thungela

INTERIM FINANCIAL STATEMENTS

2022

ABOUT THUNGELA

Thungela, a Zulu word which means "to ignite", is a leading South African thermal coal business, focused exclusively on thermal coal production. It 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, namely Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo Colliery), Mafube Coal Mining (operating the Mafube Colliery) and Butsanani Energy (owning the independently operated Rietvlei Colliery) which consist of both underground and opencast mines located in the Mpumalanga province of South Africa.

Thungela's operations are among the highest quality thermal coal mines in South Africa by calorific value.

Thungela, through AAIC, also holds a 50% interest in Phola, which owns and operates the Phola Coal Processing Plant, and a 23% indirect interest in RBCT. The 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, for the benefit of the communities in which it operates, its employees, shareholders and society as a whole.

ALTERNATIVE PERFORMANCE MEASURES

The directors consider additional financial and operational measures to assess the results of the operations of the Group, referred to as APMs. These APMs can be identified throughout this document using the Δ symbol, and are fully described in Annexure 1.

FORWARD-LOOKING STATEMENTS DISCLAIMER AND THIRD-PARTY INFORMATION

This document includes forward-looking statements. All statements included in this document (other than statements of historical facts) are, or may be deemed to be, forward-looking statements, including, without limitation, those regarding Thungela's financial position, business, acquisition and divestment strategy, dividend policy, plans and objectives of management for future operations (including development plans and objectives relating to Thungela's products, production forecasts and resource and reserve positions). By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Thungela or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Thungela therefore cautions that forward-looking statements are not guarantees of future performance.

Any forward-looking statement made in this document or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause Thungela's business not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Thungela has no duty to, and does not intend to, update or revise the forward-looking statements contained in this document after the date of this document, except as may be required by law. Any forward-looking statements included in this document have not been reviewed or reported on by the Group's independent external auditor.

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the market abuse regulation (EU) no. 596/2014 as amended by the market abuse (amendment) (UK MAR) regulations 2019. Upon the publication of this announcement via the regulatory information service, this inside information is now considered to be in the public domain.

Various acronyms, abbreviations and measures used throughout this document have been defined from page 83 of this document.

thungela

Responsibly creating value together for a shared future

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DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

The directors are responsible for the preparation, fair presentation and integrity of the condensed consolidated interim financial statements and related financial information of the Group, which include amounts based on judgements and estimates made by management, in accordance with IAS 34, the requirements of the Companies Act of South Africa and the JSE Listings Requirements, as well as with the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules.

The Interim Financial Statements have been prepared in accordance with IFRS and the accounting policies as included in the Annual Financial Statements for the year ended 31 December 2021. The accounting policies have been consistently applied by the Group and are supported by reasonable judgements and estimates.

The Interim Financial Statements comprise the condensed consolidated interim statement of financial position as at 30 June 2022, the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six months then ended, the notes to the condensed consolidated interim financial statements, and other related information presented in this document.

The directors, primarily through the audit committee, meet quarterly with the internal and independent external auditors as well as the Group executive committee, and other members of management as appropriate, to evaluate matters concerning the responsibilities below:

- Maintaining adequate accounting records and an effective system of risk management.
- Developing, implementing and maintaining a sound system of internal control relevant to the preparation and fair presentation of these Interim Financial Statements, that reduces the risk of material misstatement or loss, whether owing to fraud or error.
- Selecting and applying appropriate accounting policies.
- Making accounting estimates that are reasonable in the circumstances.
- Safeguarding shareholders' investments and the Group's assets.
- Preparing the Interim Financial Statements.

The Group's independent external auditor is responsible for reporting on whether the condensed consolidated interim financial statements are fairly presented in accordance with IAS 34, and their unmodified review report appears on page 29 of this document.

The Group's internal auditors and independent external auditor have unrestricted access to all records, property and personnel as well as to the audit committee.

The directors acknowledge that they are ultimately responsible for the process of risk management and the system of internal financial control established by the Group and place a strong emphasis on maintaining a strong control environment. Based on the information and explanations given by management, the internal auditors, the independent external auditor and the Group's risk, compliance and other reporting processes, the directors are not aware of any material breakdown in the functioning of these controls and systems during the six months ended 30 June 2022. The directors are of the opinion that the risk management processes and system of internal financial control provide reasonable assurance in all key material aspects that the financial records may be relied upon for the preparation of the Interim Financial Statements.

The directors consider additional operational and financial measures to assess the results of the operations of the Group, referred to as APMs. These APMs are the responsibility of the Thungela directors, have been presented consistently in each period and have been reported on by the Group's independent external auditor. Refer to Annexure 1 of this document further detail.

The directors are satisfied that the Group's forecasts, taking into account reasonably possible changes in performance, show that Thungela will continue to operate for the foreseeable future. For this reason, Thungela has adopted the going concern basis in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2022.

The Interim Financial Statements have been prepared under the supervision of Deon Smith, CA(SA), CFO.

APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements on pages 3 to 86 were approved by the board of directors and are signed on the directors' behalf by:

Sango Ntsaluba
Chairman

July Ndlovu
CEO

15 August 2022

KEY FEATURES

For the six months ended 30 June 2022

Operating a fatality-free business

Thungela has completed 12 months without a fatality. We remain committed to operating a fatality-free business. While encouraged by this performance, we continue to work tirelessly to ensure that everyone returns home safely each day.

Coal prices at record highs due to supply constraints in producing regions and recovering energy demand

Benchmark coal prices reached an all-time high, averaging USD277/tonne in the first half of 2022. Escalation of the Russia-Ukraine conflict has sparked a global energy security crisis, exacerbated by supply constraints in several thermal coal producing regions.

Profit of R9.6 billion and adjusted EBITDA$^{\Delta}$ of R16.7 billion

Very strong coal prices led to record half-year profit, notwithstanding significantly higher mining royalty charges and losses on derivative instruments. Earnings per share (EPS) is strong at R67.23 compared to R3.13 in the comparative period.

Adjusted operating free cash flow$^{\Delta}$ of R8.9 billion resulting in a robust net cash$^{\Delta}$ position of R14.8 billion

Favourable market conditions translated into exceptionally strong cash generation during the period with adjusted operating free cash flow$^{\Delta}$ of R8.9 billion.

Thungela has declared a dividend of R8.2 billion (R60 per share)

The board has declared an interim ordinary dividend of R8.2 billion. This amounts to 92% of adjusted operating free cash flow$^{\Delta}$, well in excess of the Group's policy to target a minimum payout of 30%. Consistent with Thungela's disciplined capital allocation approach, the dividend, together with the allocation to the EPP and CPP and commitment to additional contributions to the Green Fund in the second half of the year, will result in the distribution of all excess cash above the R6 billion liquidity buffer at 30 June 2022.

Employee and community partnership plans to receive R0.5 billion

In keeping with our commitment to responsibly create value together for a shared future, we have contributed R0.5 billion to the SACO Employee (EPP) and Nkulo Community Partnership (CPP) Trusts. Each trust will receive R250 million, which means that with the allocations received in relation to 2021, we would have distributed R0.8 billion to these trusts since their inception. This will make a meaningful impact on the lives of our people and empower the CPP to create a legacy beyond the life of our mines.

Approval of the Elders project enables us to maximise the value of our existing assets

The Elders project has been approved by the board and will contribute to maintaining Thungela's production profile as the adjacent Goedehoop Colliery nears the end of its life. Capital spend was originally envisaged at R3 billion but the Group's continued ability to optimise capital efficiency through the "Thungela lens" has brought forecast capital spend on the project down to R2 billion (in 2022 money terms).

Mitigating Transnet Freight Rail headwinds

Our ability to rail and sell coal continues to be adversely affected by Transnet Freight Rail (TFR) underperformance and engagement to improve the situation is ongoing. Collaboration with TFR and government notwithstanding, we have started to evaluate alternative logistics arrangements to mitigate the risk of inconsistent rail performance.

Full-year production and cost guidance revised, capex guidance confirmed

Continued inconsistent TFR rail performance prior to and following the maintenance shut has resulted in a downward revision of export saleable production guidance to 13.0Mt to 13.6Mt for 2022 (down from 14.0Mt to 15.0Mt previously guided). FOB cost per export tonne excluding royalties$^{\Delta}$ is revised to R885 to R915 per tonne (up from R850 to R870 per tonne), while guidance for capital expenditure remains unchanged.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Thungela continues to make progress in its pursuit of operating a fatality-free business and has not recorded a loss of life in the last 12 months.

Thungela has declared a dividend of R8.2 billion (R60.00 per share) to shareholders, with the EPP and CPP set to receive a further R500 million.

The first half of 2022 has been one of good progress on a number of fronts:

- We have continued our relentless pursuit of operating a fatality-free business and have not recorded a loss of life in the last 12 months.
- We have delivered another set of exceptional financial results driven by elevated Benchmark coal prices in a volatile operating environment.
- We launched the Thuthukani supplier and enterprise development programme to support local business and stimulate job creation.
- The board has approved the Elders project, a key element in delivering our strategy.

Demand for affordable energy sources such as thermal coal escalated amid the energy security crisis which was exacerbated by the escalation of the Russia-Ukraine conflict. Coupled with supply constraints in major coal producing regions, this resulted in the price of thermal coal increasing to unprecedented levels.

Thungela's ability to fully take advantage of the strong price environment in the first half of 2022 was hindered by TFR's continued underperformance.

A consistently well run logistics corridor between Mpumalanga and Richards Bay is crucial not only for coal exporters like Thungela, but also for the South African economy with coal exports generating billions of Rand in tax and royalty revenues.

Notwithstanding the impact of the rail performance on export equity sales volumes, we achieved record adjusted operating free cash flow$^{\Delta}$ of R8.9 billion. As a result the net cash$^{\Delta}$ position stands at R14.8 billion at 30 June 2022.

Creating value

Delivering attractive shareholder returns while maintaining disciplined capital allocation remains a cornerstone of Thungela's strategy. Our robust cash flow generation and substantial net cash$^{\Delta}$ position allow us to declare an interim ordinary dividend of R60 per share. This represents a payout of 92% of adjusted operating free cash flow$^{\Delta}$, once again substantially higher than the minimum payout ratio of 30% per our stated dividend policy.

Considering the increase in our share price, together with the 2021 final and 2022 interim dividends, Thungela has generated a total shareholder return of 1,138% from listing through to the end of June 2022.

The EPP and CPP will each receive a distribution of R250 million, in addition to the R137 million received by each trust in relation to 2021. These distributions cement our people as our partners and will allow us to create a lasting legacy for our communities.

Thungela is also committed to building sustainable livelihoods in our host communities and has launched an enterprise and supplier development programme called 'Thuthukani' which is focused on providing hands-on entrepreneurial business support and mentorship, loan funding and technical development to small enterprises in the regions in which we operate.

Operating responsibly

We remain committed to operating responsibly. As a result, in addition to the R188 million contribution made to the Green Fund in the first half of 2022, we will make a further, discretionary contribution of R200 million in the second half of the year to increase the quantum of cash set aside for future environmental obligations.

Remediation work in response to the uncontrolled release of water into the Kromdraaispruit and Wilge river on 14 February 2022 continues to progress well and we remain committed to restoring the river system.

Delivering on our strategy

Aligned to our strategic pillars of maximising value from existing assets and optimising capital allocation, the board has approved the development of the Elders project which has been an integral part of Thungela's equity story from the outset. The project has been approved at a total capital cost of R2 billion (in 2022 money terms). The purpose of this project is not to add incremental volumes to our production profile, but to replace volumes from the adjacent Goedehoop operation as that mine comes to the end of its life. In keeping with our commitment to make environmental, social and governance considerations a key driver of our capital allocation strategy, the social implications relating to the project were carefully considered. Elders will sustain regional jobs and existing community suppliers.

We also rigorously evaluated the potential environmental impacts of the project. While initial plans were for the development of an opencast mine, we have since opted for and approved the construction of an underground operation which will result in superior returns and a materially reduced environmental footprint. Furthermore, we are undertaking a study to evaluate the viability of a solar-powered energy solution for the complex which should result in both cost and emissions efficiencies.

We continue to strive towards reducing our carbon intensity. The targets set prior to the demerger have been met and we have started the journey towards setting more ambitious intermediate carbon reduction goals as we chart our path to net-zero by 2050. Our disclosure and reporting processes are constantly improving and it is our intention to be compliant with the recommendations set by the Task Force on Climate Related Financial Disclosures (TCFD) by the time we publish our 2022 full-year results and announce our new targets.

Looking ahead

Energy security, reliability and affordability concerns in Europe have highlighted the importance of coal in the energy transition, as it will remain a critical input for affordable and reliable power generation. This is true not only in the developing world, but also in highly industrialised and developed nations which have recently increased their reliance on coal to meet their energy needs. We are monitoring these trends and their implications for Thungela's strategy in the short to medium term, with particular attention given to exploring opportunities for geographic diversification.

The Zibulo North Shaft life extension project studies are progressing well and we expect this project to be tabled for board consideration in early 2023.

The downward revision in export saleable production guidance as a result of continued uncertainty around TFR performance is disappointing but we continue to use the levers at our disposal to mitigate the impact on our operations and financial performance. The revision of production guidance has resulted in FOB cost guidance being revised upwards, while guidance for capital expenditure remains unchanged.

Operating a fatality-free business and ensuring exceptional shareholder returns are crucial to earning the trust and support of our stakeholders. We remain committed to delivering on our purpose of responsibly creating value together for a shared future.

July Ndlovu
Chief executive officer

15 August 2022

OUR MARKETS

OUR MARKETS

MACROECONOMIC ENVIRONMENT

The demand for seaborne thermal coal has been firm in the first half of the year as the global economy continued its post COVID-19 recovery while facing supply constraints for most energy sources, including thermal coal. These supply constraints were further escalated with the unfortunate onset of the conflict in Europe in February resulting in a range of sanctions implemented against Russia, including against Russian thermal coal from 10 August 2022. Russia ranks as the third largest producer of seaborne thermal coal and the largest supplier into Europe.

Global economies, especially Europe which is reliant on Russian fuel sources, faced an energy security crisis which resulted in substantially increased demand for various energy sources (including thermal coal) in an already severely constrained supply environment. A number of European countries decided to bring mothballed coal power stations back on stream, requiring increased volumes of high-quality coals. In addition to the Russia-Ukraine crisis, other geopolitical tensions, such as those between Australia and China (resulting in a ban on imports of Australian coal into China up to 2024), disrupted seaborne thermal coal flows. Furthermore, Indonesia implemented a month-long ban on the export of thermal coal in order to meet domestic needs.

The supply constraints resulted in an immediate and volatile increase in the Benchmark coal price with the monthly average settlement improving from USD172/tonne in January to USD328/tonne in June. Market concerns over reduced fuel supply out of Russia were the primary influence on Benchmark coal prices. European utilities and traders scrambled to secure available high-quality coals in order to replenish stockpiles both in European ports and at power stations, with trades concluded at premiums to the benchmark price for both RB1 and RB2 quality coals. The premium on RB1 coal has subsequently narrowed since May, while the balance of the South African seaborne coal qualities have moved into discount territory.

The impact on seaborne coal flows driven by the increased European demand, has already generated an increase of 4.1Mt supplied out of the RBCT into Europe in the first half of 2022 (albeit from a low level of 0.5Mt in the first half of 2021).

Supply into Asia (including India, traditionally South Africa's largest market) has dropped to 18.6Mt in the first half of 2022, from 22.5Mt in the same period in 2021. It has been reported that India and China have purchased Russian coal at heavily discounted prices which accounts for part of the reduction in coal purchases from South Africa.

Given the uncertainty created by the Russia-Ukraine crisis and the urgency regarding energy security and structural supply deficits, EU demand for low to mid-ash coals from South Africa, Australia, Colombia and the United States is expected to remain high for the remainder of 2022 and into 2023.

2022 PERFORMANCE

	30 June 2022	30 June 2021
Benchmark coal price (US$/tonne)	**276.54**	97.71
Average realised export price (US$/tonne)	**239.93**	75.27
Average realised export price (Rand/tonne)	**3,697**	1,105
Realised price as a % of Benchmark coal price	**87**	77
ZAR:US$ average exchange rate	**15.41**	14.68

Thungela continues to respond to price dynamics and the poor TFR rail performance by prioritising higher grade export coal placement in the market.

The average quality discount (to the Benchmark coal price) for the Group's products narrowed to 13% from 23% in the first half of 2021 (and 16% for the full year 2021), primarily due to the premiums received on higher grade products. Furthermore the marketing fee in the offtake agreement with Anglo American was revised downwards from 1 June 2021.

TFR underperformance continues to severely hinder Thungela and other South African coal producers from fully benefiting from favourable market conditions. Annualised TFR performance for the industry for the year to the end of June has been approximately 53.3Mt (compared to full-year performance in excess of 70Mt in 2020 and earlier years).

The underperformance by TFR is primarily attributable to locomotive failures and the availability of spares, theft of infrastructure and two significant derailments. In April 2022 TFR indicated an intention to declare force majeure on the RBCT coal exporting parties and purported to cancel the long-term rail agreements. Negotiations between Thungela and TFR on an amendment to the long-term rail agreement are progressing well and TFR continues to provide bulk rail services.

Thungela and TFR are looking to commence with the negotiations on a new term agreement in the near future. Thungela, together with the South African coal industry, maintains constant engagement with both the relevant government structures and Transnet in order to ensure that rail performance is stabilised and improved. These efforts include the ongoing industry security support, as well as maintenance and supply chain support as requested by TFR. The annual TFR maintenance shut, which took place in July 2022, was completed within the planned timeframe and it is expected to result in an overall improved rail performance in the second half of 2022 due to a reduction in the number of speed restrictions on the line and improved reliability and train set performance.

Thungela has commenced with the evaluation of alternative logistic arrangements in order to move additional equity coal to the market. The movement of coal to the port of Richards Bay via road and the loading of vessels through alternative bulk exporting facilities will begin in the second half of 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

SAFETY

Running a business where each and every employee goes home safely every day is central to everything we do and we are unwavering in our commitment to operating a fatality-free business. We are pleased to report that we have been fatality-free for 12 months and achieved a reduction in TRCFR to 1.48 for the six month period ended 30 June 2022 compared to 1.66 in the comparative period. These improvements reflect our relentless application and management of critical controls, focussed leadership interactions and high potential hazard identification, awareness and management.

ENVIRONMENTAL MANAGEMENT

We are passionate about protecting and preserving our environment for the benefit of all of our stakeholders. It is important that we not only avoid or minimise the impact of our operations, but that we deliver positive and lasting environmental outcomes.

We are striving for full environmental compliance and regularly engage with the Department of Water and Sanitation (DWS) and the Department of Mineral Resources and Energy (DMRE).

ENVIRONMENTAL INCIDENT AT KROMDRAAI

On 14 February 2022 an uncharacteristic environmental incident occurred at the Kromdraai site at the Khwezela Colliery. A concrete seal at the previously closed South Shaft failed, resulting in an uncontrolled release of mine-impacted water. The shaft was sealed in 2019 as part of the Group's water management strategy. Despite a water management plan being in place to prevent mine-impacted water from being discharged to the environment, the volume of water exceeded the maximum capacity of the management system and flowed into the Kromdraaispruit.

A detailed investigation is taking place to establish the cause of the failure of the shaft seal. In the preceding year serious security issues caused by illegal mining had prevented us from accessing the site. We have been working with the DMRE and the South African Police Service to resolve these issues. All illegal miners have now been successfully removed from the site, allowing the deployment of specialist rehabilitation contractors to perform the on-site rehabilitation.

Time critical remedial actions commenced as soon as we became aware of the incident. Overflow was contained, the river system flushed with water from the Bronkhorstspruit Dam to mitigate the effect of mine-impacted water, and an approximately 60km stretch of the river system including the Wilge and Olifants Rivers and the Loskop Dam was cleaned up.

On 1 March 2022, Thungela, together with the Mpumalanga Tourism and Parks Agency (MTPA) issued a combined statement to confirm that the first phase of corrective measures had been successfully completed and that the water quality had returned to baseline levels.

Good progress has been made in terms of the remediation work to restore the ecosystem in the impacted river system. We have appointed The Biodiversity Company to ensure that the detailed rehabilitation plan includes medium and long-term actions to reinstate the ecological integrity of the river and the reintroduction of fish species. A specialist review panel (consisting of recognised experts in both aquatic science and the Olifants River system) has been established to independently review plans and progress, to ensure the best outcome for the river system.

Sampling sites and monitoring methodologies for the current EcoStatus determination have been proposed for approval by the expert panel. Sampling will occur in mid-August to ensure all trophic levels can be effectively sampled in all reaches of the river.

The removal of the illegal miners has also enabled the restoration of the liming plant which had been vandalised, and which is now treating approximately 11 megalitres of water a day. Water is managed on site and is not decanting to the environment. Additionally, we are investigating longer-term, modular treatment capacity to further improve water qualities to discharge qualities.

Following this incident, we have renewed our focus on closed shafts and have added them to a prioritised risk register, similar in nature to our register of mineral residue facilities and water containment structures, with more stringent controls and assurance activities that will be undertaken on an annual basis.

