MEDIA RELEASE

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THUNGELA REPORTS RESILIENT PERFORMANCE

Key features

- Total Recordable Case Frequency Rate (TRCFR) improved from 1.59 in June 2022[1] to 1.33 in June 2023.
- Profit for the reporting period of R3.0 billion reflecting a significant decrease in thermal coal prices (H1 2022: R9.6 billion)
- Headline earnings of R22.46 per share (H1 2022: R67.23)
- Adjusted operating free cash flow* of R4.3 billion (H1 2022: R8.9 billion) and balance sheet strength intact with net cash* position of R13.6 billion (H1 2022: R14.8 billion)
- Interim dividend of R10 per share declared, being 33% of adjusted operating free cash flow, resulting in R1.4 billion returned to shareholders
- Delivered on the commitment to shared value with a R156 million distribution to Sisonke Employee Empowerment Scheme and Nkulo Community Partnership Trust

Thungela Resources Limited ("Thungela" or "Group"), a leading South African thermal coal exporter, has announced its interim results for the six-month period ended 30 June 2023.

The safety of our people remains our first value. Regrettably, a fatality was recorded when, Mr Breeze Mahlangu passed away in February following complications from an accident in December 2022.

The Group generated an adjusted EBITDA of R4.4 billion and an adjusted operating free cash flow of R4.3 billion for the reporting period. Net profit was R3.0 billion (R22.45 per share). Thungela's balance sheet remained strong, with a net cash position of R13.6 billion at 30 June 2023.

July Ndlovu, CEO of Thungela, commented, *"We are confident that we have taken considered actions to enhance our resilience as a business to allow us to navigate the challenging market conditions, including softer coal prices, inflationary pressures, and the persistent underperformance of Transnet Freight Rail.*

Safety is a core value that has primacy in everything we do. We continue our pursuit of a fatality free business. We report an improvement in our TRCFR from 1.59 in June 2022 to 1.33 in June 2023.

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[1] TRCFR for H1 2022 was previously reported in the 2022 Interim Financial Statements as 1.48. This figure was subsequently updated at year end to reflect the reclassification of an injury from a first-aid case to a medical treatment case.

Given the context we are operating within, we have set ourselves up to be resilient to weaker short-term market conditions and are ready to take advantage of improved conditions as they arise. We reduced the number of underground sections at some operations where we are facing increasingly complex geological conditions, while ramping up production at Khwezela. *Our focus to increase our competitiveness by improving productivity will produce superior results for our shareholders."*

Resilience to challenging market conditions

The most notable external factor of the period was the sharp fall in the benchmark seaborne coal price as European buying slowed after a mild winter. In addition, global inflation management resulted in slower growth and a related reduction in demand for energy.

Locally, the continuing underperformance of TFR hampered the business's ability to operate optimally. Following a particularly poor first quarter, rail performance stabilised in the second quarter, notwithstanding two derailments that cost Thungela at least 340kt in rail capacity. Improvements in rail performance during the second quarter were the result of intensive collaboration between TFR and the South African coal industry, including Thungela.

"A consistently performing and well-managed bulk rail infrastructure is critical to the coal mining industry and the South African economy. Through ongoing collaboration with TFR, we are dedicated to optimising the performance of this critical infrastructure, benefiting both our operations and those of the broader South African coal industry", says Ndlovu.

ESG commitment

Thungela's purpose is to responsibly create value together for a shared future. Delivering on its aspiration to spike in the social aspect of its environmental, social and governance efforts, the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will receive a contribution of R156 million based on the Group's performance in the first half of 2023. This exemplifies its dedication to enriching the lives of its workforce and the communities in which it operates.

We recognise the critical importance of addressing climate change and have committed to reducing the environmental impact of our operations by reducing Scope 1 and 2 emissions by 30% by 2030, using 2021 emissions as a baseline. The long-term objective is to reach net zero emissions by 2050.

Preserving shareholder value through robust capital allocation

Our capital allocation framework seeks to create long term shared value for all stakeholders.

Board approval of the Zibulo North Shaft project meets the group's objective of maximising value from existing assets. With a budgeted capital cost of R2.4 billion, this project is set to extend the operational lifespan of Thungela's flagship Zibulo operation by 10-12 years. The anticipated completion of the Elders and Zibulo North Shaft projects, with approximately R3.8 billion yet to be invested, is integral to enhancing the quality of our portfolio, our competitiveness and extending the life of our business.

We are making good progress on the Elders production replacement project approved by the board last year and expect first coal from the underground operation by the first half of 2024, in line with our original target.

Geographic diversification

Thungela announced the proposed acquisition of Ensham Coal Mine in Australia in February 2023 and the completion of this transaction will mark a significant step in Thungela's strategy to pursue geographical diversification and enhance the resilience of its portfolio.

Ensham will be acquired at a cost of approximately R4.1 billion and is set to be earnings and cash flow accretive, with strong potential for a short payback period.

The transaction is projected to close on 31 August 2023, and a comprehensive roadmap has been prepared to ensure alignment regarding priorities, governance and other aspects of integration.

Looking ahead

Based on operations for the first six months of the year – and excluding Ensham until the transaction has been completed – the Group has updated its operational outlook for 2023 with the export saleable production guidance for the year revised to between 11.5Mt and 12.5 Mt.

The FOB cost per export tonne guidance for 2023 has been also been revised. This cost excluding royalties is expected to be between R1,120 and R1,200 per tonne. Including royalties, the guidance range has been revised to between R1,170 and R1,250 per tonne based on a forecast benchmark coal price of USD100 per tonne.

"*While much of the focus in the next half of the year will be on productivity and cost improvements, it is important to emphasise that realising our strategic objectives always goes hand-in-hand with operating responsibly*," says July Ndlovu. "*This involves ensuring the health and safety of our employees, the fulfilment of our responsibilities to the environment and meeting our social obligations. It also requires that, together with industry, government, and Transnet, we continue a relentless journey to find sustainable solutions to the logistics challenges facing South Africa.*

Market fundamentals remain strong and there are reasons to remain optimistic. We are confident that our strategy and resilience will allow us to weather the challenging market conditions."

End.

About Thungela

Thungela, which means 'to ignite' in isiZulu, is one of the largest pure-play producers and exporters of thermal coal in South Africa based on aggregate coal reserves and marketable coal production.

The Group owns interests in and produces its thermal coal predominantly from seven mining operations located in the province of Mpumalanga, namely Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (which operates the Zibulo Colliery), Mafube Coal Mining (which operates the Mafube Colliery) and Butsanani Energy (which owns the independently operated Rietvlei Colliery). Thungela's operations are among the highest quality thermal coal mines in South Africa by calorific value.

Thungela also holds a 50% interest in Phola, which owns and operates the Phola Coal Processing Plant, and a 23% indirect interest in Richards Bay Coal Terminal (RBCT). RBCT is one of the world's leading coal export terminals, with an advanced 24-hour operation and a design capacity of 91 Mtpa.

Thungela is committed to operating in a sustainable way to ignite value for a shared future to the benefit of the communities in which it operates, its employees, shareholders and society as a whole.

Contacts

Media Wayne Mokhethi wayne.mokhethi@thungela.com +27 (0)73 894 7689 Tarryn Genis tarryn.genis@thungela.com +27 (0)82 324 4650	**Investor Relations** Ryan Africa Ryan.africa@thungela.com +27 (0)11 638 0237