mzila Mthenjane

Good morning, Brian.

Brian Morgan

Good morning. Can you hear me?

Mzila Mthenjane

Please go ahead.

Brian Morgan

Thank you. Just on the cash balance that you've highlighted of R12 billion to R15 billion, it's quite a sizable number, looking at that's holding back. Just to get a sense, are you looking to hold that amount of cash back because you feel that debt markets are closed to you as a coal company?

Riaan Koppeschaar

No, I think, so in getting to the cash balance, the cash retention, we're not only looking at cash retention. Part of that overall figure is also debt markets. So, it's a combination of cash and debt markets and as I pointed out also plausible downside scenarios.

Mzila Mthenjane

Thanks. Are you happy Brian? Any follow up?

Brian Morgan

Can I ask another one please, if I may?

Mzila Mthenjane

Yeah, go ahead.

Brian Morgan

Can I just ask on Belfast and Mafube? Belfast you had a contractor handover issue and at Mafube you had a problem with equipment availability. Could you give us a bit of colour there and a bit of context on what happened?

Kgabi Masia

If I start with Belfast, last year we did announce following the fatality the challenge with the contractor. We've on-boarded a new contractor, so that has an impact in Q1. And but now you see Belfast is ahead. It managed to really do well in that space. And if I then go to Mafube, Mafube was an impact on Transnet, not only equipment availability but around our drills at the mine, which has been addressed.

Mzila Mthenjane

Thanks, Kgabi.

Brian Morgan

Okay, thank you.

Mzila Mthenjane

Any other questions online before I come back to the room?

Operator

We have no other questions on the conference call.

Mzila Mthenjane

Okay, thanks. Tim?

Tim Clarke

Thanks, it's Tim Clarke from SBG Securities. I've got a couple of questions. First of all, just on your coal costs, it was really a very good performance. I just wonder, beyond fuel, which is obviously an easy tailwind, what actions have you been taking on costs? Maybe operation by operation, have you been taking specific actions, closing areas, given the installed capacity is obviously higher than the current operating rate?

Then my second question is just on long-term prices. When I think back to your mineral strategy, you gave us an idea of what your long-term price outlook was. But some of the transactions that are happening now in the markets are at much higher long-term price rates. So, you're not going to execute on transactions if your long-term prices are relatively conservative, which I think those were generally. So, I just wonder if you've changed any long-term prices or should we rely on those same old numbers?

And then thirdly just the additional kind of comment on potentially other minerals that you'd look at. Is it coming out of frustration on execution? Is it like you've kind of felt like everyone's chasing the same opportunity and you're really struggling to get value? Because I think shareholders really appreciate that they want to get value from a transaction. They don't want a transaction to be just desperate. But is that an indication of the fact that that opportunity set is perhaps too attractive to the broader market?

Nombasa Tsengwa

Always very interesting questions, Tim. Thank you very much. I really want to use the team whilst I'm still here. We're going to be on roadshows. They won't be there, so please, allow me to use the team. So, let's start with cost, Mellis, in terms of what you're doing. So we go to long-term prices, Sakkie, but we also go to the outlook for the three commodities

between Mohloana and Simu. And then we'll talk about the frustrations. Okay, and then Richard is here also. He's going to talk to you, issues on what's happening on the M&A side, maybe before I sweep. Okay, over to you sir.

Mellis Walker

Thank you. Thanks Tim. On the cost side, we're also very proud of our performance on costs. And if you look at specific things that we're doing, you ask if we've stopped any activities. The only one that we have stopped is the trucking, which doesn't make economic sense. So, you're not going to move those tons and make losses on them because of the premium that you're paying on the logistics leg. But overall, all the other activities we continue. We're obviously monitoring and shaping the businesses based on prices at \$100, at \$90, at \$80. And you're looking at a balance of your portfolio in terms of the blending opportunities that Sakkie also touched on and how you get full value for your product.

If you look at what process do we follow, we really focus on transparency and accountability when we look at our cost. You make sure that everybody understands what the targets are. They sign up against the targets and then we hold people accountable. And you'll see that on the two areas where we had actually big reductions this time around, general and as well as on the rehab side, they were up in the previous period. So, we look at this as a long-term game. We're not doing things that are irresponsible. On the rehab side, you saw that we would increase our rehabilitation area from 17% to 20% in the half year on half year. So, that just demonstrates that we're doing things responsibly. And on the contractor side you got the answer from Kgabi on why those costs were higher in this reporting period. So, some of those things are timing but really we look at this over a long-term game. Thanks.

Nombasa Tsengwa

Thank you very much Mel. Let's then look at the coal long term before we get to copper, bauxite and manganese.

Sakkie Swanepoel

Thanks, Nombasa. Kevin is here. We should actually call him in. But if I if I don't talk Exxaro but talk to the industry analysts, the Wood-McKenzie latest information for 2024 is about \$99 and looking out to 2025 its \$95, which is not too different from our view. In that space \$95 to \$105 is probably a good area for us to be in the medium to the longer term.

Tim Clarke

So, just to follow up on that, does that mean that if we have that \$90 to \$95 range that's what your business is set up to do at today's Transnet level or is that assuming an improvement from Transnet?