REHABILITATION AND CLOSURE PROVISIONS

The transition date of the NEMA Financial Provisioning Regulations, originally scheduled for February 2017, has been postponed on a number of occasions and most recently was deferred to 19 September 2023.

A new draft of the NEMA Financial Provisioning Regulations was released for comment on 11 July 2022. We are in the process of assessing these proposed replacement regulations to determine their potential impact on the financial provisioning required by Group.

We have provided for water treatment costs using a combination of active and passive water treatment methods, based on activities currently being performed at our operations. The construction of a demonstration scale plant to further prove the effectiveness of passive water treatment was completed in June. The reactors were commissioned in July, and inoculated with the appropriate microbes. The plant will run for approximately two years to provide the relevant outputs.

We are also trialling the use of phytoremediation at our Goedehoop Colliery in collaboration with a leading South African university to address mine-impacted water seepage.

Thungela is accelerating the rehabilitation and closure of the North West and Kromdraai pits at the Khwezela Colliery. It is anticipated that the accelerated closure will be concluded by the second quarter of 2023 and the first quarter of 2024 respectively. This should contribute to the prevention of illegal mining activities.

REDUCING OUR CARBON INTENSITY AND DEVELOPING INTERMEDIATE TARGETS

We have committed to reducing our carbon intensity on an annual basis while we develop intermediate emission reduction targets and chart our pathway to net-zero by 2050, subject to the requirements of the countries in which we operate and the markets we serve.

A full review of our emission reduction targets has been underway since early 2022 and progress is being made in detailed energy mapping, baseline determination and tracking, as well as energy and carbon reduction opportunity scoping. This work will inform the development of appropriate intermediate emission reduction targets over the short (up to 2025), medium (up to 2030) and long-term (beyond 2030). We will announce our intermediate emission reduction targets in March 2023.

In the meantime, we have continued to implement energy efficiency improvement projects such as ventilation system optimisation, road condition and construction management, shovel and truck cycle time variability management and mine digitalisation. The installation of a 137kW solar plant at the eMalahleni Water Reclamation Plant has started, and we are undertaking a feasibility study and applying for the necessary regulatory approvals for a 4MW solar photovoltaic plant at our Zibulo Colliery.

CREATING VALUE FOR A SHARED FUTURE

In keeping with our commitment to responsibly create value together for a shared future, we have allocated R500 million to the EPP and CPP which will be paid in the second half of 2022. Each of these trusts will accordingly receive R250 million, which means that together with the R137 million allocated in March 2022, we would have distributed close to R 773 million to these trusts since their inception. This will make a meaningful impact in the lives of our people and empower the CPP to create a legacy beyond the life of our mines.

The mining sector is a key contributor to the South African economy and enterprise and supplier development is critical as it supports economic growth and transformation imperatives and has significant value potential for Thungela. In keeping with our aim to be a responsible value creator, making a meaningful contribution to society, Thungela has partnered with Absa and Raizcorp to launch an enterprise and supplier development programme called 'Thuthukani'. Launched in June, this joint initiative is focused on providing small enterprises in mining communities in Mpumalanga with hands-on entrepreneurial business support and mentorship, loan funding and technical development.

It will run across the Thungela operational areas in the municipalities of eMalahleni, Steve Tshwete and Govan Mbeki and will contribute to the creation of a thriving small business sector in Mpumalanga.

We have adopted a socio-economic development approach which guides the social initiatives we undertake as a business. Our approach will ensure that the initiatives are linked to business objectives and meet the impact goals we have set, underscoring that we are intentional about our programmes and their desired impact.

We are on a pathway to improving our B-BBEE scorecard and will ensure that we cover all elements, including ownership, management control, employment equity, skills development, preferential procurement, enterprise development and social-economic development. The pathway will ensure that we can measure our role in the economic involvement of previously disadvantaged groups where we operate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

ILLEGAL MINING

While the investigation into the Kromdraai incident is ongoing, there is a reason to believe that the failure of the South Shaft seal was at least partly attributable to illegal mining activity on the site.

Illegal mining operations in Mpumalanga are highly sophisticated and form part of organised crime networks which are increasingly turning to violence, putting the lives of security personnel and other employees at risk. Addressing this issue is complex and while Thungela continues to combat illegal mining through sustained investment in security and specialised interventions, we are ultimately dependent on law enforcement authorities, regulators such as the DMRE, and the judicial system to halt illegal mining syndicates.

Illegal mining negatively affects the communities in which we operate by contributing to increased criminal activity in the region as well as environmental degradation.

Thungela recognises the socio-economic realities of the communities where we operate and for this reason we focus on job creation, supporting local suppliers, and enterprise and supplier development in our host communities.

Tackling illegal mining will require a concerted, well-resourced and collaborative effort between industry, law enforcement and regulators. Thungela will continue to work with the relevant authorities to combat illegal mining at its operations.

GOVERNANCE

The board remains committed to supporting management in decision making and driving its agenda on critical matters. The board also recognises its responsibility to safeguard and represent the interests of the Group's stakeholders in perpetuating a successful and sustainable business that ensures the achievement of Thungela's strategic objectives.

Driving our ESG aspirations is a key pillar of Thungela's strategy. We are committed to transparent disclosure and it is our intention to be compliant with the recommendations set by the TCFD by the time we publish our 2022 full-year results and announce our new targets.

We have established and embedded a robust, fit-for-purpose ESG framework to prioritise those areas that are most salient to our host communities and broader stakeholders. Our ESG framework has three pillars: environmental stewardship, shared value for our stakeholders and responsible decision-making and leadership. All these areas are integrated into our business strategy, operating model, processes, systems and policies.

ESG metrics, which are aligned with our ambitions, have been included in our long-term incentive plan (LTIP) awards which were allocated in 2021 and 2022. As part of the demerger, the initial proposal was to link 20% of the LTIP to ESG metrics. This figure was subsequently increased to 30% based on board deliberations.

Thungela recognises and embraces the benefits of having a diverse board and is actively seeking to increase diversity at board level through the appointment of an additional black female as an independent non-executive director. This appointment will bring additional insights to board discussions and further strengthen the board and its subcommittees. We are pleased to confirm the appointment of Yoza Noluyolo Jekwa as an independent non-executive director to the Thungela board of directors, and as member of the Thungela social and ethics committee, with effect from 12 August 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a variety of risks and uncertainties, which may have a financial, operational, or reputational impact on the Group, and may also impact the achievement of our social, economic and environmental objectives.

The principal risks and uncertainties facing the Group relate to the following:

- coal transport networks
- employee safety and health
- commodity price and foreign exchange rate fluctuations
- accelerated transition to renewable energy
- community relations
- strata and geotechnical failure
- company sustainability
- critical business systems
- national legislative compliance
- stakeholder activism
- labour relations
- electricity availability
- event risks, including underground fires, gas, explosion and shaft conveyance failure

The Group is exposed to changes in the economic and geopolitical environment, as with any other business.

RESERVES AND RESOURCES

For the reporting period, there were no material changes to the coal resources and coal reserves estimates disclosed in the Thungela Integrated Annual Report for the year ended 31 December 2021, other than the normal life-of-mine depletion.

OUR PERFORMANCE

REVIEW OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2022

Net profit **R9.6 BILLION** (30 June 2021: R351 million)	Headline earnings per share **R67.23** (30 June 2021: R3.05)	Adjusted EBITDA$^{\Delta}$ **R16.7 BILLION** (30 June 2021: R1.9 billion)	Net cash$^{\Delta}$ **R14.8 BILLION** (31 December 2021: R8.7 billion)
FOB cost$^{\Delta}$ **R1,093/tonne** (30 June 2021: R820/tonne)	FOB cost excluding royalties$^{\Delta}$ **R927/tonne** (30 June 2021: R826/tonne)	Total dividend of **R8.2 BILLION** to shareholders of Thungela	Dividend per share **R60** 92% of adjusted operating free cash flow$^{\Delta}$

We are pleased to announce a strong set of results for the six months ended 30 June 2022. These results were driven by supportive market conditions but tempered by continued rail infrastructure constraints.

As a result of the inconsistent and poor rail performance, our operations remain constrained by high on-mine stockpiles resulting in the continued curtailment of lower margin production. Our results, however, reflect our commitment to maximise earnings through product mix optimisation as well as cost and capital expenditure management.

The Group recorded export saleable production of 6.1Mt at an FOB cost per export tonne$^{\Delta}$ of R1,093 (R927/tonne excluding the impact of royalty charges). The Group also realised 6.5Mt of export equity sales and combined with record realised export prices, generated adjusted EBITDA$^{\Delta}$ of R16.7 billion.

Profit of R9.6 billion for the first six months of 2022 was negatively impacted by the fair value loss of R347 million on the derivative asset relating to the capital support agreement as well as fair value losses of R3.7 billion on the forward coal swap transactions undertaken by the Group.

The Group generated adjusted operating free cash flow$^{\Delta}$ of R8.9 billion in the first six months of 2022. The net cash$^{\Delta}$ balance of R14.8 billion as at 30 June 2022 reflects the impact of corporate taxes and royalties paid to SARS of R4.6 billion in June 2022, and a further working capital build-up of R1.8 billion.

While our capital expenditure for the reporting period was R568 million, we expect higher expenditure during the second half of the year, in line with our typical capital planning, approval and execution cycle.

We have contributed R188 million into the Green Fund in this six month period. In addition, it is our intention to pay a further discretionary contribution of R200 million into the Green Fund during the second half of 2022 in order to increase the cash collateral available to fund future environmental obligations.

Consistent with the plans set out at the time of the demerger, the Elders production replacement project has been approved by the board and construction will commence in the second half of 2022. Elders has an estimated capital expenditure of R2.0 billion (real) and will extend the production footprint in the Goedehoop region by approximately 10 years.

The Zibulo North Shaft life extension project continues to be studied and is likely to be presented to the Board for consideration in early 2023.

Given our strong results and confidence in our future prospects, we are pleased to declare an interim ordinary dividend of R60 per share. The total dividend to Thungela shareholders of R8.2 billion represents 92% of adjusted operating free cash flow$^{\Delta}$. The EPP and CPP will each receive R250 million.

We are particularly proud of the value the business continues to create for our people, communities and shareholders and remain resolute in our desire to deliver on our purpose to responsibly create value together for a shared future.

FINANCIAL OVERVIEW

Table 1: Financial and operational results of the Group

Rand million (unless otherwise stated)	**30 June 2022**	30 June 2021
Revenue	**26,176**	10,046
Operating costs	**(10,119)**	(8,670)
Profit for the reporting period	**9,630**	351
Attributable to non-controlling interests	**671**	118
Attributable to equity shareholders of the Group	**8,959**	233
Earnings per share (cents)	**6,723**	313
Headline earnings per share (cents)	**6,723**	305
WANOS (number of shares)	**133,267,081**	74,408,794
APMs$^{\Delta}$		
Adjusted EBITDA	**16,679**	1,888
Adjusted EBITDA margin (%)	**64**	19
FOB cost per export tonne (Rand/tonne)	**1,093**	820
FOB cost per export tonne excluding royalties (Rand/tonne)	**927**	826
Adjusted operating free cash flow	**8,934**	(1,682)
Net cash	**14,815**	3,043
Capital expenditure	**(568)**	(1,284)
Environmental liability coverage (%)	**53**	52
Thermal coal price and exchange rate		
Benchmark coal price (US$/tonne)	**276.54**	97.71
Average realised export price (US$/tonne)	**239.93**	75.27
Average realised export price (Rand/tonne)	**3,697**	1,105
Realised price as a % of Benchmark coal price	**87**	77
ZAR:US$ average exchange rate	**15.41**	14.68

kt		
Run of mine	**12,412**	13,246
Export saleable production	**6,142**	6,661
Domestic saleable production	**3,132**	6,386
Total saleable production	**9,274**	13,047
Export equity sales	**6,485**	6,589
Third-party export sales	**21**	926
Domestic sales	**3,205**	6,064
Total sales volumes	**9,711**	13,579

FINANCIAL AND OPERATING RESULTS OF THE GROUP

Table 1 reflects the financial results as disclosed in the condensed consolidated interim financial statements for the period ended 30 June 2022, including the APMs as included in Annexure 1 of this document.

The internal restructure was completed on 31 March 2021 and had an impact on the financial and non-financial information of the Group in the comparative periods.

Refer to Note 1E in the condensed consolidated interim financial statements for detail related to the internal restructure. For the six months ended 30 June 2022, the condensed consolidated interim financial statements reflect the Group as it is likely to exist on a forward-looking basis and can be compared to the performance of the Group that was presented on a pro forma basis for the six months ended 30 June 2021. No additional pro forma financial information has been presented for the six months ended 30 June 2022.

OPERATIONAL PERFORMANCE

ROM decreased by 6.3% to 12,412kt (30 June 2021: 13,246kt) mainly due to the curtailment of export production in response to the inconsistent TFR performance. Export saleable production volumes decreased by 7.8% to 6,142kt (30 June 2021: 6,661kt) as a result of the decrease in ROM production.

The poor rail performance impacted production throughout the reporting period as on-mine stockpiles remained at capacity. This resulted in production at Khwezela and Zibulo being curtailed which provided us the opportunity to deploy equipment to other areas at these operations, such as rehabilitation activities, where possible.

Export equity sales declined by 1.6% to 6,485kt (30 June 2021: 6,589kt). In the first half of 2021 the Group railed 926kt of third-party coal, however given the rail constraints currently faced by the Group, this rail was allocated to export equity volumes in 2022. The impact of the rail performance on export equity sales volumes was accordingly less pronounced than on export saleable production.

Domestic saleable production decreased by 51% to 3,132kt (30 June 2021: 6,386kt) mainly as demand from domestic customers weakened. Isibonelo also experienced operational challenges and excessive rainfall in the first quarter of 2022. Domestic sales decreased by 47% to 3,205kt (30 June 2021: 6,064kt).

REVENUE

Revenue increased by 162% to R26.2 billion (30 June 2021: R10.0 billion) mainly as a result of the significant increase in the Benchmark coal price and a narrowing of the average quality discount on the Group's products. The Group achieved an average realised price of R3,697/tonne for the first six months of 2022 compared to R1,105/tonne in the comparative period.

The realised price as a percentage of the Benchmark coal price averaged 87% for the six months ended 30 June 2022 compared to 77% for the same period in 2021. The narrower discount of 13% for the period is mainly due to premiums achieved on certain products as well as continued optimisation of the Group's export equity sales mix. The increase in revenue was further supported by the impact of the weaker average ZAR:USD exchange rate of R15.41 (30 June 2021: R14.68).

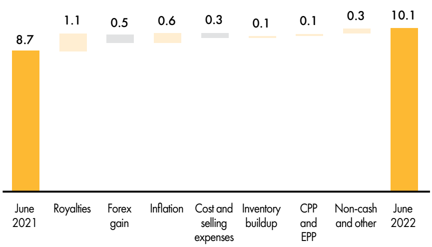
OPERATING COSTS

Operating costs increased by 16% to R10.1 billion from R8.7 billion in the first half of 2021. Excluding the effect of royalties and foreign exchange movements, this increase would have been 8.6%.

Royalties have increased based on the higher realised prices achieved. Operating costs have further increased as a result of rising costs across the energy complex and global inflationary pressures.

As a result of the uncertainty regarding the rail performance and the continued curtailment of production, we continue to incur fixed costs as well as incremental stockpile management costs at all of our operations.

Operating costs (Rbn)

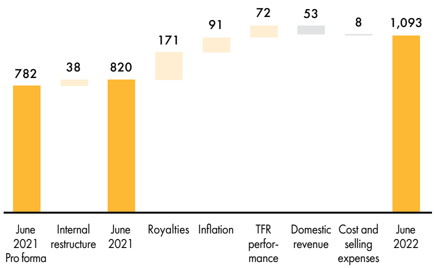


FOB COST PER EXPORT TONNE$^{\Delta}$

The FOB cost per tonne$^{\Delta}$ has increased to R1,093/tonne from R820/tonne in the comparative period (R782/tonne on a pro forma basis), mainly due to the impact of increased royalty charges incurred based on higher realised prices.

The FOB cost per export tonne excluding royalties$^{\Delta}$ of R927/tonne, was 12% higher than the comparative period of R826/tonne. This increase is mainly as a result of lower export saleable production volumes due to the poor rail performance as well as the impact of inflation.

FOB cost per export tonne (R/tonne)

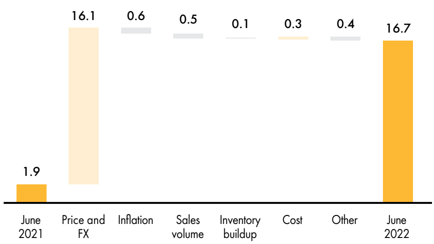


ADJUSTED EBITDA$^{\Delta}$

The Group generated adjusted EBITDA$^{\Delta}$ of R16.7 billion for the period ended 30 June 2022 (30 June 2021: R1.9 billion). The material increase in earnings was mainly driven by higher realised prices and the impact of the weaker ZAR:USD exchange rate, partially offset by inflation.

The adjusted EBITDA margin$^{\Delta}$ improved to 64%, compared to 19% in the first half of 2021.

Adjusted EBITDA (Rbn)



PROFIT FOR THE REPORTING PERIOD

Profit for the reporting period was R9.6 billion (30 June 2021: R351 million), as the Benchmark coal price reached record highs in March 2022 and remained strong during the second quarter of 2022.

Profit attributable to the equity shareholders of the Group for the six months is R9.0 billion (30 June 2021: R233 million), while R671 million (30 June 2021: R118 million) is attributable to non-controlling interests in AAIC and Butsanani Energy.

Ahead of the demerger, a capital support agreement was put in place with Anglo American. The intent of the agreement was to protect the Group from a sustained drop in Benchmark coal prices. The agreement referenced a minimum Benchmark coal price of R1,175/tonne.

In line with the principle of securing a firm Benchmark coal price, the board resolved to take advantage of the favourable prices during the fourth quarter of 2021 and the strong forward curve in early 2022. The board accordingly approved a price risk management programme enabling the Group to enter into structured coal swap transactions which commenced in November 2021.

As at 31 December 2021, the Group had committed forward coal swap transactions of 919kt at an average price of USD130/tonne. The firm price of USD130/tonne was higher than the average Benchmark coal price for 2021 of USD124/tonne, as well as the forward curve at the end of December 2021. This resulted in the recognition of a fair value gain of R348 million on the transactions, and we continued to add more volumes to the programme in 2022. The position however reversed as Benchmark coal prices increased rapidly to record levels from the onset of the Russia-Ukraine conflict.

The cash cost to settle these transactions for the six months ended 30 June 2022 was R2.1 billion. This settlement related to 1.1 Mt, which represents 18% of our export saleable production for the period. The net margin achieved on these volumes was approximately USD60/tonne and the Group continues to benefit from materially higher realised prices on the remainder of our sales volumes.

We continue to undertake transactions through the price risk management programme, within the mandate of the board, as we seek to take advantage of the strong Benchmark coal price environment and forward curve.

At 30 June 2022, we have open positions of 520kt at an average price of USD198/tonne for the remainder of 2022 and 105kt at an average price of USD211/tonne for the first quarter of 2023. The mark-to-market loss on these positions as at 30 June 2022 is R1.2 billion.

Profit for the reporting period was further impacted by a fair value loss of R347 million (30 June 2021: R584 million) recognised on the derivative asset relating to the capital support agreement with Anglo American. This agreement has not resulted in any cash inflow or outflow for the Group and will continue until 31 December 2022.

The Group incurred a tax expense of R2.1 billion for the first six months of 2022 which results in an effective tax rate of 18%. At 31 December 2021 only a portion of the available tax losses in TOPL were recognised as a deferred tax asset, resulting in the Group not recognising available tax losses with a tax benefit of R1.2 billion. Given the sustained increase in the Benchmark coal price it is now anticipated that all available tax losses will be utilised by 31 December 2022, resulting in the full deferred tax asset being recognised in the current reporting period. The recognition of this asset has positively impacted the effective tax rate. The effective tax rate is expected to increase closer to the statutory tax rate once these available tax losses have been utilised.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Thungela generated earnings attributable to the equity shareholders of the Group of R9.0 billion, equivalent to R67.23 per share, for the six months ended 30 June 2022. In the comparative period, we generated earnings attributable to the equity shareholders of the Group of R233 million (R3.13 per share).

Thungela generated headline earnings attributable to the equity shareholders of the Group of R9.0 billion, equivalent to R67.23 per share, for the six months ended 30 June 2022. For the comparative period, we generated headline earnings of R227 million (R3.05 per share).

The per share figures above are based on a WANOS of 133,267,081 (30 June 2021: 74,408,794).

ADJUSTED OPERATING FREE CASH FLOW$^{\Delta}$

The Group generated adjusted operating free cash flow$^{\Delta}$ of R8.9 billion for the six months ended 30 June 2022 (30 June 2021: utilisation of R1.7 billion).

The difference between the adjusted EBITDA$^{\Delta}$ generated for the reporting period and the adjusted operating free cash flow$^{\Delta}$ is mainly attributable to corporate tax payments of R3.6 billion, derivative settlements of R2.1 billion and a further build-up of working capital of R1.8 billion.

Adjusted operating free cash flow (Rbn)

CASH AND CASH EQUIVALENTS

The Group ended the period with cash and cash equivalents of R15.2 billion which is reduced by cash held in the EPP and CPP of R283 million and loans and borrowings of R60 million, resulting in net cash$^{\Delta}$ of R14.8 billion.

The Thungela board continues to believe that it is appropriate to maintain a liquidity buffer of between R5 billion and R6 billion during and following periods of stronger market conditions, and all else being equal, between R2 billion and R3 billion during and following periods of weaker market conditions.

It is important that the Group maintains an adequate level of liquidity to continue to operate confidently in lower price environments without compromising returns to shareholders, and to enable funding for key life extension and production replacement projects.

For the six months ended 30 June 2022

CAPITAL EXPENDITURE

The Group incurred capital expenditure of R568 million for the six months ended 30 June 2022 (30 June 2021: R1.3 billion), comprising the following:

- R327 million was spent on stay-in-business activities, mainly for machinery overhauls, infrastructure upgrades and mining fleet upgrades or replacements.
- R213 million was spent on stripping and development activities to access LOM reserves.
- R28 million was spent on the feasibility studies for life extension and production replacement projects.

The Group's capital expenditure is skewed towards the second half of 2022 due to the phasing of stripping and development spend in the second half of the year. The Group also continues to monitor the ongoing TFR challenges and has adjusted the capital expenditure schedule to align to the revised production profile for 2022.

The Group remains on track to meet the 2022 capital guidance range of R1.7 billion to R2.0 billion provided in March 2022.

The Elders production replacement project has been approved by the board and is set to deliver approximately 4.0Mt ROM (2 seam) annually over a period of approximately 10 years. This project has been approved at a cost of R2.0 billion (real).

The Zibulo North Shaft project seeks to sink a shaft and associated infrastructure to enable access to the Zondagsfontein West resource. This project will add approximately 10 years life of mine and is likely to cost approximately R2.2 billion (real). It is expected that this project will be tabled for board consideration in early 2023 with capital expenditure, if approved, starting from late 2023.

NET WORKING CAPITAL

Net working capital at 30 June 2022 was R5.2 billion (31 December 2021: R3.4 billion), reflecting an increase of R1.8 billion.

The working capital build-up is mainly driven by an increase in trade receivables of R1.8 billion on the back of higher realised prices. Inventory and payables increased marginally and reflect cost increases as a result of inflationary movements.

Net working capital (Rbn)

ENVIRONMENTAL PROVISIONS

The environmental provisions are comprehensively assessed on an annual basis in the second half of the year, and determined with assistance from specialist independent environmental consultants. At 30 June 2022 the environmental provisions recognised amount to R6.9 billion (31 December 2021: R6.8 billion).

The Group has investments ringfenced in the environmental rehabilitation trusts and the Green Fund of R3.7 billion (31 December 2021: R3.5 billion). Environmental liability coverage$^{\Delta}$ has improved from 52% at 31 December 2021, to 53% at 30 June 2022, mainly as a result of our R188 million contribution to the Green Fund during the first half of 2022. The board intends to further improve the environmental liability coverage$^{\Delta}$ by making an additional discretionary contribution of R200 million into the Green Fund which will be made during the second half of 2022.

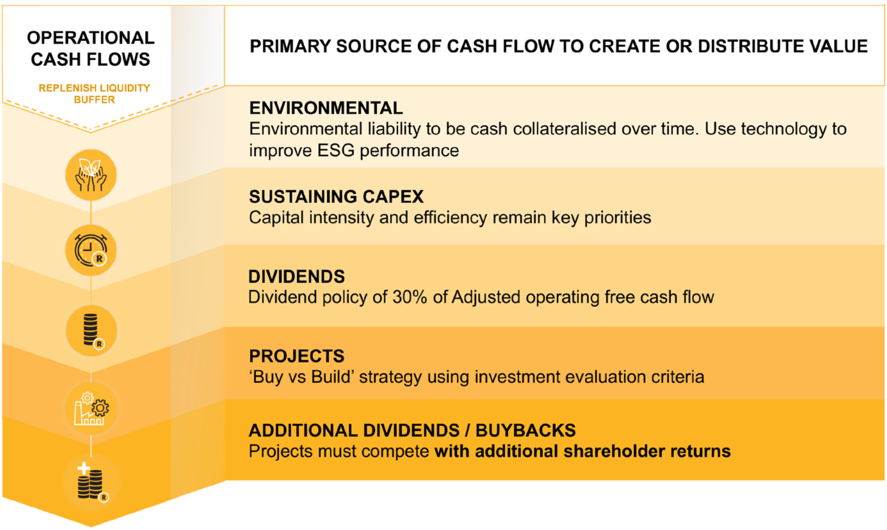
The environmental provisions are determined using the MPRDA Regulations as a base, adjusted for costs the Group is likely to incur until closure is completed. The financial provisioning as required by the current MPRDA Regulations is assessed annually and amounted to R4.1 billion at 31 December 2021. The difference between the financial provisioning required and the environmental provisions recognised is due to additional costs which the Group believes we are likely to incur through a combination of our interpretation of the NEMA Financial Provisioning Regulations as well as actual costs to be incurred in the period up to and following mine closure, most significantly in relation to costs for the treatment of polluted or extraneous water.

We have provided for water treatment costs using a combination of active and passive water treatment methods, based on the activities currently being performed at our operations.

The August 2021 draft of the NEMA Financial Provisioning Regulations requires the treatment of water to be provided for using the costs for currently available technologies which the DMRE has approved, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements. The construction of a demonstration scale plant to further prove the efficacy of passive water treatment was completed in June 2022, and this is expected to operate over the next two years to further study the technology.

The transition date of the NEMA Financial Provisioning Regulations, originally scheduled for February 2017, has been postponed on a number of occasions and most recently was deferred to 19 September 2023. An updated draft of these proposed regulations was published for comment on 11 July 2022. We are assessing the potential implications of these proposed replacement regulations, if any, on our existing financial provisioning requirements.

CAPITAL ALLOCATION AND DIVIDENDS



The board has declared an interim ordinary dividend of R60 per share for the six months ended 30 June 2022, which results in dividends of R8.2 billion to be paid to the shareholders of Thungela.

This dividend represents 92% of adjusted operating free cash flow[Δ], well in excess of the Group's dividend policy of 30%.

This is consistent with our capital allocation framework which seeks to prioritise returns to shareholders. The board remains focused on and committed to delivering attractive shareholder returns, while maintaining disciplined capital allocation.

The EPP and the CPP will each receive a further contribution of R250 million.

OUTLOOK

	2022 Revised	2022 Previous guidance
Export saleable production (Mt)	13.0 – 13.6	14.0 – 15.0
FOB cost per export tonne[1]$^{\Delta}$ (Rand/tonne)	1,025 – 1,065	870 – 890
FOB cost per export tonne excluding royalties[1]$^{\Delta}$ (Rand/tonne)	885 – 915	850 – 870
Capital – sustaining[1] (Rand billion)	Unchanged	1.6 – 1.8
Capital – expansionary[1] (Rand billion)	Unchanged	0.1 – 0.2

1 Rand amounts in real money terms.

In response to TFR's inconsistent and poor rail performance we have curtailed production, thus affecting our ability to take full advantage of the strong pricing environment.

Taking into consideration TFR's execution since our Pre-Close and Trading Statement issued on 13 June 2022, the anticipated rail performance for the remainder of the year remains of concern. While we continue to implement mitigating actions, this uncertainty has necessitated a review of our full-year guidance for export saleable production and unit cost.

We have accordingly taken the view that the level of rail performance has not improved sufficiently to warrant confirmation of our original guidance for export saleable production. This guidance is accordingly revised to a range of 13.0Mt to 13.6Mt for 2022 (down from 14.0Mt to 15.0Mt previously guided).

This range assumes a potential stockbuild of between 0.4Mt and 1.0Mt for the full year should TFR only be able to rail 53.3Mt on an annualised basis for the industry for the remainder of 2022 (viz. August to December).

Our revised guidance range for export saleable production also implies a step-up in production of 13% to 23% in the second half of the year. We are comfortable that this step-up will be achieved as first-half production was lower due to curtailments already in place. Furthermore, the business is seasonal and we are typically able to achieve higher second-half production due to fewer interruptions and rain events.

Recognising that improvements at TFR are likely to be gradual, we continue to use the levers at our disposal to mitigate the impact on our operations and financial performance. We have commenced with trucking volumes between sites in order to further optimise stockpile management and train distribution patterns. We have also initiated a trial to assess the viability of trucking coal volumes to ports as an alternative to rail transport.

As a result of the change in export saleable production guidance as well as materially higher royalties, the Group is now likely to incur FOB cost per tonne$^{\Delta}$ of R1,025/tonne to R1,065/tonne including royalties or R885/tonne to R915/tonne excluding royalties. This represents a measured increase over the guidance originally provided, reflecting our ability to optimise our cost profile in an environment characterised by inflation and lower production.

We confirm that we are likely to meet the lower end of the capital expenditure guidance range of between R1.7 billion and R2.0 billion for total capex (including sustaining and expansionary) for 2022. The bulk of the spend is expected to occur in the second half of the year in line with historical seasonality relating to planning and execution.

We will provide guidance for 2023 at the release of our 2022 annual results in March 2023, or earlier as may be appropriate.

REVIEW OF OPERATIONAL PERFORMANCE

UNDERGROUND OPERATIONS

GOEDEHOOP COLLIERY

	30 June 2022	30 June 2021
Fatalities	–	1
TRCFR	1.59	3.10
Total saleable production (kt)	1,358	3,651
Export saleable production (kt)	1,025	1,116
Domestic production (kt)	333	2,535
FOB cost per export tonne$^{\Delta}$ (Rand/tonne)	1,395	917
FOB cost per export tonne excluding royalties$^{\Delta}$ (Rand/tonne)	1,151	911
Capex (Rand million)	29	122

Safety

Goedehoop recorded a TRCFR of 1.59 compared to 3.10 for the comparative period as a result of a lower number of incidents following a safety campaign on the mine.

Performance

Export saleable production of 1,025kt at 30 June 2022 was 8.2% lower than the comparative period mainly as a result of a delay in moving sections to better yielding areas.

Domestic saleable production of 333kt reduced by 87% compared to the prior period as a result of lower domestic demand.

FOB cost per export tonne excluding royalties$^{\Delta}$ of R1,151/tonne was 26% higher than the comparative period. Unit costs were mainly impacted by lower production volumes.

GREENSIDE COLLIERY

	30 June 2022	30 June 2021
Fatalities	–	–
TRCFR	2.18	0.78
Total saleable production (kt)	1,230	1,776
Export saleable production (kt)	1,230	1,738
Domestic production (kt)	–	38
FOB cost per export tonne$^{\Delta}$ (Rand/tonne)	1,330	760
FOB cost per export tonne excluding royalties$^{\Delta}$ (Rand/tonne)	1,054	754
Capex (Rand million)	55	187

Safety

Greenside recorded a TRCFR of 2.18 compared to 0.78 for the prior period as a result of an increase in recordable injuries. There was an improvement in the second quarter of 2022 which was injury free.

Performance

Export saleable production of 1,230kt at 30 June 2022 was 29% lower than in the comparative period as more underground sections were deployed into the more geologically challenging East Block reserves. In addition, export production from a contractor operation was stopped during the first half of 2022 due to the continued poor rail performance.

FOB cost per export tonne excluding royalties$^{\Delta}$ of R1,054/tonne is 40% higher than the comparative period mainly as a result of the lower production period on period.

ZIBULO COLLIERY

	30 June 2022	30 June 2021
Fatalities	–	–
TRCFR	–	1.17
Total saleable production (kt)	2,267	2,549
Export saleable production (kt)	2,267	2,549
Domestic production (kt)	–	–
FOB cost per export tonne$^{\Delta}$ (Rand/tonne)	746	551
FOB cost per export tonne excluding royalties$^{\Delta}$ (Rand/tonne)	572	546
Capex (Rand million)	260	442

Safety

Zibulo recorded a TRCFR of 0.00 compared to 1.17 in the prior period as the mine operated the first half of 2022 without any injuries.

Performance

Export saleable production of 2,267kt in the first six months of 2022 was 11% lower than the prior period. The Zibulo opencast pit was materially curtailed in the first half of 2022 as a result of the TFR challenges and is expected to ramp-up production to capacity levels only once the TFR performance improves.

FOB cost per export tonne excluding royalties$^{\Delta}$ of R572/tonne is 4.8% higher than the comparative period mainly as a result of the curtailment of production at the opencast pit.

OPENCAST OPERATIONS

KHWEZELA COLLIERY

	30 June 2022	30 June 2021
Fatalities	–	–
TRCFR	0.82	0.71
Total saleable production (kt)	902	1,528
Export saleable production (kt)	623	795
Domestic production (kt)	279	733
FOB cost per export tonne$^{\Delta}$ (Rand/tonne)	1,918	1,151
FOB cost per export tonne excluding royalties$^{\Delta}$ (Rand/tonne)	1,893	1,144
Capex (Rand million)	52	125

Safety

Khwezela recorded a TRCFR of 0.82 in compared to 0.71 in the prior period.

Performance

Export saleable production decreased by 22% to 623kt as the operation was curtailed due to the impact of the poor rail performance. Equipment and resources are currently redeployed to perform rehabilitation and other activities to alleviate the pressure on on-mine costs while maintaining the optionality to ramp-up production when the rail performance improves.

Domestic saleable production at 279kt reduced by 62% due to the depletion of reserves from the Umlalazi pit and lower demand from domestic customers.

The FOB cost per export tonne excluding royalties$^{\Delta}$ of R1,893/tonne is up 65% compared to the prior period. Unit costs were mainly impacted by higher than inflation price increases on petroleum products and explosives.

MAFUBE COLLIERY (ATTRIBUTABLE)

	30 June 2022	30 June 2021
Fatalities	–	–
TRCFR	3.95	1.06
Total saleable production (kt)	922	463
Export saleable production (kt)	922	463
Domestic production (kt)	–	–
FOB cost per export tonne$^{\Delta}$ (Rand/tonne)	912	685
FOB cost per export tonne excluding royalties$^{\Delta}$ (Rand/tonne)	773	684
Capex (Rand million)	13	18

Safety

Mafube recorded a TRCFR of 3.95 in 2022 compared to 1.06 in the prior period mainly as a result of an increase in reportable injuries recorded in the first half of 2022. The mine remains focused on operating a fatality-free business and preventing injuries.

Performance

Export saleable production at 922kt was in line with the prior year (30 June 2021: 909kt on a pro forma basis). The stockpiles remain full and road hauling to other sidings ensured that production was not severely impacted by the poor rail performance.

FOB cost per export tonne excluding royalties$^{\Delta}$ of R773/tonne rose 13% mainly due to higher than inflation price increases on petroleum products and explosives.

ISIBONELO COLLIERY

	30 June 2022	30 June 2021
Fatalities	–	–
TRCFR	2.48	3.37
Total saleable production (kt)	1,620	1,797
Export saleable production (kt)	–	–
Domestic production (kt)	1,620	1,797
FOR cost per tonne (Rand/tonne)	543	455
Capex (Rand million)	4	158

Safety

Isibonelo recorded a TRCFR of 2.48 in 2022 (30 June 2021: 3.37).

Performance

Saleable production was 9.8% lower at 1,620kt. The first half of 2022 has seen higher rainfall than the prior year which has impacted production. In addition, equipment availability has further impacted performance. A review of the maintenance strategy of key equipment is currently underway.

The FOR cost per tonne of R543/tonne rose 19% mainly due to higher than inflation price increases on explosives and petroleum products as well higher coal purchases required to meet the contractual obligations.

DECLARATION OF DIVIDEND

The Thungela board of directors approved the declaration of an interim gross ordinary cash dividend of 6,000.00000 cents per share (South African rand). The dividend has been declared from retained earnings accrued during the six months ended 30 June 2022.

The Company's issued share capital at the declaration date is 136,311,808 ordinary shares.

The salient dates pertaining to the cash dividend are as follows:

	JSE	LSE
Declaration of ordinary cash dividend and currency conversion rate announced	Monday, 15 August 2022	Monday, 15 August 2022
Last day for trading to qualify and participate in the dividend	Tuesday, 20 September 2022	Wednesday, 21 September 2022
Trading ex-dividend commences	Wednesday, 21 September 2022	Thursday, 22 September 2022
Record date	Friday, 23 September 2022	Friday, 23 September 2022
Payment date to shareholders	Monday, 26 September 2022	Monday, 10 October 2022

No transfers of shareholdings to and from South Africa or the United Kingdom will be permitted between Tuesday, 20 September 2022 and Friday, 23 September 2022 (both dates inclusive). Share certificates may not be dematerialised or rematerialised between Wednesday, 21 September 2022 and Friday, 23 September 2022 (both dates inclusive). Any changes to the dividend instructions and timetable will be announced on SENS and RNS.

The salient dates have been set as above in order to allow non-South African resident shareholders sufficient time to apply for a reduced rate of dividend withholding tax in the event that they may qualify for this.

The dividend is payable in South African rand to shareholders recorded as such on the register on the record date and whose shares are held through Central Securities Participants and brokers traded on the JSE.

Shareholders on the United Kingdom register of members will be paid in Pound sterling. The Pound sterling cash equivalent will be calculated using the following exchange rate: GBP1:ZAR 19.99878, being the 5-day average GBP:ZAR exchange rate (Bloomberg) up to Thursday, 11 August 2022.

Shareholders are encouraged to ensure that their bank mandates have been recorded by their service provider or registrars before the last day to trade for this dividend. Electronic payments ensure more efficient and timely payment. It should be noted that cheques are no longer permitted to be issued or processed by South African banks; however, in the UK registrars will still issue and post cheques in the absence of specific mandates.

TAX TREATMENT FOR SHAREHOLDERS ON THE SOUTH AFRICAN REGISTER

The dividend will have no tax consequences for Thungela but will be subject to 20% withholding tax for shareholders who are not exempt from dividends tax, or who do not qualify for a reduced rate of withholding tax in terms of any applicable agreement for the avoidance of double taxation (DTA) concluded between South Africa and the country of residence of the shareholder.

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 4,800.00000 cents per share (South African rand) – 6,000.00000 cents gross dividend per share less 1,200.00000 cents dividend withholding tax per share.

TAX TREATMENT FOR SHAREHOLDERS ON THE UK REGISTER

Thungela has retained Computershare UK as intermediary to receive and process the relevant prescribed declarations and forms as set out below. Any reference below to documentation which is required to be submitted to Thungela, should therefore be submitted to Computershare UK.

Non-South African tax resident shareholders will be paid the dividend subject to 20% withholding tax for shareholders. Certain non-South African tax resident shareholders may, however, be entitled to a reduced rate of dividends tax due to the provisions of an applicable tax treaty.

Shareholders who qualify for an exemption from dividends tax in terms of section 64F of the South African Income Tax Act 58 of 1962 must provide:

- A declaration that the dividend is exempt from dividends tax.
- A written undertaking to inform the regulated intermediary should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service to the regulated intermediary prior to the required date in order to benefit from the exemption. The prescribed form has been transposed onto the Computershare UK format.

Shareholders on the UK register will be sent the required documentation for completion and return to Computershare UK. Qualifying shareholders on the UK register are advised to arrange for the abovementioned documents to be submitted to Computershare UK by Friday, 23 September 2022.