Sakkie Swanepoel

Yeah, so our current view in our business, Tim, is that we do not expect Transnet to perform at materially different levels over the next year unless something serious structurally happens. So, we are preparing ourselves for a scenario where we may see the current Transnet performance at least until the end of next year. And we must deal with that. And that's the context that we gave earlier, is to say within that context we then look to continuously optimize our other routes to market so that we can bring the break-even point of those economies down to a price level where at \$100 per ton you can make money from that. So, that is the continuous effort we have there. But yeah, that's the price level we look at, and then we plan our business for till the end of next year at the 50 million ton type TFR to RBCT level.

Nombasa Tsengwa

Thank you, Sakkie. Mohloana.

Mohloana Magwai

Good morning. Thanks for the question, Tim. With regards to your question around the prices, I think let's start with copper. I think your point is it's fair to say that we are seeing some transaction happening at much higher price ranges. But what we are seeing in the market, Tim, is that even with the numbers that we've given you previously, those long-term prices are competitive and we are not taking ourselves out of the market. So, we're still comfortable with the numbers that we previously provided around copper.

In fact, on manganese, the numbers we provided, the comments we're getting from some of your colleagues is that perhaps we're a little bit too bullish on those, our manganese price. So, we're still comfortable with the prices. And the feedback we're getting when we're in the market is that when we're modelling these things, they are competitive. We're not taking ourselves out of the market. So, I think that's the one side of the question.

The other question on the other minerals, I'll comment on this and I think Nombasa will also say something. When we did announce the minerals strategy in the Capital Markets Day in 2021, we did say that we are starting with the three as a starting point. So, the fact that we are looking at potentially new minerals is not out of desperation. It's what we've always said that we will do. And from where we sit within the three minerals, there are opportunities, executable opportunities that we see value in that we have in front of us. Thank you.

Nombasa Tsengwa

Thank you very much. Anything to add, Richard? Just also to say, Richard will be starting on the 1st of October, so we are abusing Richard. Richard has been probably visiting for the second time this building, so he's very fresh. Yes. Okay, go ahead. Go for it.

Richard

Not much more to add, thanks, Mohloana. Tim, I don't think there's a common theme around challenges in M&A. You have to look at every commodity separately. What are the challenges in copper? It is a crowded space. It always has been and always will be a very popular commodity. Manganese, there are less opportunities out there. Bauxite has its own challenges. And as we move forward potentially into other commodities, how do we approach those on each with its own strategic approach? So, I think broadly, yes, a lot of opportunities we're looking at. The team has been very busy. I'm joining a fantastic organisation that has a wealth of knowledge. And I've been pleasantly surprised as to how advanced they are in terms of their thinking around these commodities that they're looking at. So, it's hitting the ground running, it's not building a team. It's running with a team that has a number of really interesting ideas and opportunities in the pipeline.

Nombasa Tsengwa

No, thank you very much. But just to say that you're very right, Tim, that the one and a half years that we've spent on this market, we've learned a lot in each one of the areas. And that's why we can tell you upfront that today we don't believe that bauxite will be the first asset that we bring on the table, because of the challenges of where it is at the moment and the challenges in those areas, the vertical integration that we see in that space. And we believe that probably these other two commodities there are lots of opportunities that are open. Obviously one needs to consider partnerships very carefully on some of them to enter, especially if you talk to copper. We've talked about our interest being Tier 2 assets. Even Tier 2 assets now, you must look at that ticket today. The size of the ticket is huge.

So, serious movement in terms of premiums that are being set on these assets. Lots of competition, yes, we agree. I think that's what Richard is saying as well. And we need to be very realistic to say, if we really want to set the strategy for success, it has to come through the similar conviction we had on the three in terms of market fundamentals. And we'll look at market fundamentals of whatever we choose. And we also would like to look at alignment also with the investment criteria. We still want to see investments in minerals that will contribute to the energy transition, renewable energy environment. We still believe that there's going to be opportunities in that space and we will inform the market in terms of what we see. We are, we can't say which ones at this point in time, but we can say that we are quite confident that there will be extra opportunities to look at to set the strategy for success.

Mzila Mthenjane

Thank you, Nombasa. Any other questions from the floor? Any questions from Choruscall online?

Operator

We have no further questions on the conference call.

Mzila Mthenjane

Thank you very much. I think it actually has been quite a detailed presentation of the results where we've tried in preparing to not necessarily foresee the questions but I think with an understanding of the needs for information from shareholders we provide that up front. So, with that what remains is for me to say thank you very much for your attendance, both here and online, and also for me to express my gratitude to the team that has supported me in the past 10 years.

I remember my first presentation when Wim de Klerk said to me, this is your show, and I pretty much took it literally. And I really enjoyed it in the past 10 years, each period that we've held the results where we started at the JSE and now we're in our own building here. And for the team that supported in putting this together, I think you always do a great job. I never have to worry about this anymore. It's something that happens automatically but with efficiency and great effectiveness. And this is the support that I'm very happy to hand over to Ling-Ling as she takes over the reins. So, thank you very much and wish you well. Please join us for a bite to eat.

END OF TRANSCRIPT