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 240.01464 pence per share (Pound sterling) – 300.01830 pence gross dividend per share less 60.00366 pence dividend withholding tax per share.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REVIEW REPORT

ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

To the Shareholders of Thungela Resources Limited

We have reviewed the condensed consolidated interim financial statements of Thungela Resources Limited in the accompanying Interim Financial Statements, set out on pages 30 to 82, which comprise the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Thungela Resources Limited for the six months ended 30 June 2022 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: A J Rossouw
Registered Auditor

Johannesburg
South Africa

15 August 2022

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

Rand million	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Revenue	2	**26,176**	10,046	26,282
Operating costs	3	**(10,119)**	(8,670)	(17,322)
Impairment losses		**–**	–	(808)
Fair value (losses)/gains on derivative instruments	13	**(3,665)**	–	348
Fair value loss on derivative asset – capital support	13	**(347)**	(584)	(569)
Restructuring costs and termination benefits		**(5)**	(386)	(422)
Profit before net finance costs and tax[1]	3	**12,040**	406	7,509
Net finance costs		**(271)**	(146)	–
Investment income	4	**281**	219	503
Interest expense	4	**(326)**	(362)	(680)
Other financing (losses)/gains	4	**(226)**	(3)	177
Profit before tax		**11,769**	260	7,509
Income tax (expense)/credit	5	**(2,139)**	91	(571)
Profit for the reporting period		**9,630**	351	6,938
Attributable to:				
Non-controlling interests		**671**	118	509
Equity shareholders of the Group		**8,959**	233	6,429
Other comprehensive loss				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit obligations		**–**	–	27
Fair value losses on financial asset investments		**–**	(63)	(63)
Related tax		**–**	1	(6)
Net items that will not be reclassified to profit or loss		**–**	(62)	(42)
Total comprehensive income for the reporting period		**9,630**	289	6,896
Attributable to:				
Non-controlling interests		**671**	117	508
Equity shareholders of the Group		**8,959**	172	6,388
Earnings per share				
Basic (cents)[2]	6	**6,723**	313	6,108
Diluted (cents)	6	**6,621**	313	6,087

[1] The subtotal for operating profit shown previously has been removed to simplify the presentation of the statement of profit or loss and other comprehensive income.
[2] The earnings per share has been calculated using a WANOS of 133,267,081 (30 June 2021: 74,408,794, 31 December 2021: 105,260,339).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Rand million	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
ASSETS				
Non-current assets				
Intangible assets		**106**	149	118
Property, plant and equipment	7	**10,519**	10,745	10,568
Environmental rehabilitation trusts	15	**3,270**	3,113	3,288
Investment in associate		**52**	78	63
Deferred tax assets	16	**1,076**	153	378
Financial asset investments		**496**	390	323
Trade and other receivables	10	**3**	44	64
Other non-current assets		**83**	111	109
Derivative asset – capital support	13	**–**	332	–
Total non-current assets		**15,605**	15,115	14,911
Current assets				
Inventories	9	**2,757**	1,604	2,546
Trade and other receivables	10	**6,279**	4,138	4,320
Current tax assets	5	**559**	120	46
Financial asset investments		**34**	–	31
Derivative asset – capital support	13	**–**	–	347
Derivative assets	13	**–**	–	348
Cash and cash equivalents	11	**15,158**	3,135	8,736
Total current assets		**24,787**	8,997	16,374
Total assets		**40,392**	24,112	31,285
EQUITY				
Stated capital		**10,041**	10,041	10,041
Contributed capital		**965**	965	965
Merger reserve		**2,606**	2,606	2,606
Treasury shares		**(302)**	–	(183)
Share-based payments reserve		**40**	–	16
Other reserves		**89**	60	89
Retained earnings/(losses)		**9,550**	(3,145)	3,039
Equity attributable to the shareholders of the Group		**22,989**	10,527	16,573
Non-controlling interests		**2,571**	1,507	1,901
Total equity		**25,560**	12,034	18,474
LIABILITIES				
Non-current liabilities				
Lease liabilities		**100**	112	92
Retirement benefit obligations		**446**	456	449
Deferred tax liabilities	16	**1,356**	1,009	1,400
Environmental and other provisions	15	**6,686**	5,929	6,609
Total non-current liabilities		**8,588**	7,506	8,550
Current liabilities				
Trade and other payables	12	**3,797**	3,722	3,499
Loans and borrowings		**60**	92	63
Lease liabilities		**55**	19	29
Environmental and other provisions	15	**718**	716	392
Derivative liabilities	13	**1,533**	–	–
Current tax liabilities	5	**81**	23	278
Total current liabilities		**6,244**	4,572	4,261
Total liabilities		**14,832**	12,078	12,811
Total equity and liabilities		**40,392**	24,112	31,285

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Rand million	Notes	Stated capital	Contributed capital	Merger reserve	Treasury shares
Balance at 1 January 2021		–	–	7,179	–
Issue of shares for assumed fair value of SACO	17	4,575	–	(4,575)	–
Issue of shares for cash	17	5,466	–	–	–
Acquired through internal restructure	8	–	–	2	–
Total comprehensive (loss)/income for the reporting period		–	–	–	–
Movements in share-based payments reserve[2]	18	–	–	–	–
Transfer of financial asset revaluation reserve on sale of investments[3]		–	–	–	–
Contributed capital – capital support agreement		–	916	–	–
Contributed capital – Anglo American Retention awards		–	49	–	–
Balance at 30 June 2021		10,041	965	2,606	–
Purchase of shares by Group companies	17	–	–	–	(183)
Total comprehensive income for the reporting period		–	–	–	–
Movements in share-based payments reserve[4]	18	–	–	–	–
Reclassifications		–	–	–	–
Balance at 31 December 2021		**10,041**	**965**	**2,606**	**(183)**
Purchase of shares by Group companies	17	**–**	**–**	**–**	**(165)**
Total comprehensive income for the reporting period		**–**	**–**	**–**	**–**
Dividends paid	19	**–**	**–**	**–**	**–**
Movements in share-based payments reserve[4]	18	**–**	**–**	**–**	**–**
Treasury shares issued to employees on vesting of share awards		**–**	**–**	**–**	**46**
Balance at 30 June 2022		**10,041**	**965**	**2,606**	**(302)**

1 Includes the financial asset revaluation reserve of R3 million (30 June 2021: R3 million, 31 December 2021: R3 million) and the retirement benefit obligation reserve of R86 million (30 June 2021: R57 million, 31 December 2021: R86 million).

2 Includes movements as a result of share-based payment expenses, vesting of shares and granting of share awards. The individual movements are not considered material, other than the accelerated vesting of the Anglo American share awards on demerger.

3 The transfer of financial asset revaluation reserve relates to the disposal of Anglo American shares in relation to the accelerated vesting thereof on completion of the demerger.

4 Includes movements as a result of share-based payment expenses, vesting of shares and granting of share awards under the Thungela share plan. The individual movements are not considered material.

	Share-based payments reserve	Other reserves[1]	Retained earnings/ (losses)	Total equity attributable to share-holders of the Group	Non-controlling interests	Total equity
	65	411	(4,894)	2,761	1,395	4,156
	–	–	–	–	–	–
	–	–	–	5,466	–	5,466
	–	–	1,299	1,301	–	1,301
	–	(61)	233	172	117	289
	(65)	–	(73)	(138)	(5)	(143)
	–	(290)	290	–	–	–
	–	–	–	916	–	916
	–	–	–	49	–	49
	–	60	(3,145)	10,527	1,507	12,034
	–	–	–	(183)	–	(183)
	–	20	6,196	6,216	391	6,607
	16	–	(3)	13	3	16
	–	9	(9)	–	–	–
	16	**89**	**3,039**	**16,573**	**1,901**	**18,474**
	–	**–**	**–**	**(165)**	**–**	**(165)**
	–	**–**	**8,959**	**8,959**	**671**	**9,630**
	–	**–**	**(2,448)**	**(2,448)**	**(1)**	**(2,449)**
	24	**–**	**46**	**70**	**–**	**70**
	–	**–**	**(46)**	**–**	**–**	**–**
	40	**89**	**9,550**	**22,989**	**2,571**	**25,560**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

Rand million	Notes	Reviewed 30 June 2022 6 months	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Cash flows from operating activities				
Profit before tax		**11,769**	260	7,509
Net finance costs	4	**271**	146	–
Profit before net finance costs and tax		**12,040**	406	7,509
Impairment losses		**—**	–	808
Restructuring costs and termination benefits[1]		**—**	138	174
Fair value loss on derivative asset – capital support	13	**347**	584	569
Fair value losses/(gains) on derivative instruments	13	**3,665**	–	(348)
Depreciation and amortisation	3	**622**	512	1,018
Share-based payment charges		**70**	70	87
Increase/(decrease) in provisions[2]		**373**	(292)	127
Profit on sale of property, plant and equipment	3	**—**	(8)	(8)
Other adjustments		**8**	74	33
Movements in working capital		**(1,752)**	(1,722)	(3,154)
Increase in inventories		**(211)**	(397)	(1,352)
Increase in trade and other receivables		**(1,803)**	(737)	(960)
Increase/(decrease) in trade and other payables		**262**	(588)	(842)
Cash flows from operations		**15,373**	(238)	6,815
Amounts applied to reduce environmental and other provisions[2,3]	15	**(226)**	(184)	(502)
Cash outflow on settlement of derivative instruments	13	**(2,082)**	–	–
Income tax paid	5	**(3,591)**	(20)	(197)
Net cash generated from/(utilised in) operating activities		**9,474**	(442)	6,116
Cash flows from investing activities				
Expenditure on property, plant and equipment	2	**(568)**	(1,284)	(2,312)
Proceeds on sale of property, plant and equipment		**—**	9	9
Expenditure on intangible assets		**—**	(5)	(11)
Purchase of financial asset investments		**(190)**	(300)	(302)
Repayment of loans granted to investees		**15**	6	6
Loans granted to investees		**(3)**	(95)	(69)
Repayment of quasi-equity loans to associate		**10**	11	26
Investment income received		**271**	5	108
Acquired through internal restructure	8	**—**	158	158
Acquisition of joint operation		**—**	–	8
Net cash utilised in investing activities		**(465)**	(1,495)	(2,379)
Cash flows from financing activities				
Shares issued for cash	17	**—**	5,466	5,466
Interest expense paid		**(18)**	(34)	(58)
Capital repayment of lease liabilities		**(15)**	(20)	(32)
Repayment of loans and borrowings		**(6)**	(3,104)	(3,135)
Proceeds on loans from Anglo American		**—**	2,570	2,570
Purchase of shares by Group companies	17	**(165)**	–	(183)
Dividends paid to equity shareholders of the Group	19	**(2,448)**	–	–
Dividends paid to non-controlling interests		**(1)**	–	–
Other financing activities		**(6)**	–	–
Net cash (utilised in)/generated from financing activities		**(2,659)**	4,878	4,628
Net increase in cash and cash equivalents		**6,350**	2,941	8,365
Cash and cash equivalents at the start of the reporting period		**8,736**	194	194
Net increase in cash and cash equivalents		**6,350**	2,941	8,365
Effects of changes in foreign exchange rates	4	**72**	–	177
Cash and cash equivalents at the end of the reporting period[4]	11	**15,158**	3,135	8,736

1 Restructuring costs and termination benefits at 30 June 2021 of R138 million (31 December 2021: R174 million) included the accelerated vesting of the Anglo American share awards on demerger and represented the non-cash portion of the expense.

2 To enhance the presentation provided, and to align with the presentation provided in the Annual Financial Statements for the year ended 31 December 2021, the increase/(decrease) in provisions line item previously presented at 30 June 2021 has been broken down into the separate components of the movement. Both of the line items affected are included within net cash generated from/(utilised in) operating activities, and there is no change in this subtotal as previously presented. This presentation does not impact any other lines in the condensed consolidated interim statement of cash flows, and has no impact on the condensed consolidated interim statement of financial position or condensed consolidated statement of profit or loss and other comprehensive income.

3 Amounts applied to reduce environmental and other provisions represent cash paid to settle these obligations which is not recognised through the statement of profit or loss and other comprehensive income.

4 Cash and cash equivalents at the end of the reporting period include cash held in the EPP and CPP of R283 million (30 June 2021: Rnil, 31 December 2021: R10 million). Refer to note 11 for further detail.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

A. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the requirements of IAS 34, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the JSE Listings Requirements, as well as with the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules.

The condensed consolidated interim financial statements have been prepared in accordance with IFRS and the accounting policies as included in the Annual Financial Statements for the year ended 31 December 2021. The accounting policies have been consistently applied by the Group and are supported by reasonable judgements and estimates.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value. The condensed consolidated interim financial statements are presented in South African rand, which is the functional currency of Thungela.

B. Going concern

The financial position of Thungela, its cash flows, liquidity position and net cash[Δ] position are set out in the condensed consolidated interim financial statements. The Group's net cash[Δ] at 30 June 2022 is R14,815 million (30 June 2021: R3,043 million, 31 December 2021: R8,663 million). The Group's net current asset position of R18,543 million (30 June 2021: R4,425 million, 31 December 2021: R12,113 million) continues to be robust, bolstered by the strong Benchmark coal price environment being experienced particularly in the second quarter of 2022, despite the poor rail performance impacting our ability to rail product to the RBCT for export. The Group has no significant external debt at 30 June 2022.

The directors have considered Thungela's cash flow forecasts for the period to the end of August 2023, under reasonably expected and stressed scenarios, with consideration given to the uncertainty of the current economic environment, as well as the Group's operations. In all of the scenarios assessed, the Group maintains sufficient liquidity throughout the period of assessment.

The directors are satisfied that the Group's forecasts, taking into account reasonably possible changes in performance, show that Thungela will continue to operate for the foreseeable future. For this reason, Thungela has adopted the going concern basis in preparing the condensed consolidated interim financial statements.

C. Judgements and estimates

Thungela has made judgements, estimates and assumptions that may affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses at 30 June 2022. Actual results may differ from these estimates. The critical accounting judgements and key sources of estimation uncertainty for the six months ended 30 June 2022 are similar to those applied in preparing the Annual Financial Statements for the year ended 31 December 2021.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements, are disclosed in the respective notes.

D. Adoption of new, revised and amended accounting pronouncements

New standards effective for annual periods beginning on or after 1 January 2022

No new standards or amendments to published standards and interpretations which became effective for the year commencing on 1 January 2022 had an impact on the Group's accounting policies.

New standards, amendments to existing standards and interpretations not yet effective

The Group did not early adopt any new, revised or amended accounting standards or interpretations. These accounting standards, amendments to issued accounting standards and interpretations are not expected to have a material impact on the Group's financial statements.

E. Internal restructure of the Thungela Group before demerger

An internal restructuring process was undertaken to separate the SA Thermal coal operations and the various non-thermal coal operations within Anglo American in order to prepare the Group for the demerger, which was completed on 31 March 2021. This included consolidating all of the SA Thermal coal operations into a single group of companies and is referred to as the internal restructure. As part of the internal restructure, a number of key steps were undertaken, which are fully described in the Annual Financial Statements for the year ended 31 December 2021.

After the internal restructure was completed on 31 March 2021, Thungela was demerged from the Anglo American Group with effect from 4 June 2021 through a series of independent steps, which resulted in the Thungela shares being distributed to Anglo American shareholders. Thungela listed on the JSE and the LSE on 7 June 2021.

The acquisition of SACO by Thungela with effect from 1 June 2021 is considered a group reorganisation as per IAS 27, rather than a business combination, and so the Group is presented as if Thungela has always owned SACO, rather than reflecting the acquisition of SACO by Thungela from 1 June 2021.

The acquisitions of TOPL, including Butsanani Energy, and Mafube Coal Mining on 31 December 2020 and 31 March 2021 respectively, were business combinations under common control. The Group has elected to account for both acquisitions by applying the predecessor accounting approach using the book values that were previously recognised in the Anglo American Group financial statements. The book values of the net assets of TOPL, Butsanani Energy and Mafube Coal Mining were recognised on the effective date of the business combinations and the comparative financial statements were not restated.

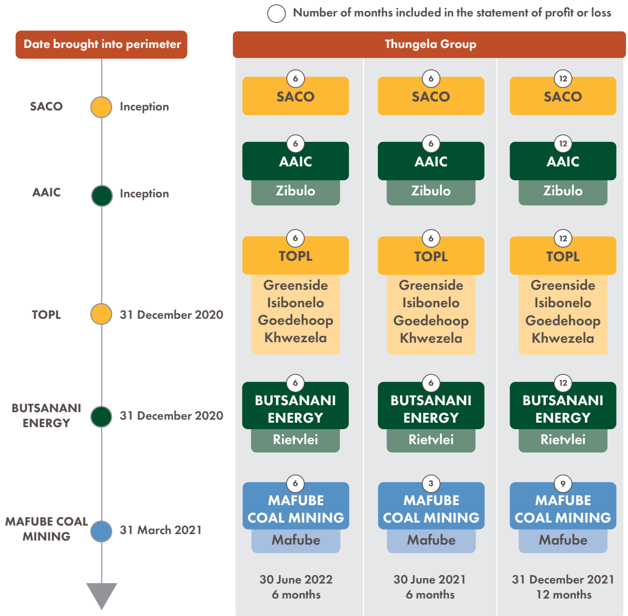
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 30 June 2022

1. BASIS OF PREPARATION CONTINUED

E. Internal restructure of the Thungela Group before demerger continued

The impact of the internal restructure on the condensed consolidated interim financial statements can be illustrated using the diagram below:



Presentation of pro forma financial information

The impact of the internal restructure was significant to the financial and operational performance of the Group in the years ended 31 December 2021 and 31 December 2020. However, the internal restructure was completed on 31 March 2021, and from that date all operations owned by the Group were reflected in full. For the six months ended 30 June 2022, the financial and operational performance of the Group presented in the condensed consolidated interim financial statements reflects the performance of the Group as it is likely to exist on a forward-looking basis. No additional pro forma financial information has been presented for the six months ended 30 June 2022. For full detail in relation to the pro forma financial information presented for the six months ended 30 June 2021 and 30 June 2020, refer to the Reviewed Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2021 available at www.thungela.com/investors/results. For full detail in relation to the pro forma financial information presented for the years ended 31 December 2021 and 31 December 2020, refer to the Annual Financial Statements for the year ended 31 December 2021 which are also available at www.thungela.com/investors/results.

Nkulo Community Partnership Trust and SACO Employee Partnership Plan Trust

Thungela founded the Nkulo Community Partnership Trust, also referred to as the CPP, and the SACO Employee Partnership Plan Trust, also referred to as the EPP, (collectively the 'trusts') in June 2021. The trusts each purchased 5.0% of the issued ordinary share capital of SACO from Thungela immediately before the demerger. The purchase of the shares was funded by Thungela, with no repayment required of the contributed capital, meaning that the trusts were debt free from their inception.

The Nkulo Community Partnership Trust subscribed for a C preference share in SACO for a nominal amount, which entitles the trust to a preference dividend of a minimum of R6 million per annum, up to 2024, subject to the availability of cash flows in SACO, in order to benefit the people that ordinarily reside in the communities surrounding the mines operated by the Group.

The SACO Employee Partnership Plan Trust also subscribed for an E preference share in SACO for a nominal amount, which entitles the trust to a fixed minimum dividend payment, amounting to R4,000 per eligible employee of the Group, per annum up to 2024. This amount will be paid to the employees three years after the demerger, with a potential lump-sum payment at the end of the LOM of the current asset portfolio, at which point the trust will likely be closed.

The trusts are entitled to 10% collectively of the dividends declared on ordinary shares by SACO, which will be made available to beneficiaries in the same way as the dividends on the C and E preference shares. The preference dividends on the C and E preference shares will only be payable to the extent that the dividends declared by SACO on ordinary shares in a reporting period do not exceed the minimum amounts.

The trusts are controlled by the Group, and so are consolidated into the financial results as presented, with no non-controlling interests in relation to the trusts reflected in the condensed consolidated interim financial statements.

F. Independent external auditor's review report

PricewaterhouseCoopers Incorporated, the independent external auditor of the Group, has conducted a review in accordance with International Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor, and their unmodified review report is available on page 29 of this document. Any reference to future financial performance included in this document has not been reviewed or reported on by the Group's independent external auditor. The independent external auditor's report does not necessarily report on all of the information contained in this document.

2. SEGMENTAL INFORMATION

Thungela's segments are aligned to those operations that are evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance. The Group executive committee is identified as the CODM of Thungela.

Reportable segments

Operating segments with similar economic characteristics are aggregated into reportable segments. The economic characteristics considered include the performance of key equipment specific to each type of operation, and the productivity of the operations measured in volumes and headcount. Thungela has one principal operating activity which is the operation of opencast and underground thermal coal mines and the processing of coal in South Africa. The reportable segments are aggregated by the nature of the technology applied by the operations either as an opencast or underground mine, and similar economic characteristics as it relates to the capital and operating structure thereof.

The following summary describes each reportable segment:

Reportable segments	Operations
Opencast	Mining operations undertaken in an opencast mine where coal is extracted, include the following mining operations: • Isibonelo • Khwezela • Mafube • Rietvlei
Underground	Mining operations undertaken in an underground mine where coal is extracted, include the following mining operations: • Zibulo • Greenside • Goedehoop
Corporate and other	Various corporate and other marketing activities.

2. SEGMENTAL INFORMATION CONTINUED

The results of operations by reportable segment can be analysed as follows:

Rand million	**Revenue**	**Adjusted EBITDA[Δ]**	**Depreciation and amortisation**	**Fair value loss on derivative asset – capital support**
Opencast	**8,516**	**4,275**	**(154)**	**—**
Underground	**17,660**	**12,795**	**(466)**	**—**
Corporate and other	**—**	**(391)**	**(2)**	**(347)**
Total	**26,176**	**16,679**	**(622)**	**(347)**
Profit for the reporting period				

Rand million	Revenue	Adjusted EBITDA[Δ]	Depreciation and amortisation	Fair value loss on derivative asset – capital support
Opencast	4,285	371	(102)	–
Underground	5,761	1,721	(383)	–
Corporate and other	–	(204)	(27)	(584)
Total	10,046	1,888	(512)	(584)
Profit for the reporting period				

Rand million	Revenue	Adjusted EBITDA[Δ]	Depreciation and amortisation	Fair value loss on derivative asset – capital support
Opencast	9,780	2,568	(261)	–
Underground	16,502	7,743	(733)	–
Corporate and other	–	(333)	(24)	(569)
Total	26,282	9,978	(1,018)	(569)
Profit for the reporting period				

Fair value losses on derivative instruments	Restructuring costs and termination benefits	Impairment losses	Investment income and other financing gains	Interest expense and other financing losses	Income tax (expense)/ credit	Reviewed 30 June 2022 6 months Profit/(loss) after tax
—	**—**	**—**	**14**	**(210)**	**(3)**	**3,922**
—	**—**	**—**	**3**	**(90)**	**(3,118)**	**9,124**
(3,665)	**(5)**	**—**	**264**	**(252)**	**982**	**(3,416)**
(3,665)	**(5)**	**—**	**281**	**(552)**	**(2,139)**	**9,630**
						9,630

Fair value losses on derivative instruments	Restructuring costs and termination benefits	Impairment losses	Investment income and other financing gains	Interest expense and other financing losses	Income tax (expense)/ credit	Reviewed 30 June 2021 6 months Profit/(loss) after tax
—	(137)	—	118	(210)	(3)	37
—	(51)	—	83	(85)	(254)	1,031
—	(198)	—	18	(70)	348	(717)
—	(386)	—	219	(365)	91	351
						351

Fair value gains on derivative instruments	Restructuring costs and termination benefits	Impairment losses	Investment income and other financing gains	Interest expense and other financing losses	Income tax expense	Audited 31 December 2021 12 months Profit/(loss) after tax
—	(137)	(757)	221	(412)	(163)	1,059
—	(51)	—	153	(168)	(391)	6,553
348	(234)	(51)	306	(100)	(17)	(674)
348	(422)	(808)	680	(680)	(571)	6,938
						6,938

2. SEGMENTAL INFORMATION CONTINUED

Capital expenditure

Capital expenditure encompasses expenditure (including cash capital expenditure and capital expenditure accruals) to sustain the business (stay-in-business and stripping and development) and to invest in production replacement projects (expansionary).

The capital expenditure per reportable segment can be analysed as follows:

Rand million	Expansionary	Stay-in-business	Stripping and development	Reviewed 30 June 2022 6 months Total capital expenditure
Property, plant and equipment	**28**	**259**	**213**	**500**
Opencast	**—**	**54**	**52**	**106**
Underground	**27**	**173**	**161**	**361**
Corporate and other	**1**	**32**	**—**	**33**
Expenditure on property, plant and equipment	**28**	**259**	**213**	**500**
Reconciliation to the statement of cash flows				
Movement in capital creditors	**—**	**68**	**—**	**68**
Capital expenditure	**28**	**327**	**213**	**568**

Rand million	Expansionary	Stay-in-business	Stripping and development	Reviewed 30 June 2021 6 months Total capital expenditure
Property, plant and equipment	44	868	232	1,144
Opencast	21	279	1	301
Underground	21	512	231	764
Corporate and other	2	77	—	79
Expenditure on property, plant and equipment	44	868	232	1,144
Reconciliation to the statement of cash flows				
Movement in capital creditors	—	140	—	140
Capital expenditure	44	1,008	232	1,284

Rand million	Expansionary	Stay-in-business	Stripping and development	Audited 31 December 2021 12 months Total capital expenditure
Property, plant and equipment	130	1,562	511	2,203
Opencast	31	659	2	692
Underground	97	730	509	1,336
Corporate and other	2	173	–	175
Intangible assets	–	11	–	11
Corporate and other	–	11	–	11
Expenditure on property, plant and equipment and intangible assets	130	1,573	511	2,214
Reconciliation to the statement of cash flows				
Movement in capital creditors	–	109	–	109
Capital expenditure[1]	130	1,682	511	2,323

[1] Capital expenditure consists of expenditure on property, plant and equipment of R2,312 million and expenditure on intangible assets of R11 million.

Revenue

The revenue generated by the Group can be analysed as follows:

Revenue by product and segment

Rand million	**Opencast**	**Underground**	**Reviewed 30 June 2022 6 months Total**
Thermal export	**6,414**	**17,641**	**24,055**
Industrial and domestic	**2,102**	**19**	**2,121**
Total revenue	**8,516**	**17,660**	**26,176**

Rand million	Opencast	Underground	Reviewed 30 June 2021 6 months Total
Thermal export	2,683	5,618	8,301
Industrial and domestic	1,602	143	1,745
Total revenue	4,285	5,761	10,046

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 30 June 2022

2. SEGMENTAL INFORMATION CONTINUED

Revenue continued

The revenue generated by the Group can be analysed as follows continued:

Rand million	Opencast	Underground	Audited 31 December 2021 12 months Total
Thermal export	6,490	16,323	22,813
Industrial and domestic	3,290	179	3,469
Total revenue	9,780	16,502	26,282

Revenue by destination

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
United Kingdom	**24,055**	8,301	22,813
South Africa	**2,121**	1,745	3,469
Total revenue	**26,176**	10,046	26,282

All revenue and profit of Thungela is derived from operations based in South Africa.

Revenue by customer

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Sales to AAML	**24,055**	8,301	22,813
Other – domestic sales[1]	**2,121**	1,745	3,469
Total revenue	**26,176**	10,046	26,282

[1] No individual domestic customer contributes more than 10% to the total revenue generated by the Group for the reporting periods presented.

3. PROFIT BEFORE NET FINANCE COSTS AND TAX

Profit before net finance costs and tax represents the results of the ongoing normal operations of the Group.

Profit before net finance costs and tax can be analysed as follows:

Rand million	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Revenue	2	**26,176**	10,046	26,282
Employee costs		**(2,130)**	(2,053)	(4,112)
Depreciation		**(608)**	(498)	(989)
Amortisation		**(14)**	(14)	(29)
Third-party commodity purchases		**(991)**	(752)	(1,380)
Commodity purchases from Mafube Coal Mining[1]		**—**	(137)	(137)
Consumables used in production[2]		**(933)**	(736)	(1,646)
Maintenance expenditure[2]		**(1,337)**	(1,346)	(2,716)
Production input costs[2]		**(1,412)**	(952)	(2,583)
Inventory production movement		**301**	416	1,222
Logistics costs		**(1,462)**	(1,659)	(3,235)
Demurrage and other expenses		**(119)**	(125)	(204)
Increase in expected credit loss provision		**(39)**	—	(67)
Royalties		**(1,016)**	40	(394)
Exploration and evaluation[3]		**(29)**	(70)	(124)
Exploration expenditure		**(14)**	(16)	(27)
Evaluation expenditure		**(15)**	(54)	(97)
Foreign exchange gains/(losses)		**525**	(11)	214
Profit on sale of property, plant and equipment		**—**	8	8
Audit fees		**(2)**	(2)	(9)
Audit services		**(2)**	(2)	(9)
Non audit services[4]		**—**	—	*
Professional fees		**(47)**	(28)	(84)
Learnership and development expenses		**(135)**	(83)	(169)
Temporary staff		**(96)**	(68)	(138)
Contributions to the CPP	15	**(136)**	—	—
Recharged costs from Anglo American		**(287)**	(309)	(605)
Administration expenses		**(132)**	(176)	(331)
Operating expenses		**(155)**	(133)	(274)
Other administration expenses		**(74)**	(101)	(49)
Other operating expenses		**(78)**	(190)	(96)
Total operating costs		**(10,119)**	(8,670)	(17,322)
Impairment losses		**—**	—	(808)
Fair value (losses)/gains on derivative instruments	13	**(3,665)**	—	348
Fair value loss on derivative asset – capital support	13	**(347)**	(584)	(569)
Restructuring costs and termination benefits		**(5)**	(386)	(422)
Profit before net finance costs and tax		**12,040**	406	7,509

* Represents amounts less than R1 million.

1 Commodity purchases from Mafube Coal Mining of R137 million at 30 June 2021 and 31 December 2021 relate to purchases by TOPL in the ordinary course of business prior to the acquisition of Mafube Coal Mining through the internal restructure on 31 March 2021.

2 Consumables used in production, maintenance expenditure and production input costs at 30 June 2021 have been re-presented so as to provide a more detailed level of disaggregation of the expense in line with the underlying nature thereof.

3 Exploration and evaluation expenditure excludes associated employee costs, which are considered immaterial.

4 Fees from the independent external auditor of R20 million at 30 June 2021 and 31 December 2021 related to work performed to support the demerger are included in restructuring costs and termination benefits.

4. NET FINANCE COSTS

The Group's net finance costs include interest income on cash and cash equivalents, interest expense on loans and borrowings, fair value movements on investments, the unwinding of the discount on environmental and other provisions and net interest costs on retirement benefit obligations, as well as foreign exchange gains and losses, and other financing costs.

Net finance costs can be analysed as follows:

Rand million	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Investment income				
Interest income on cash and cash equivalents		**269**	9	114
Growth on environmental rehabilitation trusts' assets	15	**–**	210	385
Growth on other environmental investments[1]	15	**5**	–	4
Other interest income		**7**	–	–
Total investment income		**281**	219	503
Interest expense				
Interest and other finance expenses		**(16)**	(36)	(65)
Loss on environmental rehabilitation trusts' assets	15	**(18)**	–	–
Net interest costs on retirement benefit obligations		**(24)**	(21)	(43)
Interest expense on loans from Anglo American		**–**	(35)	(35)
Unwinding of discount on environmental and other provisions	15	**(268)**	(270)	(537)
Total interest expense		**(326)**	(362)	(680)
Other financing (losses)/gains				
Foreign exchange gains/(losses) on cash and cash equivalents		**72**	(3)	177
Fair value losses on derivative instruments	13	**(298)**	–	–
Total other financing (losses)/gains		**(226)**	(3)	177
Net finance costs		**(271)**	(146)	–

[1] Growth on these assets of R2 million at 30 June 2021 was included in interest income on cash and cash equivalents.

5. INCOME TAX (EXPENSE)/CREDIT

Income tax (expense)/credit comprises the sum of current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in OCI or in equity, in which case income tax is recognised in the same way.

Analysis of income tax (expense)/credit

Rand million	Note	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Current tax expense		**(2,881)**	(18)	(521)
Charged in respect of the current reporting period		**(2,881)**	(2)	(504)
Charged in respect of prior reporting periods		**—**	(16)	(17)
Deferred tax credit/(expense)		**742**	109	(50)
Credited in respect of deferred tax asset	16	**723**	153	384
Credited/(charged) in respect of deferred tax liability	16	**19**	(44)	(434)
Total income tax (expense)/credit		**(2,139)**	91	(571)

Given the significantly higher Benchmark coal price experienced in the reporting period all entities in the Group have achieved a high level of taxable income. This has led to a significant increase in our tax expense and resultant provisional tax payment in June 2022. Refer to note 16 for further detail related to the deferred tax asset recognised as a result of the improved market conditions.

Our effective tax rate from 2023 onwards is expected to normalise closer to the statutory tax rate of 27%.

Current tax assets/(liabilities)

The current tax assets/(liabilities) are only offset to the extent that the Group has the ability and intention to settle these amounts simultaneously. The current tax assets/(liabilities) can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Current tax assets	**559**	120	46
Current tax liabilities	**(81)**	(23)	(278)
Net current tax assets/(liabilities)	**478**	97	(232)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 30 June 2022

5. INCOME TAX (EXPENSE)/CREDIT CONTINUED

Income tax paid

The income tax paid for the reporting period can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Balance at the start of the reporting period	**(232)**	122	122
Income tax – current tax charge	**(2,881)**	(18)	(521)
Acquired through internal restructure	**–**	(19)	(19)
Non-cash movements	**–**	(8)	(11)
Balance at the end of the reporting period	**(478)**	(97)	232
Income tax paid	**(3,591)**	(20)	(197)

6. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Earnings per share has been calculated in line with the requirements of IAS 33. Headline earnings has been determined in line with SAICA circular 1/2021 and the JSE Listings Requirements, and reconciled to the profit attributable to the equity shareholders of the Group in each reporting period.

Number of shares

The WANOS used in the calculation of EPS and HEPS can be analysed as follows:

Number of shares	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Net shares in issue at the start of the reporting period	**133,599,202**	62,110,182	62,110,182
Adjusted for the weighted average impact of shares:			
Issued during the year	**–**	12,298,612	43,504,515
Acquired during the year	**(332,121)**	–	(354,358)
WANOS at the end of the reporting period	**133,267,081**	74,408,794	105,260,339
Adjusted for dilutive potential ordinary shares relating to:			
Conditional share awards	**1,394,674**	–	171,790
Forfeitable share awards	**650,222**	–	184,861
Diluted WANOS at the end of the reporting period	**135,311,977**	74,408,794	105,616,990
Number of shares in issue[1]	**136,311,808**	136,311,808	136,311,808
Treasury shares held by Group companies	**(2,943,136)**	–	(2,712,606)
WANOS[1]	**133,267,081**	74,408,794	105,260,339
Diluted WANOS[1]	**135,311,977**	74,408,794	105,616,990

[1] Refer to note 17 for details of the stated capital issued, and judgement applied to the calculation of WANOS for the reporting periods ended 30 June 2021 and 31 December 2021.

Earnings per share

Earnings per share can be analysed as follows:

Rand million (unless otherwise stated)	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Profit attributable to the equity shareholders of the Group	**8,959**	233	6,429
Profit used in the calculation of diluted earnings per share[1]	**8,959**	233	6,429
Earnings per share			
Basic (cents)	**6,723**	313	6,108
Diluted (cents)	**6,621**	313	6,087

[1] There were no adjustments to the profit attributable to the equity shareholders of the Group used in the calculation of diluted earnings per share relating to the potential ordinary shares.

Headline earnings per share

Profit attributable to the equity shareholders of the Group has been reconciled to headline earnings as follows:

Rand million (unless otherwise stated)	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Profit attributable to equity shareholders of the Group	**8,959**	233	6,429
Adjusted for:			
Excluded remeasurements	**–**	(8)	800
Impairment of property, plant and equipment	**–**	–	786
Impairment of intangible assets	**–**	–	22
Profit on sale of property, plant and equipment	**–**	(8)	(8)
Tax effects of excluded remeasurements	**–**	2	(222)
Impairment of property, plant and equipment	**–**	–	(218)
Impairment of intangible assets	**–**	–	(6)
Profit on sale of property plant and equipment	**–**	2	2
Headline earnings[1]	**8,959**	227	7,007
Headline earnings used in the calculation of diluted headline earnings per share[2]	**8,959**	227	7,007
Headline earnings per share			
Basic (cents)	**6,723**	305	6,657
Diluted (cents)	**6,621**	305	6,634

[1] There were no adjustments to headline earnings that had an impact for the non-controlling interests.
[2] There were no adjustments to headline earnings used in the calculation of diluted headline earnings per share relating to the potential ordinary shares.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises tangible assets which are critical to Thungela's operations. These include acquired mineral rights, capitalised waste stripping and mine development costs, processing plant and infrastructure, vehicles and other equipment.

The property, plant and equipment of the Group can be analysed as follows:

		Land and buildings		Plant and equipment			Reviewed 30 June 2022 6 months
Rand million	Mining properties	Owned	Right-of-use	Owned	Right-of-use	Capital work-in-progress	Total
Cost							
Balance at the start of the reporting period	6,863	1,305	58	25,577	107	5,606	39,516
Additions	—	—	—	—	—	500	500
Finance lease additions	—	—	—	—	48	—	48
Disposals	(9)	—	—	—	—	—	(9)
Transfers of capital work-in-progress	253	—	—	1,161	—	(1,414)	—
Adjustments to decommissioning assets	—	—	—	11	—	—	11
Balance at the end of the reporting period	7,107	1,305	58	26,749	155	4,692	40,066
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(4,856)	(820)	(31)	(19,725)	(24)	(3,492)	(28,948)
Depreciation charge	(118)	(8)	(2)	(475)	(5)	—	(608)
Disposals	9	—	—	—	—	—	9
Balance at the end of the reporting period	(4,965)	(828)	(33)	(20,200)	(29)	(3,492)	(29,547)
Carrying amount							
Balance at the start of the reporting period	2,007	485	27	5,852	83	2,114	10,568
Balance at the end of the reporting period	2,142	477	25	6,549	126	1,200	10,519

Rand million	Mining properties	Land and buildings Owned	Land and buildings Right-of-use	Plant and equipment Owned	Plant and equipment Right-of-use	Capital work-in-progress	Reviewed 30 June 2021 6 months Total
Cost							
Balance at the start of the reporting period	6,831	1,315	55	22,519	107	5,485	36,312
Acquired through internal restructure	730	57	–	1,445	–	480	2,712
Additions	–	–	–	–	–	1,144	1,144
Disposals	–	–	–	(256)	–	–	(256)
Transfers of capital work-in-progress	14	–	–	837	–	(851)	–
Reclassifications	–	(33)	–	268	–	(67)	168
Adjustments to decommissioning assets	–	–	–	(14)	–	–	(14)
Balance at the end of the reporting period	7,575	1,339	55	24,799	107	6,191	40,066
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(5,129)	(831)	(23)	(18,313)	(21)	(3,559)	(27,876)
Acquired through internal restructure	(317)	(26)	–	(692)	–	–	(1,035)
Depreciation charge	(128)	(10)	(2)	(360)	2	–	(498)
Disposals	–	–	–	256	–	–	256
Reclassifications	–	33	–	(268)	–	67	(168)
Balance at the end of the reporting period	(5,574)	(834)	(25)	(19,377)	(19)	(3,492)	(29,321)
Carrying amount							
Balance at the start of the reporting period	1,702	484	32	4,206	86	1,926	8,436
Balance at the end of the reporting period	2,001	505	30	5,422	88	2,699	10,745

7. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The property, plant and equipment owned by the Group can be analysed as follows continued:

Audited 31 December 2021 12 months

Rand million	Mining properties	Land and buildings: Owned	Land and buildings: Right-of-use	Plant and equipment: Owned	Plant and equipment: Right-of-use	Capital work-in-progress	Total
Cost							
Balance at the start of the reporting period	6,831	1,315	55	22,519	107	5,485	36,312
Acquired through internal restructure	730	57	–	1,445	–	480	2,712
Acquisition of joint operation	–	–	–	–	–	81	81
Additions	–	–	–	–	–	2,203	2,203
Disposals	(913)	(34)	–	(1,007)	–	–	(1,954)
Transfers of capital work-in-progress	190	–	–	2,386	–	(2,576)	–
Reclassifications	25	(33)	–	291	–	(67)	216
Adjustments to decommissioning assets	–	–	–	(57)	–	–	(57)
Other	–	–	3	–	–	–	3
Balance at the end of the reporting period	6,863	1,305	58	25,577	107	5,606	39,516
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(5,129)	(831)	(23)	(18,313)	(21)	(3,559)	(27,876)
Acquired through internal restructure	(317)	(26)	–	(692)	–	–	(1,035)
Depreciation charge	(236)	(18)	(5)	(727)	(3)	–	(989)
Impairment losses	(62)	(12)	(3)	(709)	–	–	(786)
Disposals	913	34	–	1,007	–	–	1,954
Reclassifications	(25)	33	–	(291)	–	67	(216)
Balance at the end of the reporting period	(4,856)	(820)	(31)	(19,725)	(24)	(3,492)	(28,948)
Carrying amount							
Balance at the start of the reporting period	1,702	484	32	4,206	86	1,926	8,436
Balance at the end of the reporting period	2,007	485	27	5,852	83	2,114	10,568

8. ACCOUNTING FOR THE INTERNAL RESTRUCTURE

As described in note 1E, Mafube Coal Mining was acquired by the Group on 31 March 2021 as part of the internal restructure. The transaction took place at the fair value of the Group's interest in the business and the consideration was settled by the issue of shares by SACO to ASA.

The Group's share of the assets and liabilities of Mafube Coal Mining were recognised in the condensed consolidated interim financial statements at their book values as previously included in the Anglo American Group financial statements. Thungela has not adopted the financial history of Mafube Coal Mining and thus the comparatives included in the condensed consolidated interim financial statements have not been restated to reflect the impact of the internal restructure.

The acquisition date book values of the assets and liabilities of the Mafube Coal Mining business can be analysed as follows:

Rand million	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Total non-current assets	1,700	1,700
Total current assets[1]	458	458
Total assets	2,158	2,158
Total non-current liabilities	(588)	(588)
Total current liabilities	(271)	(271)
Total liabilities	(859)	(859)
Total book value of the net assets acquired	1,299	1,299

[1] Current assets include cash and cash equivalents of R158 million.

9. INVENTORIES

Inventories comprise consumables to be used in the production process and finished products being processed coal stockpiled at the mine or awaiting export at the RBCT.

Inventories can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Consumables	**620**	452	593
Finished products	**2,137**	1,152	1,953
Total inventories	**2,757**	1,604	2,546

The cost of inventories recognised as an expense and included in operating costs amounted to R8,564 million (30 June 2021: R6,572 million, 31 December 2021: R12,635 million).

The write-down of inventories to NRV recognised throughout the reporting period amounted to Rnil (30 June 2021: R118 million, 31 December 2021: R60 million).

9. INVENTORIES CONTINUED

The Group's ability to rail coal to the RBCT continues to be severely hampered by the inconsistent and poor performance of TFR throughout the reporting period. The rail operator's performance challenges are mainly attributable to the theft of infrastructure (e.g. overhead power cables, signalling and tracks) and equipment failures mainly related to locomotives. Throughout 2021 and 2022, the South African coal industry has continued to engage TFR in an effort to improve performance, however the availability of rail capacity remains constrained. Thungela continues to work closely with TFR in order to resolve these challenges.

The Group will continue to maintain our focus on utilising the available rail capacity as efficiently as possible to manage stockpile capacity across our operations, along with the higher costs incurred in relation to the management of these stockpiles.

10. TRADE AND OTHER RECEIVABLES

Trade receivables comprise amounts due from Thungela's customers for the sale of thermal coal. Other receivables include amounts receivable for VAT and other indirect taxes, prepaid expenses and amounts receivable for other transactions not related to the sale of thermal coal.

Trade and other receivables can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Net trade receivables	**4,832**	2,539	2,982
Trade receivables	**4,963**	2,675	3,081
Expected credit loss provision	**(131)**	(136)	(99)
Other tax receivables[1]	**814**	902	966
Prepayments	**412**	441	325
Net other receivables	**224**	300	111
Other receivables	**290**	300	170
Expected credit loss provision	**(66)**	–	(59)
Total trade and other receivables	**6,282**	4,182	4,384
Classified as:			
Current	**6,279**	4,138	4,320
Non-current	**3**	44	64

[1] Other tax receivables include VAT receivables and diesel rebates receivable from SARS.

The Group applies the simplified expected credit loss model to its trade receivables, and the lifetime expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for future observable data.

Trade receivables include R4,140 million (30 June 2021: R1,929 million, 31 December 2021: R2,569 million) due from AAML, which represents 83% (30 June 2021: 72%, 31 December 2021: 83%) of the total trade receivables balance outstanding. As per the contractual terms with AAML, all trade balances should be settled within 15 days of invoicing. There have historically been no defaults on payments from AAML, hence it is assessed the credit risk of the AAML trade receivable is low.

Given the nature of the domestic customers, the amounts due from those customers are considered recoverable. The historical level of customer default is low and as a result the credit quality of the trade receivables is considered to be high.

Prepayments include, among other items, insurance premiums of R1 million (30 June 2021: R224 million, 31 December 2021: R114 million), ordinary course deposits to secure supply of critical consumables of R223 million (30 June 2021: R125 million, 31 December 2021: R47 million) and a payment made in relation to educational development activities in host communities of R34 million (30 June 2021: R81 million, 31 December 2021: R61 million).

Other receivables include various amounts receivable by the Group which are not related to the sale of thermal coal. No items included in other receivables are considered individually material, however agreements with relevant counterparties are made in relation to repayment terms. An expected credit loss provision has been recognised on these receivables as considered appropriate in relation to the specific circumstances applicable to each counterparty.

Thungela has a high level of concentration risk on its trade and other receivables balance, as a result of its exposure to one major customer, being AAML. However, the credit risk of the AAML receivable is considered to be low, and thus the concentration risk does not increase the overall credit risk exposure of the Group. The Group does not have significant concentration of credit risk in respect of domestic trade receivables. No individual customer, other than AAML, represents more than 10% of the trade receivables balance in any of the reporting periods presented.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held in bank and short-term investments held with the primary purpose of managing the short-term liquidity requirements of the Group.

Cash and cash equivalents can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Short-term investments	**5,616**	2,601	7,082
Cash held in bank	**9,259**	534	1,644
Cash held in the EPP and CPP	**283**	–	10
Total cash and cash equivalents	**15,158**	3,135	8,736

Short-term investments

Short-term investments are held with the primary purpose of managing the short-term liquidity requirements of the Group.

Liquidity is a key consideration when selecting appropriate investment options for the funds to ensure they can be readily accessed for operational activity. The liquidity of the investments ranges up to 90 days, and the funds are available for the ongoing operations of the Group.

The investments are held in low-risk interest bearing instruments, across three of the five largest South African banks with an appropriate liquidity spread to support the Group's requirements. The spread of funds between banks was done in order to partially mitigate counterparty risk and the global credit ratings for these investments range between AA- and AA+. The investments earn interest at rates of between 4.4% – 5.1% (30 June 2021: 3.7% – 4.4%, 31 December 2021: 3.9% – 4.5%).

Cash held in bank

Included in cash held in bank is R7,529 million (30 June 2021: Rnil, 31 December 2021: R1,247 million) held in US dollars, related to proceeds on export revenue which is settled in US dollars. The cash is held across two of the major South African banks and is available to support the Group's ongoing liquidity requirements.

11. CASH AND CASH EQUIVALENTS CONTINUED

Cash held in the EPP and CPP

Cash held in the EPP and CPP relates to cash held by the Nkulo Community Partnership Trust and the SACO Employee Partnership Plan Trust, which is not available for the general use of the Group.

As described in note 1E, the trusts are entitled to 10% collectively of the dividends declared on ordinary shares by SACO. On 17 March 2022, SACO declared ordinary dividends of R273 million to the trusts, which remains in the trusts at 30 June 2022.

The cash balances in the trusts are to be used at the discretion of the trustees, as specified in the underlying trust deeds, for the benefit of the relevant beneficiaries.

12. TRADE AND OTHER PAYABLES

Trade and other payables include amounts owed to suppliers, tax authorities and other parties that are typically due to be settled within one year of the reporting date.

Trade and other payables can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Trade payables	**2,065**	1,628	1,713
Accruals	**969**	998	867
Other tax and employee related payables	**682**	888	749
Other payables[1]	**81**	208	170
Total trade and other payables	**3,797**	3,722	3,499

[1] No items included in other payables are considered individually material.

Included within other payables is deferred income of R24 million (30 June 2021: R26 million, 31 December 2021: R25 million) which represents monies received from customers but for which the associated performance obligation has not yet been satisfied. These amounts will be recognised as revenue as the performance obligations are satisfied.

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments consist of assets and liabilities related to the capital support agreement with ASA, forward coal swap transactions entered into with the intention for settlement net in cash and contracts for the forward sale of foreign currency.

Capital support agreement

As part of Anglo American's commitment to provide financial assistance to Thungela over the post demerger period, on 6 March 2021 the Group and ASA entered into a capital support agreement. It was arranged as a free-standing contract to provide financial assistance by way of minimum price support for all export sales made to AAML from 1 June 2021 until 31 December 2022, up to a maximum amount of R1,500 million in 2021 and R2,500 million in 2022. The Group will only be required to repay any capital support received should the price recover, and thus is not limited in the benefits to be received from the sustained recovery of the Benchmark coal price.

The derivative asset is fair valued using the Clewlow and Strickland pricing model for the valuation of average rate commodity options. The fair value movements will mainly be impacted by differences between the Benchmark coal price forwards (rand/tonne), the assumed Benchmark coal price volatility and the ZAR discount factor assumed for purposes of determining the fair value of the derivative, as well as the realised price in South African rand over the duration of the capital support agreement. The fair value is determined by independent experts using external sources of information with reference to the forecasted quoted Benchmark coal prices and exchange rates.

A fair value loss of R347 million (30 June 2021: R584 million, 31 December 2021: R569 million) on the derivative asset has been recognised in profit or loss on the basis of the sustained recovery in the Benchmark coal price to 30 June 2022. No amount of the available capital support has been utilised by the Group.

Inputs into the Clewlow and Strickland pricing model for the valuation dates are as set out below:

	At 30 June 2022		At 30 June 2021		At 31 December 2021		At initial recognition	
	2021	**2022**	2021	2022	2021	2022	2021	2022
Benchmark coal price forwards (Rand/tonne)	**—**	**4,696**	1,607	1,402	2,174	1,512	1,238	1,253
Benchmark coal price volatility (%)	**—**	**95**	22	23	47	47	24	24
ZAR discount factor	**—**	**0.97**	0.98	0.92	1.00	0.95	0.98	0.92

Forward coal swap transactions

The Group is exposed to volatility in the Benchmark coal price due to the significant volume of export sales made to AAML. In order to manage our exposure to the volatility in the Benchmark coal price, particularly at our higher-cost operations, the Group entered into a price risk management programme, consisting of forward financial coal swap transactions. The Thungela board approved a mandate in relation to this price risk management programme which commenced in November 2021 and specifies the volume allowed to be financially traded, the minimum margin to be targeted per transaction, and the type of instruments which can be used to manage our risk in this area. These transactions are settled net in cash, in US dollars, with no intention for the counterparty to take physical delivery of the coal.

The forward coal swap transactions are derivative instruments and are measured at FVPL. The fair value is determined on the basis of comparing the pre-determined price at which the forward coal swap transaction was entered into, and the forward curve of the Benchmark coal price at the reporting date. The fair value is determined in conjunction with the counterparties to the transactions, using external sources of information. Forward coal swap transactions have been entered into using both the Benchmark coal price, as well as a Secondary index price, which is closely correlated to the Benchmark coal price.

A fair value loss of R3,665 million (30 June 2021: Rnil, 31 December 2021: fair value gain of R348 million) has been recognised on the coal swap transactions based on fluctuations in the forward curve of the Benchmark coal price from the date the transactions were entered into and the reporting date.

Following the onset of the unfortunate conflict in Europe, the Benchmark coal price has increased significantly, to an average of USD277/tonne (30 June 2021: USD98/tonne, 31 December 2021: USD124/tonne) leading to a significant loss being realised on the forward coal swap transactions. The forward coal swap transactions undertaken post the significant increase in the Benchmark coal price, have been committed to at a higher average price, which should lead to the fair value losses on these instruments reducing as we approach the settlement thereof. The Thungela board continues to monitor the approved mandate in line with current market conditions, as well as production levels which have been impacted by the ongoing rail constraints.

13. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Details of the forward coal swap transactions settled in the period can be analysed as follows:

	Reviewed 30 June 2022 6 months	
	Benchmark coal price swaps	**Secondary index price swaps**
Volume settled (kt)	**416**	**640**
Average committed price (US$/tonne)	**134**	**136**
Settlement dates (2022)	**January – May**	**January – May**
Average actual price on settlement (US$/tonne)	**266**	**267**
Cash outflow on settlement (Rand million)	**859**	**1,223**
Total cash outflow on settlement (Rand million)		**2,082**

Details of the open forward coal swap transactions can be analysed as follows:

	Reviewed 30 June 2022 6 months		Audited 31 December 2021 12 months	
	Benchmark coal price swaps	**Secondary index price swaps**	Benchmark coal price swaps	Secondary index price swaps
Volume committed (kt)	**285**	**340**	194	725
Average committed price (US$/tonne)	**208**	**195**	126	131
Settlement dates	**June 2022 – March 2023**	**June 2022 – March 2023**	January – June 2022	January – June 2022
Average benchmark coal price forward curve at the reporting date (US$/tonne)	**302**	**327**	103	106
Fair value (losses)/gains on derivative instruments (Rand million)	**(477)**	**(758)**	73	275
Total fair value (losses)/gains on derivative instruments (Rand million)		**(1,235)**		348

Forward sales of foreign currency

The Group is exposed to fluctuations in the US dollar exchange rate as our export revenue to AAML is settled in US dollars. The Group's expenses are predominantly in South African rand, meaning the US dollars are required to be converted to South African rand to fulfil our ongoing liquidity requirements. In order to manage our risk exposure on these conversions, various contracts are entered into to convert US dollars to South African rand at future dates.

The conversions are predominantly done through FECs, as well as collar transactions, which will settle at a future date. These contracts are considered to be derivative instruments and are measured at FVPL, with the fair value movements being recognised in net finance costs. The fair value is determined by comparing the contractual rate at which the transaction was entered into, and the forward exchange rate curve as at the reporting date. These contracts are short-term in nature, and may be extended before settlement date based on market conditions at the time.

A fair value loss of R298 million (30 June 2021: Rnil, 31 December 2021: Rnil) has been recognised on these contracts based on the weakening of the South African rand against the US dollar at the reporting date.

Details of the forward sales of foreign currency entered into during the period can be analysed as follows:

	Reviewed 30 June 2022 6 months
Total currency contracted (US$ million)	**750**
Contractual conversion rate (ZAR:US$)	**15.71 – 16.60**
Forward exchange rate at the reporting date (ZAR:US$)	**16.41 – 16.56**
Settlement dates (2022)	**July – October**
Fair value losses on derivative instruments (Rand million)	**(298)**

14. FINANCIAL INSTRUMENTS

Financial instruments held by the Group have been disclosed in notes 10, 11, 12, 13 and 15 as well as in the note below.

For financial assets and liabilities that are traded on an active market, such as listed investments, fair value is determined by reference to the market price. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant and based on observable market data that is readily available (for example, forward exchange rates, interest rates or commodity price curves).

Where discounted cash flow models based on the Group's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13, as they depend to a significant extent on unobservable valuation inputs.

14. FINANCIAL INSTRUMENTS CONTINUED

The financial instruments held by the Group can be analysed as follows:

Rand million	Notes	Financial assets – Amortised cost[1]	Financial assets – FVPL	Financial assets – FVOCI	Financial liabilities amortised cost	Reviewed 30 June 2022 6 months Total
Financial assets						
Environmental rehabilitation trusts	15	—	3,270	—	—	3,270
Financial asset investments		103	394	33	—	530
Trade and other receivables[2]	10	5,056	—	—	—	5,056
Cash and cash equivalents	11	15,158	—	—	—	15,158
Total financial assets		20,317	3,664	33	—	24,014
Financial liabilities						
Lease liabilities		—	—	—	(155)	(155)
Loans and borrowings		—	—	—	(60)	(60)
Derivative liabilities	13	—	(1,533)	—	—	(1,533)
Trade and other payables[3]	12	—	—	—	(3,091)	(3,091)
Total financial liabilities		—	(1,533)	—	(3,306)	(4,839)
Net financial assets		20,317	2,131	33	(3,306)	19,175

1 The carrying amounts of the financial assets held at amortised cost are deemed to approximate their fair values.
2 Trade and other receivables exclude prepayments and other tax receivables.
3 Trade and other payables exclude other tax and employee related payables, and deferred income.

Rand million	Notes	Financial assets – Amortised cost[1]	Financial assets – FVPL	Financial assets – FVOCI	Financial liabilities amortised cost	Reviewed 30 June 2021 6 months Total
Financial assets						
Environmental rehabilitation trusts	15	–	3,113	–	–	3,113
Financial asset investments		164	193	33	–	390
Derivative asset – capital support	13	–	332	–	–	332
Trade and other receivables[2]	10	2,839	–	–	–	2,839
Cash and cash equivalents	11	3,135	–	–	–	3,135
Total financial assets		6,138	3,638	33	–	9,809
Financial liabilities						
Lease liabilities		–	–	–	(131)	(131)
Loans and borrowings		–	–	–	(92)	(92)
Trade and other payables[3]	12	–	–	–	(2,808)	(2,808)
Total financial liabilities		–	–	–	(3,031)	(3,031)
Net financial assets		6,138	3,638	33	(3,031)	6,778

1 The carrying amounts of the financial assets held at amortised cost are deemed to approximate their fair values.
2 Trade and other receivables exclude prepayments and other tax receivables.
3 Trade and other payables exclude other tax and employee related payables, and deferred income.

Rand million	Notes	Financial assets			Financial liabilities	Audited 31 December 2021 12 months
		Amortised cost[1]	FVPL	FVOCI	amortised cost	Total
Financial assets						
Environmental rehabilitation trusts	15	–	3,288	–	–	3,288
Financial asset investments		122	199	33	–	354
Derivative asset – capital support	13	–	347	–	–	347
Derivative assets	13	–	348	–	–	348
Trade and other receivables[2]	10	3,093	–	–	–	3,093
Cash and cash equivalents	11	8,736	–	–	–	8,736
Total financial assets		11,951	4,182	33	–	16,166
Financial liabilities						
Lease liabilities		–	–	–	(121)	(121)
Loans and borrowings		–	–	–	(63)	(63)
Trade and other payables[3]	12	–	–	–	(2,725)	(2,725)
Total financial liabilities		–	–	–	(2,909)	(2,909)
Net financial assets		11,951	4,182	33	(2,909)	13,257

1 The carrying amounts of the financial assets held at amortised cost are deemed to approximate their fair values.
2 Trade and other receivables exclude prepayments and other tax receivables.
3 Trade and other payables exclude other tax and employee related payables, and deferred income.

Fair value hierarchy

The financial instruments carried at fair value can be analysed as follows:

Rand million	**Level 2**	**Level 3**	**Reviewed 30 June 2022 6 months Total**
Financial assets			
Financial asset investments at FVOCI	**–**	**33**	**33**
Financial asset investments at FVPL	**394**	**–**	**394**
Environmental rehabilitation trusts	**3,270**	**–**	**3,270**
Financial liabilities			
Derivative liabilities	**(1,533)**	**–**	**(1,533)**
Total financial instruments carried at fair value	**2,131**	**33**	**2,164**

14. FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy continued

The financial instruments carried at fair value can be analysed as follows continued:

Rand million	Level 2	Level 3	Reviewed 30 June 2021 6 months Total
Financial assets			
Financial asset investments at FVOCI	–	33	33
Financial asset investments at FVPL[1]	193	–	193
Derivative asset – capital support	332	–	332
Environmental rehabilitation trusts[1]	3,113	–	3,113
Total financial instruments carried at fair value	3,638	33	3,671

1 The investments held by the environmental rehabilitation trusts and the financial asset investments at FVPL were reclassified from level 1 to level 2. The Group reassessed its view of these investments and concluded that level 2 better reflects the nature of the valuation applied to these assets. Accordingly, the comparative was re-presented to disclose the environmental rehabilitation trusts and the financial asset investments at FVPL as level 2 financial assets.

Rand million	Level 2	Level 3	Audited 31 December 2021 12 months Total
Financial assets			
Financial asset investments at FVOCI	–	33	33
Financial asset investments at FVPL	199	–	199
Derivative asset – capital support	347	–	347
Derivative assets	348	–	348
Environmental rehabilitation trusts	3,288	–	3,288
Total financial instruments carried at fair value	4,182	33	4,215

There were no transfers of financial instruments between level 2 and level 3 in any of the reporting periods presented.

The fair value hierarchy as included in IFRS 13 is as follows:

Fair value hierarchy	Valuation technique
Level 1	Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares and quoted futures.
Level 2	Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.
Level 3	Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input. This category includes unlisted equity investments.

There has been no movement in the fair value of the level 3 financial assets from the amount reported at 31 December 2021.

For the level 3 financial assets, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly in any of the reporting periods presented.

15. ENVIRONMENTAL AND OTHER PROVISIONS

The Group has raised several provisions in relation to our exposure to legal or constructive obligations at the reporting date. These comprise environmental provisions in relation to our obligation to perform rehabilitation and decommissioning activities; restructuring provisions in relation to formal restructuring activities undertaken by the Group; and various other provisions in relation to contractual obligations.

Environmental and other provisions can be analysed as follows:

					Reviewed 30 June 2022 6 months
	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Contributions to the CPP[1]	Other[2]	Total
Balance at the start of the reporting period	6,049	702	—	250	7,001
Amounts charged[3]	94	—	136	120	350
Adjustments to decommissioning assets	—	11	—	—	11
Unwinding of discount	236	30	—	2	268
Amounts applied[4]	(226)	—	—	—	(226)
Reclassifications	—	—	6	(6)	—
Balance at the end of the reporting period	6,153	743	142	366	7,404
Classified as:					
Current	333	23	142	220	718
Non-current	5,820	720	—	146	6,686

1 Contributions to the CPP represent amounts contributed to the Nkulo Community Partnership Trust, but not yet distributed to beneficiaries.
2 Other provisions include provisions raised for contractual obligations, servitudes and costs likely to be incurred for remediation activities related to the Kromdraai incident.
3 Amounts charged to provisions relate to amounts recognised through the statement of profit or loss and other comprehensive income in relation to changes in the provisions in the reporting period.
4 Amounts applied to provisions relate to cash paid to settle these obligations which reduces the provision, but is not charged through the statement of profit or loss and other comprehensive income.

15. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental and other provisions can be analysed as follows continued:

					Reviewed 30 June 2021 6 months
	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Restructuring[1]	Other[2]	Total
Balance at the start of the reporting period	5,386	798	208	234	6,626
Acquired through internal restructure	228	40	–	–	268
Amounts charged[3]	(181)	–	(204)	68	(317)
Adjustments to decommissioning assets	–	(14)	–	–	(14)
Unwinding of discount	232	33	–	5	270
Amounts applied[4]	(163)	–	–	(21)	(184)
Reclassifications	–	–	(4)	–	(4)
Balance at the end of the reporting period	5,502	857	–	286	6,645
Classified as:					
Current	455	84	–	177	716
Non-current	5,047	773	–	109	5,929

1 The restructuring provision relates to a decision taken to place the Bokgoni pit at the Khwezela Colliery on care and maintenance effective from the first quarter of 2021 due to the sustained low-price environment and following in depth consultation.
2 Other provisions primarily relate to provisions raised for contractual obligations and servitudes.
3 Amounts charged to provisions relate to amounts recognised through the statement of profit or loss and other comprehensive income in relation to changes in the provisions in the reporting period.
4 Amounts applied to provisions relate to cash paid to settle these obligations which reduces the provision, but is not charged through the statement of profit or loss and other comprehensive income.

Rand million	Environmental provisions				Audited 31 December 2021 12 months
	Environmental rehabilitation	Decommissioning	Restructuring[1]	Other[2]	Total
Balance at the start of the reporting period	5,386	798	208	234	6,626
Acquired through internal restructure	228	40	–	–	268
Acquisition of joint operation	–	–	–	51	51
Amounts charged[3]	452	(146)	(204)	(20)	82
Adjustments to decommissioning assets	–	(57)	–	–	(57)
Unwinding of discount	463	67	–	7	537
Amounts applied[4]	(480)	–	–	(22)	(502)
Reclassifications	–	–	(4)	–	(4)
Balance at the end of the reporting period	6,049	702	–	250	7,001
Classified as:					
Current	265	22	–	105	392
Non-current	5,784	680	–	145	6,609

1 The restructuring provision relates to a decision taken to place the Bokgoni pit at the Khwezela Colliery on care and maintenance effective from the first quarter of 2021. The restructuring process has been completed and no further costs are expected.
2 Other provisions primarily relate to provisions raised for contractual obligations and servitudes.
3 Amounts charged to provisions relate to amounts recognised through the statement of profit or loss and other comprehensive income in relation to changes in the provisions in the reporting period.
4 Amounts applied to provisions relate to cash paid to settle these obligations which reduces the provision, but is not charged through the statement of profit or loss and other comprehensive income.

Environmental provisions

Thungela is obliged to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental impacts are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on our operating sites. A provision is recognised for the present value of such costs, based on the Group's best estimate of the legal and constructive obligations that exist at the reporting date. It is anticipated that most of these costs will be incurred over a period of up to 20 years, with water treatment costs incurred up to 50 years, post closure of the mines. These provisions are collectively referred to as the 'environmental provisions.' The environmental provisions are determined per operating site, with the assistance of specialist independent environmental consultants and taking account of the current land disturbances and the expected costs of rehabilitation. The disturbed areas and expected costs are reassessed in the second half of each year and any required change in the environmental provisions is recognised on the completion of the assessment.

15. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

The environmental provisions have been determined based on the legal obligations under the existing MPRDA Regulations, as well as the Group's interpretation of the likely increase in costs required to transition to the NEMA Financial Provisioning Regulations, for example costs related to the ongoing pumping and treatment of polluted or extraneous water. The Group's environmental provisions are in line with currently enforceable laws and regulations. The 2015 NEMA Financial Provisioning Regulations have been subject to numerous amendments, and drafts of the replacement regulations were published in November 2017, May 2019, in August 2021, and finally in July 2022 and the transition date has again been deferred until 19 September 2023. The DFFE published the fourth draft of the updated set of proposed replacement NEMA Financial Provisioning Regulations on 11 July 2022 for public comment. We are working to understand the impact of these proposed updated regulations on our business. The August 2021 draft of the NEMA Financial Provisioning Regulations would have altered the way companies calculate financial provisioning required for environmental obligations, and it is likely that compliance with these regulations will substantially increase the required quantum of financial provisioning to be made by mining right holders with existing operations. This likely increase is mainly attributable to the change that specifies that latent (or residual) environmental impacts that may become known in the future will include the pumping and treatment of polluted or extraneous water.

It is important to note that financial provisioning as specified in the NEMA Financial Provisioning Regulations, as well as the existing MPRDA Regulations, does not translate into the environmental provisions as recognised by the Group, but rather the level of cash or other funding required to be made available to fund the closure of operations should the Group not be able to do so. The environmental provisions are calculated using the MPRDA Regulations, and the accompanying Guideline for Financial Provision (2005), as a base, adjusted for costs the Group is likely to incur over the period until closure is completed. The financial provisioning as required by the current MPRDA Regulations was assessed in December 2021 and amounts to R4,108 million (30 June 2021: R4,048 million, 31 December 2021: R4,108 million), compared to the total environmental provisions recognised by the Group of R6,896 million (30 June 2021: R6,359 million, 31 December 2021: R6,751 million). This difference is due to additional costs which the Group believes we are likely to incur through a combination of our interpretation of the NEMA Financial Provisioning Regulations as well as actual costs to be incurred in the period up to, and post mine closure, most significantly in relation to water treatment costs.

The Group has provided for water treatment costs using a combination of active and passive water treatment methods, based on activities currently being performed at our operations. The NEMA Financial Provisioning Regulations are expected to require the treatment of water to be provided for using the costs of currently available technologies which the DMRE has approved, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements. Thungela embarked on an exercise in 2021 to investigate several different technologies to mitigate the impact of the future water treatment costs. Research and development was conducted with various other parties, investigating passive treatment at a pilot scale, and significant progress was made in proving the merits of this treatment. We are now working on proving the treatment at a demonstration scale to determine the suitability of the treated water for various applications including the irrigation of crops. The construction of a demonstration scale plant to further prove this treatment was completed in June 2022. Reactors will be commissioned in July 2022 and inoculated with the appropriate microbes, and the plant will be run for approximately two years to achieve relevant outputs, from which point additional testing will be performed as required. The use of phytoremediation to address mine-impacted water seepage is also being trialled at the Goedehoop Colliery in collaboration with a South African university.

The NEMA Financial Provisioning Regulations, as well as the MPRDA Regulations, require the Group to make financial provisioning available which is set aside purely to fund the rehabilitation and decommissioning activities required, to undertake the agreed work programmes and rehabilitate the mining areas. This financial provisioning can be put aside through a number of vehicles, and cannot be accessed for the general use of the Group. The Group currently maintains the required financial provisioning through two mechanisms, being the environmental rehabilitation trusts, as well as holding financial guarantees with financial institutions for the benefit of the DMRE.

Environmental rehabilitation trusts

The investments held in the environmental rehabilitation trusts can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Investments in unit trusts	**3,270**	3,113	3,288
Total investments in unit trusts	**3,270**	3,113	3,288
Balance at the start of the reporting period	**3,288**	2,880	2,880
Acquired through internal restructure	**—**	23	23
(Loss)/growth on assets	**(18)**	210	385
Balance at the end of the reporting period	**3,270**	3,113	3,288

The rehabilitation trusts aim to achieve their objectives by investing in a diversified portfolio of equity and debt securities of predominantly South African listed companies as well as South African sovereign and corporate debt through unit trust investments. Each mine's portfolio is managed separately according to each individual mine's risk and LOM profile.

Investments in the unit trusts are recognised at FVPL. The movement in the environmental rehabilitation trusts' assets includes fair value movements as well as dividend and interest income, where applicable. This movement is recognised in net finance costs.

These funds are not available for the general use of Thungela and can only be accessed to the extent of actual rehabilitation costs incurred with approval from the DMRE. All income from these assets is reinvested to further increase the level of financial provisioning held as required by the MPRDA Regulations.

Other environmental investments

The Group also holds a significant value of guarantees to further contribute to the financial provisioning as required by the MPRDA Regulations. These guarantees are primarily held with two financial institutions, and a portion of the annual fee payable on these guarantees is invested on our behalf in the Green Fund. These investments are included in financial asset investments.

The other environmental investments can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Balance at the start of the reporting period	**199**	3	3
Contributions during the reporting period[1]	**190**	188	192
Growth on assets[2]	**5**	2	4
Balance at the end of the reporting period	**394**	193	199

1 Includes contributions to the Green Fund of R188 million (30 June 2021: R188 million, 31 December 2021: R188 million).

2 Growth on these assets of R2 million at 30 June 2021 was included in interest income on cash and cash equivalents.

15. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

Other environmental investments *continued*

The Group has invested an additional R188 million in the reporting period (30 June 2021: R188 million, 31 December 2021: R188 million) in long-term investments, referred to as the 'Green Fund', through two financial institutions to secure the guarantees required to further fund the financial provisioning as required by the MPRDA Regulations. These investments are ceded to the financial institutions as collateral for the guarantees provided to the Group. The Green Fund requires an investment of 5.8% and 6.7% of the guarantee amounts annually into the respective funds to reduce the value of the unfunded guarantees over the LOM. Of the annual investment amount required, 0.8% and 0.7% respectively is related to fees which are not considered part of the investment. The annual requirement for funding is expected to decrease as the investment value increases, however the Group is able to contribute to these funds in excess of the required annual investment amount in order to increase our financial provisioning held, and to maximise our return on these investments.

These funds are not available for the general use of Thungela and can only be accessed to fulfil mine closure obligations, or to the extent that the growth on these funds has exceeded the required annual investment amount. The funds are managed on our behalf by the financial institutions, and growth on the funds is reinvested to further increase the level of financial provisioning held as required by the MPRDA Regulations.

Thungela's exposure to our environmental obligations can be analysed as follows:

Rand million	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Environmental provisions	**6,896**	6,359	6,751
Environmental rehabilitation trusts	**3,270**	3,113	3,288
Other environmental investments	**394**	193	199
Guarantees	**3,049**	3,098	3,153
Total financial provisioning available	**6,713**	6,404	6,640
Real pre-tax discount rate (%)	**3.6 – 3.8**	4.3 – 4.9	3.6 – 4.3

The guarantees of R3,049 million (30 June 2021: R3,098 million, 31 December 2021: R3,153 million) are primarily in place to meet any immediate closure obligations under the existing MPRDA Regulations, and are issued in favour of the DMRE. Once Thungela has to comply with the NEMA Financial Provisioning Regulations by the current transition date of 19 September 2023, it is expected that the level of guarantees required to be held as financial provisioning will increase, which if required, may be sourced from the existing providers on the market at similar terms to the Group's current guarantees.

Contingent liabilities

Thungela is subject to various claims which arise in the ordinary course of business. Additionally, Thungela has provided indemnities against certain liabilities as part of agreements relating to sales or other disposals of business operations in the past. Having taken appropriate legal advice, the Group believes that any material liability arising from the indemnities provided is remote.

Total financial guarantees amounting to R3,080 million (30 June 2021: R3,266 million, 31 December 2021: R3,268 million) have been issued in favour of the DMRE and other counterparties where relevant, including the amount identified for rehabilitation purposes noted above.

No contingent liabilities were secured against the assets of Thungela for any of the reporting periods presented.

16. DEFERRED TAX

The Group has recognised deferred tax assets and liabilities based on the underlying nature of various transactions throughout the year, and the related tax treatment, which may be different to the accounting treatment thereof.

Deferred tax assets

The movement in the deferred tax assets can be analysed as follows:

Rand million	Note	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Balance at the start of the reporting period		**378**	*	*
Credited to profit or loss	5	**723**	153	384
Charged to other comprehensive loss		**—**	—	(6)
Reclassification		**(25)**	—	—
Balance at the end of the reporting period		**1,076**	153	378

* Represents amounts less than R1 million.

The Group has a large value of unredeemed capital deductions (and previously assessed losses – collectively the 'available tax losses') available in TOPL, based on historical loss-making operations within this entity. The assessed losses within TOPL were fully utilised in the year ended 31 December 2021.

At 31 December 2021, only a portion of the available tax losses were recognised as a deferred tax asset, on the basis of the expected utilisation thereof at old order mines, combined with the pairing back of production at our higher-cost operations. This resulted in the Group not recognising deferred tax assets of R1,177 million at 31 December 2021. Given the sustained increase in the Benchmark coal price in 2022, and the continued strong forward curve for the Benchmark coal price expected throughout the remainder of 2022, it is now anticipated that all available tax losses will be utilised by TOPL in the year ending 31 December 2022. On this basis the Group has recognised the full impact of the available tax losses as deferred tax assets.

Deferred tax liabilities

The movement in the deferred tax liabilities can be analysed as follows:

Rand million	Note	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Balance at the start of the reporting period		**(1,400)**	(581)	(581)
Acquired through internal restructure		**—**	(385)	(385)
Credited/(charged) to profit or loss	5	**19**	(44)	(434)
Credited to other comprehensive loss		**—**	1	—
Reclassification		**25**	—	—
Balance at the end of the reporting period		**(1,356)**	(1,009)	(1,400)

16. DEFERRED TAX CONTINUED

On 23 February 2022 a change in the South African corporate tax rate from 28% to 27% was announced. The tax rate change is considered to be substantively enacted as of 23 February 2022, although it will only take effect from 1 January 2023.

The current tax impact of this rate change for the Group will only take effect from 1 January 2023. However deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Consequently, the impact of the change in the statutory tax rate has been recognised as a credit to profit or loss of R53 million. The impact of the change in the statutory tax rate will be re-assessed for the year ending 31 December 2022.

17. STATED CAPITAL

Thungela has one class of authorised and issued shares, being ordinary shares. The shares were issued on completion of the demerger, and began trading on the JSE and LSE from 7 June 2021.

The stated capital issued by the Group can be analysed as follows:

Number of shares	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Authorised			
Ordinary no par value shares	**10,000,000,000**	10,000,000,000	10,000,000,000
Issued			
Ordinary no par value shares	**136,311,808**	136,311,808	136,311,808
Reconciliation of shares in issue			
Shares in issue at the start of the reporting period	**136,311,808**	–	–
Issue of ordinary no par value shares	**–**	136,311,808	136,311,808
Shares in issue at the end of the reporting period	**136,311,808**	136,311,808	136,311,808
Adjusted for:			
Treasury shares held by Group companies	**(2,943,136)**	–	(2,712,606)
Net shares in issue at the end of the reporting period	**133,368,672**	136,311,808	133,599,202
Rand million			
Balance at the start of the reporting period	**10,041**	–	–
Issue of ordinary no par value shares	**–**	10,041	10,041
Balance at the end of the reporting period	**10,041**	10,041	10,041
Adjusted for:			
Treasury shares held by Group companies	**(302)**	–	(183)
Net balance at the end of the reporting period	**9,739**	10,041	9,858

As detailed in note 1E, and fully described in note 2A of the Annual Financial Statements for the year ended 31 December 2021, although Thungela is considered a continuation of the SACO Group, the Company was only incorporated in January 2021, and issued shares in June 2021. The capital structure of Thungela reflects the structure of the legal entity, and thus no shares are reflected as issued for the Group until 2021. The value of the SACO Group was reflected in the merger reserve until the date the shares were legally issued, when it was transferred into stated capital.

For the purpose of determining the WANOS in 2021, Thungela applied judgement in determining how many shares were issued in substance for no corresponding increase in the economic value of the Group. Of the total stated capital of R10,041 million issued in June 2021, R5,466 million was received in cash from ASA. The issue of these 74,201,626 shares (as a proportion of the total shares issued based on the proportion of cash consideration to total consideration received) reflect a direct increase in the economic value of the Thungela Group. The remaining stated capital issued amounting to R4,575 million (reflective of 62,110,182 shares, as a proportion of non-cash consideration to total consideration received) is considered in substance to have been issued in consideration for the pre-existing SACO Group. The WANOS for the reporting periods ended 30 June 2021 and 31 December 2021 has been calculated to reflect the issue of these shares as if it occurred at the start of the earliest comparative period presented. This has not impacted the WANOS for the six months ended 30 June 2022.

In the six months ended 30 June 2022 909,155 (30 June 2021: nil, 31 December 2021: 2,712,606) treasury shares were purchased by subsidiaries of the Group at an average price of R181.49 per share (30 June 2021: nil, 31 December 2021: R67.42 per share) in relation to share awards granted. The purchase was made in terms of Thungela's MOI and the shares are held in separate broker accounts of the Group for employees in terms of the rules of the Thungela share plan until vesting date. A total of 678,625 share awards vested in the six months ended 30 June 2022, which reduced the number of treasury shares held by the Group.

The shareholders, at the AGM held on 24 May 2022, approved that the unissued shares, limited to 5.0% of the number of shares in issue, or 6,815,590 shares, be placed under the control of the board at their discretion. The approval is subject to compliance with the MOI, the Companies Act of South Africa, the JSE Listings Requirements and the UK Listing Rules, and this authority is valid for the shorter of 15 months or until the next AGM. For the six months ended 30 June 2022, no shares have been issued in terms of this authority.

18. SHARE-BASED PAYMENTS

The Group operates equity settled shared-based payment arrangements which allow certain employees of the Group to receive Thungela shares through the Thungela share plan, which has been fully described in the Integrated Annual Report for the year ended 31 December 2021.

Thungela share plan

The share awards that have been granted to eligible employees in the six months ended 30 June 2022 consist of the Thungela 2022 LTIP awards and the Thungela 2022 DBS awards as approved by the Thungela remuneration and nomination committee. The salient terms of these awards (being either conditional or forfeitable share awards) are consistent with those described in the Annual Financial Statements for the year ended 31 December 2021.

Thungela 2022 LTIP awards – conditional share awards

The Thungela 2022 LTIP awards were granted on 7 March 2022, in relation to performance for the year ended 31 December 2021. These awards will vest on 7 March 2025 in accordance with the achievement of specific performance conditions over a performance period from 1 January 2022 to 31 December 2024. Once vested, these awards are subject to a further two-year holding period for executive directors and prescribed officers. A total of 434,844 awards were granted as the Thungela 2022 LTIP awards, with a grant date fair value of R167.12.

Employees participating in the conditional share awards are entitled to receive additional share awards in lieu of dividends declared on Thungela shares over the vesting period, which are added to the total number of conditional shares awarded and subject to the same vesting conditions. The dividend equivalent share awards are added to the total number of shares subject to vesting, and expensed on the same basis. On 25 May 2022, 108,424 shares were added to the Thungela 2021 LTIP awards and 34,587 shares were added to the Thungela 2022 LTIP awards related to dividend equivalent awards for the dividends declared by Thungela on 22 March 2022.

18. SHARE-BASED PAYMENTS CONTINUED

Thungela 2022 DBS awards – forfeitable share awards

The Thungela 2022 DBS awards were granted on 22 March 2022 in relation to performance for the year ended 31 December 2021. The number of awards that will vest is conditional upon the participants remaining in the employment of the Group for the vesting period, and there are no performance conditions attached to this grant. The Thungela 2022 DBS awards will vest in equal tranches from 22 March 2023 to 22 March 2025. A total 331,300 share awards were granted as the Thungela 2022 DBS awards, with a grant date fair value of R155.67.

Thungela Milestone awards – forfeitable share awards

As fully described in the Annual Financial Statements for the year ended 31 December 2021, the Thungela Milestone awards were granted to the CEO and CFO in preparation for the demerger.

Tranche 1 of these awards vested in full on 4 June 2022 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 674,743 share awards vested, with 303,636 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

19. DIVIDENDS

Thungela paid our maiden ordinary dividend to shareholders in May 2022.

Dividend policy

Any dividend proposed by the board in respect of a financial period will be dependent on and influenced by, among other considerations, the Group's operating results, financial condition, investment strategy, capital requirements and strategic initiatives. The Group will seek to ensure that there is sufficient cash available and cash is generated by the Group in order to fund sustaining capital expenditure and selective life extension opportunities without resorting to excessive leverage, recognising the nature of the Group's assets and single commodity price exposure.

The Group's dividend policy is to target a dividend pay-out of a minimum of 30% of adjusted operating free cash flow$^{\Delta}$. The board is committed to delivering attractive shareholder returns, while maintaining disciplined capital allocation. Therefore, in any given financial year, the Group might declare dividends above the targeted minimum 30% pay-out ratio, subject to the board being satisfied that subsequent to the dividend declaration, the Group has adequate balance sheet flexibility and sufficient funding available to withstand market and coal price volatility.

The Thungela board believes it is appropriate to maintain a liquidity buffer of between R5,000 million and R6,000 million during and following periods of stronger market conditions, and all else being equal, between R2,000 million and R3,000 million during and following periods of weaker market conditions.

Dividend paid

The final ordinary cash dividend for the year ended 31 December 2021 of R18 per share was paid in May 2022, amounting to R2,448 million. This dividend represented 63% of the adjusted operating free cash flow$^{\Delta}$ generated by Thungela in the year ended 31 December 2021.

Dividend declaration

An interim ordinary cash dividend relating to the six months ended 30 June 2022 of R60 per share, was declared by the board on 15 August 2022. This interim dividend, amounting to a return of R8,179 million to shareholders has not been recognised as a liability in these condensed consolidated interim financial statements.

20. RELATED PARTY TRANSACTIONS

The Group has a number of related party relationships with other companies and individuals. The related party relationships which have been identified are noted below, and transactions with these related parties are assessed on a consistent basis.

Although the demerger was effective from 4 June 2021, and Anglo American no longer holds any interest in the Group, transactions with Anglo American were still considered to be related party transactions in the year ended 31 December 2021. A number of agreements were signed with Anglo American prior to the demerger in order to support the operations of Thungela in the medium-term post demerger, and transactional activity is continuing. However, Anglo American is no longer considered a related party for the six months ended 30 June 2022, and transactions with Anglo American are no longer disclosed as related party transactions.

Direct subsidiaries

South Africa Coal Operations Proprietary Limited

Indirect subsidiaries

Thungela Operations Proprietary Limited
Anglo American Inyosi Coal Proprietary Limited
Butsanani Energy Investment Holdings Proprietary Limited
Rietvlei Mining Company Proprietary Limited
Ingagane Colliery Proprietary Limited
Springfield Collieries Limited
Thungela Inyosi Coal Sercurityco Proprietary Limited
Newshelf 1316 Proprietary Limited
Main Street 1756 (RF) Proprietary Limited
Blue Steam Investments Proprietary Limited

Indirect associates

Richards Bay Coal Terminal Proprietary Limited
Colliery Training College Proprietary Limited

Directors

July Ndlovu (chief executive officer)
Deon Smith (chief financial officer)
Sango Ntsaluba (chairman)#
Ben Kodisang#
Kholeka Mzondeki#
Thero Setiloane#
Seamus French#

Independent non-executive

Indirect joint operations

Mafube Coal Mining Proprietary Limited
Phola Coal Processing Plant Proprietary Limited
Pamish Investments No. 66 Proprietary Limited

Indirect trusts

Nkulo Community Partnership Trust
SACO Employee Partnership Plan Trust
Anglo American Thermal Coal Environmental Rehabilitation Trust
Mafube Rehabilitation Trust

Prescribed officers

Johan van Schalkwyk
Carina Venter
Lesego Mataboge
Leslie Martin
Mpumi Sithole
Bernard Dalton

20. RELATED PARTY TRANSACTIONS CONTINUED

The Group enters into various sale and purchase transactions with related parties in the ordinary course of business. These transactions are subject to terms that are no less, nor more favourable than those arranged with independent third parties.

Transactions and balances with related parties

The transactions with related parties in the reporting period, and outstanding balances at the reporting date, can be analysed as follows:

Rand million	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Loans to related parties				
Zimele[1]		**–**	29	29
Pamish[2]		**32**	–	18
RBCT[3]		**33**	59	43
Derivative asset – capital support				
Anglo American	13	**–**	332	347
Trading balances				
Trade and other receivables[4]	10	**–**	2,228	2,569
Trade and other payables[5]		**–**	(12)	(55)
Transactions recognised in the statement of profit or loss and other comprehensive income				
Anglo American				
Export revenue	2	**–**	8,301	22,813
Expenses for services provided	3	**–**	(309)	(605)
Fair value loss on derivative asset – capital support	13	**–**	(584)	(569)
RBCT				
Expenses for services provided[6]		**(203)**	(203)	(391)
Pamish				
Investment income		**3**	–	–

1 The loan to Zimele was granted for purposes of funding small business enterprises. The loan was non-interest bearing and had no fixed repayment terms. The loan was settled in full in the six months ended 30 June 2022.
2 The loan to Pamish earns interest at prime plus 3.0% and has a repayment term of 18 months commencing from August 2022.
3 The loan to RBCT is deemed part of the equity investment in RBCT.
4 Trade and other receivables at 30 June 2021 includes trade receivables of R1,929 million and prepayments of R224 million.
5 Trade and other payables in the prior reporting periods were due within one year, consistent with the external trade and other payables.
6 The services are rendered from RBCT to Mainstreet 1756 and TOPL, and are consistent with services rendered to these entities prior to the internal restructure.

No transactions have been entered into with key management during the reporting period other than their fixed and variable remuneration.

21. INVESTMENTS IN SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES

The Group has a number of investments in subsidiaries, joint operations, associates and trusts.

The investments in other entities held by the Group can be analysed as follows:

Legal entity name	Nature of business	Operation	Shareholding %
Subsidiaries			
South Africa Coal Operations Proprietary Limited[1]	Investment holding company		90
Thungela Operations Proprietary Limited	Mining company		100
	Mining operation	Isibonelo	
	Mining operation	Goedehoop	
	Mining operation	Greenside	
	Mining operation	Khwezela	
Anglo American Inyosi Coal Proprietary Limited	Mining company		73
	Mining operation	Zibulo	
Butsanani Energy Investment Holdings Proprietary Limited	Investment holding company		67
Rietvlei Mining Company Proprietary Limited[2]	Mining company		51
	Mining operation	Rietvlei	
Ingagane Colliery Proprietary Limited[3]	Dormant		100
Springfield Collieries Limited[3]	Dormant		100
Thungela Inyosi Coal Sercurityco Proprietary Limited	Dormant		100
Newshelf 1316 Proprietary Limited	Dormant		100
Blue Steam Investments Proprietary Limited	Dormant		100
Main Street 1756 (RF) Proprietary Limited	Investment holding company		100
Joint operations			
Mafube Coal Mining Proprietary Limited[4]	Mining company		50
	Mining operation	Mafube	
Phola Coal Processing Plant Proprietary Limited[5]	Mining company		50
	Processing operation	Phola	
Pamish Investments No. 66 Proprietary Limited[6]	Mining company		49
	Processing operation	Pamish plant	

21. INVESTMENTS IN SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES CONTINUED

The investments in other entities held by the Group can be analysed as follows continued:

Legal entity name	Nature of business	Operation	Shareholding %
Associates			
Richards Bay Coal Terminal Proprietary Limited[7]	Port logistics	Richards Bay Coal Terminal	23
Colliery Training College Proprietary Limited[8]	Training provider for companies in the mining industry		23
Trusts			
Nkulo Community Partnership Trust	Community Trust		100
SACO Employee Partnership Plan Trust	Employee Trust		100
Anglo American Thermal Coal Environmental Rehabilitation Trust	Rehabilitation Trust		100
Mafube Rehabilitation Trust[4]	Rehabilitation Trust		50

1 Thungela purchased 100% of the shares in SACO on 1 June 2021 as part of the internal restructure. Thungela sold 10% of its interest in SACO to the SACO Employee Partnership Plan Trust and the Nkulo Community Partnership Trust on 2 June 2021, which are controlled by the Group. Effectively, Thungela owns 100% of SACO.
2 Butsanani Energy legally owns 51% of RMC. However, Butsanani Energy economically owns only 45% of RMC. Effectively, Thungela owns 34% of RMC.
3 The Group's application to liquidate Ingagane and Springfield was served on 21 January 2022.
4 Acquired as part of the internal restructure with effect from 31 March 2021.
5 The interest in Phola is held through AAIC. Effectively Thungela owns 37% of Phola.
6 The interest in Pamish is held through TOPL. Although TOPL legally owns 49% of Pamish, the contractual agreements result in TOPL obtaining 85% of the benefits related to the operations of Pamish. TOPL's share of the assets, liabilities, revenue and expenses of Pamish is consolidated at 85%.
7 The interest in RBCT is held through Mainstreet 1756.
8 The investment in Colliery Training College is considered immaterial to the Group and has not been equity accounted.

The place of business and county of incorporation for all subsidiaries, joint operations, associates and trusts is South Africa.

22. EVENTS AFTER THE REPORTING PERIOD

The Group monitors activity between the end of the reporting period and the date of the approval of the condensed consolidated interim financial statements to ensure that any events that may impact the Group are considered.

Dividend declaration

The board declared an interim ordinary cash dividend of R60 per share from retained earnings on 15 August 2022. This represents a total dividend payment of R8,179 million to shareholders, amounting to 92% of the adjusted operating free cash flow$^{\Delta}$ generated in the six months ended 30 June 2022.

The dividend will be paid in September 2022 to shareholders on the South African register, and in October 2022 to shareholders on the UK register.

ANNEXURES

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES$^{\Delta}$

For the six months ended 30 June 2022

INTRODUCTION

When assessing and discussing Thungela's reported financial performance, financial position and cash flows, the directors may make reference to APMs of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS.

These financial measures are usually derived from the condensed consolidated interim financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the condensed consolidated interim financial statements as they contain additional information, such as financial information from earlier periods and operational information. The accounting policies applied when calculating APMs are the same as those applied in the condensed consolidated interim financial statements.

PURPOSE

Thungela uses APMs to improve the comparability of information between reporting periods, either by adjusting for uncontrollable factors or items such as impairments, restructuring costs and other transactions which impact upon IFRS measures or, by aggregating measures, to aid the user of the condensed consolidated interim financial statements in understanding the activity taking place across Thungela's portfolio. The APMs are the responsibility of the Thungela directors and have been assessed consistently in each of the periods presented, other than as noted below.

The APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, they may not be comparable with similarly titled measures and disclosures used by other companies.

APMs are used by the Group for planning and reporting purposes. A subset is also used by the Group in setting director and management remuneration.

The financial APMs used by Thungela are as follows:

APM	Definition	Adjustments to reconcile to primary statements	Rationale for adjustments
Statement of profit or loss and other comprehensive income			
Adjusted EBITDA (note A)	EBITDA adjusted for the impacts of once-off transactions, or transactions which are outside the core operations of the Group	Profit/before net finance costs and tax[1], adjusted for: • Impairment losses • Restructuring costs and termination benefits • Fair value (losses)/gains on derivative instruments • Fair value loss on derivative asset – capital support[2] • Depreciation and amortisation	• Exclude the effect of once-off transactions or transactions outside the core operations of the Group
Adjusted EBITDA margin (note B)	Adjusted EBITDA as a percentage of revenue	• None	• None

Statement of financial position			
Net cash (note C)	Cash and cash equivalents less cash held in the EPP and CPP and loans and borrowings	• None	• None
Statement of cash flows			
Capex (note 2)	Cash expenditure on property, plant and equipment and intangible assets[3], including the movement on capital creditors in the reporting period	• None	• None
Sustaining capex (note D)	Stay-in-business capex, stripping and development capex and capex on intangible assets[3]	• None	• None
Adjusted operating free cash flow (note E)	Net cash flows from operating activities less sustaining capex	• None	• None
Other APMs			
FOB cost (Note F)	Direct cash cost incurred in producing one unit of saleable export product and delivering the product to the vessel for export	• Industrial and domestic revenue • Administrative costs • Contributions to the trusts[4]	• Exclude costs incurred not attributable to delivering the coal to the vessel for export
FOB cost per export tonne (Note G)	FOB cost calculated per export saleable tonne	• None	• None
FOB cost excluding royalties (Note H)	FOB cost as defined, excluding royalties	FOB cost as defined, adjusted for: • Royalties	• Exclude royalties, which are directly impacted by the movement in the Benchmark coal price
FOB cost per export tonne excluding royalties (Note I)	FOB cost excluding royalties calculated per export saleable tonne	• None	• None
Environmental liability coverage (Note J)	The percentage of investments held to fund future rehabilitation, decommissioning and water treatment expenditure	• None	• None

1 The adjusted EBITDA reconciliation was previously performed from operating profit. In order to simply the presentation of the statement of profit or loss and other comprehensive income, the operating profit subtotal was removed from the statement of profit or loss and other comprehensive income. The reconciliation is now done from profit before net finance costs and tax. This has no impact on the adjusted EBITDA calculated.

2 Fair value loss on derivative asset – capital support has been included in the determination of adjusted EBITDA as the derivative was initially recognised in equity.

3 Expenditure on intangible assets was not included in capex and sustaining capex at 30 June 2021, but is considered part of the capital expenditure incurred to sustain the operations of the Group. The expenditure on intangible assets in the six months ended 30 June 2021 is immaterial, and the APM has not been restated to reflect this.

4 Contributions to the trusts are excluded from the determination of FOB cost as these costs are not direct costs incurred in producing thermal coal. The contributions to the trusts for the periods ended 30 June 2021 and 31 December 2021 are immaterial and the APM has not been restated to reflect this.

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES$^{\Delta}$ CONTINUED

For the six months ended 30 June 2022

The APMs used in the condensed consolidated interim financial statements have been reconciled as below:

A. Adjusted EBITDA

Rand million (unless otherwise stated)	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Profit before net finance costs and tax per the statement of profit or loss and other comprehensive income	3	**12,040**	406	7,509
Add/(less) – fair value losses/(gains) on derivative assets	13	**3,665**	–	(348)
Add – fair value loss on derivative asset – capital support	13	**347**	584	569
Add – depreciation	3	**608**	498	989
Add – amortisation	3	**14**	14	29
Add – impairment losses		**–**	–	808
Add – restructuring costs and termination benefits		**5**	386	422
Adjusted EBITDA		**16,679**	1,888	9,978

B. Adjusted EBITDA margin

Adjusted EBITDA	A	**16,679**	1,888	9,978
Revenue	2	**26,176**	10,046	26,282
Adjusted EBITDA margin (%)		**64**	19	38

C. Net cash

Cash and cash equivalents	11	**15,158**	3,135	8,736
Less – cash held in the EPP and CPP	11	**(283)**	–	(10)
Less – loans and borrowings		**(60)**	(92)	(63)
Net cash		**14,815**	3,043	8,663

D. Sustaining capex

Stay-in-business capex		**327**	1,008	1,682
Property, plant and equipment	2	**327**	1,008	1,671
Intangible assets	2	**–**	–	11
Stripping and development capex	2	**213**	232	511
Sustaining capex		**540**	1,240	2,193

E. Adjusted operating free cash flow

Cash generated from/(utilised in) operating activities		**9,474**	(442)	6,116
Sustaining capex	D	**(540)**	(1,240)	(2,193)
Adjusted operating free cash flow		**8,934**	(1,682)	3,923

F. FOB cost

Rand million (unless otherwise stated)	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
Operating costs	3	**10,119**	8,670	17,322
Less – industrial and domestic revenue	2	**(2,121)**	(1,745)	(3,469)
Less – depreciation	3	**(608)**	(498)	(989)
Less – amortisation	3	**(14)**	(14)	(29)
Less – third-party commodity purchases	3	**(991)**	(752)	(1,380)
Less – commodity purchases from Mafube Coal Mining	3	**–**	(137)	(137)
Add – inventory production movement	3	**301**	416	1,222
Less – demurrage and other expenses	3	**(119)**	(125)	(204)
Less – exploration and evaluation	3	**(29)**	(70)	(124)
Add/(less) – foreign exchange gains/(losses)	3	**525**	(11)	214
Add – profit on sale of property, plant and equipment	3	**–**	8	8
Less – recharged costs from Anglo American – administration expenses	3	**(132)**	(176)	(331)
Less – fair value loss on biological assets[1]		**–**	–	(3)
Less – expenses related to contributions to the trusts[2]		**(145)**	–	–
Less – other administration expenses	3	**(74)**	(101)	(49)
FOB cost		**6,712**	5,465	12,051

1 The fair value loss on biological assets is included in other operating expenses.
2 Expenses related to contributions to the trusts include contributions to the CPP of R 136 million, as well as expenses recognised for the EPP based on services rendered by employees of R9 million.

G. FOB cost per export tonne

FOB cost	F	**6,712**	5,465	12,051
Export saleable production (kt)		**6,142**	6,661	14,511
FOB cost per export tonne (Rand/tonne)		**1,093**	820	830

H. FOB cost excluding royalties

FOB cost	F	**6,712**	5,465	12,051
Less – royalties	3	**(1,016)**	40	(394)
FOB cost excluding royalties		**5,696**	5,505	11,657

ALTERNATIVE PERFORMANCE MEASURESΔ CONTINUED

For the six months ended 30 June 2022

The APMs used in the condensed consolidated interim financial statements have been reconciled as below continued:

I. FOB cost per export tonne excluding royalties

Rand million (unless otherwise stated)	Notes	**Reviewed 30 June 2022 6 months**	Reviewed 30 June 2021 6 months	Audited 31 December 2021 12 months
FOB cost excluding royalties	H	**5,696**	5,505	11,657
Export saleable production (kt)		**6,142**	6,661	14,511
FOB cost per export tonne excluding royalties (Rand/tonne)		**927**	826	803

J. Environmental liability coverage

Environmental provisions	15	**6,896**	6,359	6,751
Investments held to fund closure activities		**3,664**	3,306	3,487
Assets held in the environmental rehabilitation trusts	15	**3,270**	3,113	3,288
Other environmental investments	15	**394**	193	199
Environmental liability coverage (%)		**53**	52	52

ANNEXURE 2

GLOSSARY

For the six months ended 30 June 2022

A number of terms have been used in the condensed consolidated interim financial statements, using the definitions as detailed below.

Term used	Definition
AAIC	Anglo American Inyosi Coal Proprietary Limited
AAML	Anglo American Marketing Limited
AGM	Annual general meeting
Anglo American	The Anglo American plc Group, and its subsidiaries
AOPL	Anglo Operations Proprietary Limited, also known as TOPL
APM	Alternative performance measure
ASA	Anglo South Africa Proprietary Limited
Benchmark coal price	Benchmark price reference for 6,000kcal/kg thermal coal exported from the RBCT
Butsanani Energy	Butsanani Energy Investment Holdings Proprietary Limited
Capital support agreement	The agreement concluded between ASA and Thungela regulating the terms and conditions upon which ASA will support the thermal coal sales of the Group
CA (SA)	Chartered Accountant South Africa
CEO	Chief executive officer
CFO	Chief financial officer
Circular 1/2021	Circular 1/2021: Headline Earnings issued by SAICA detailing the requirements for determining headline earnings
Coal reserves	Modified indicated and measured coal resources, including consideration of modifying factors that affect extraction. This represents the economically extractable material
Coal resources	The in-situ coal for which there are reasonable prospects for eventual economic extraction
CODM	Chief operating decision maker
Conditional shares	Shares or share awards granted to participants under the Thungela share plan which are subject to certain performance conditions and employment conditions
CPP	The Nkulo Community Partnership Trust, also referred to as the Community Partnership Plan
DBS	Deferred bonus share
Demerger	The process to separate Thungela from Anglo American, as fully described in the PLS
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Mineral Resources and Energy
DWS	Department of Water and Sanitation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EcoStatus	A term used by the Department of Water Affairs to describe the totality of the features and characteristics of the river and its riparian areas that bear upon its ability to support an appropriate natural flora and fauna and its capacity to provide a variety of goods and services
EIA	Environmental impact assessment
Environmental provisions	The Group's obligations to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental disturbances are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on the operating sites
EPP	The SACO Employee Partnership Plan Trust, also referred to as the Employee Partnership Plan
EPS	Earnings per share

ANNEXURE 2

GLOSSARY CONTINUED

For the six months ended 30 June 2022

A number of terms have been used in the condensed consolidated interim financial statements, using the definitions as detailed below continued.

Term used	Definition
ESG	Environmental, social and governance
EU	European Union
FCA	The Financial Conduct Authority of the UK or its successor from time to time
FEC	Forward exchange contract
FMA	The Financial Markets Act 19 of 2012 (as amended or replaced from time to time)
FOB	Free on board
FOR	Free on rail
Forfeitable shares	Shares or share awards granted to participants pursuant to the Thungela share plan, the vesting of which is subject to the fulfilment of an employment condition over the employment period
FSMA	The UK Financial Services and Markets Act 2000 (as amended from time to time)
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
GBP	British pound sterling
Group	Thungela and its subsidiaries, joint arrangements and associates
HDSA	Historically disadvantaged South African
HEPS	Headline earnings per share
IAS	International Accounting Standard, referencing a specific standard to be applied
IAS 12	Income Taxes
IAS 27	Separate Financial Statements
IAS 34	Interim Financial Reporting
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as issued by the IASB and the IFRS Interpretations Committee (previously known as the IFRIC). When used before a number this references a specific standard to be applied
IFRS 13	Fair Value Measurement
Internal restructure	The internal restructuring of the Group undertaken in preparation for the demerger
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	The listings requirements issued by the JSE under the FMA to be observed by issuers of equity securities listed on the JSE
Kcal/kg	kilocalories per kilogram
kt	A measure representing 1,000 tonnes
kW	Kilowatt
LOM	Life-of-mine

Term used	Definition
LSE	London Stock Exchange
LTIP	Long-term incentive plan
Mafube Coal Mining	Mafube Coal Mining Proprietary Limited
Mainstreet 1756	Main Street 1756 (RF) Proprietary Limited
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and the delegated acts, implementing acts, technical standards and guidelines thereunder as modified and as such legislation forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and as modified by UK domestic law from time to time
MOI	Memorandum of incorporation
MPRDA	The South African Mineral and Petroleum Resources Development Act 28 of 2002
MPRDA Regulations	Mineral and Petroleum Resources Development Regulations, 2004, published under the Mineral and Petroleum Resources Development Act 28 of 2002
Ml	Million liters
Mt	Million tonnes
Mtpa	Mt per annum
NCI	Non-controlling interests
NEMA	The South African National Environmental Management Act 107 of 1998 (as amended from time to time)
NEMA Financial Provisioning Regulations	Financial provisioning regulations, 2015, published under the National Environmental Management Act 107 of 1998
NRV	Net realisable value
OCI	Other comprehensive income
Old order mines	Old order mines reference to Goedehoop, Isibonelo and Khwezela, which are separately ring-fenced for tax purposes in line with relevant tax legislation applicable to mining companies in South Africa
Pamish	Pamish Investments No. 66 Proprietary Limited
Performance condition	A performance condition to be satisfied in order for conditional awards to vest under the Thungela share plan
Phola	Phola Processing Plant Proprietary Limited
Pro forma financial information	The pro forma consolidated statements of profit or loss for the reporting periods ended 30 June 2021, 31 December 2021, 30 June 2020 and 31 December 2020, along with supporting pro forma analyses of profit/(loss) before net finance costs and tax and pro forma APMs
RBCT	Richards Bay Coal Terminal Proprietary Limited or the Richards Bay Coal Terminal
RMC	Rietvlei Mining Company Proprietary Limited
RNS	LSE Regulatory News Service
ROM	Run of mine, representing the product extracted from mining operations before it is processed into saleable product
SACO	South Africa Coal Operations Proprietary Limited
SACO Group	SACO and its subsidiaries, joint arrangements and associates
SAICA	South African Institute of Chartered Accountants
SARS	The South African Revenue Service
SA Thermal coal operations	Anglo American's South African thermal coal operations which were the subject of the demerger, as defined in the PLS

GLOSSARY CONTINUED

For the six months ended 30 June 2022

A number of terms have been used in the condensed consolidated interim financial statements, using the definitions as detailed below continued.

Term used	Definition
Secondary index price	Benchmark price reference for 6,000kcal/kg thermal coal at point of discharge in Northwest Europe
SENS	The Stock Exchange News Service of the JSE
TCFD	The Task Force on Climate Related Financial Disclosures
TFR	Transnet Freight Rail, a division of Transnet SOC Limited
The Companies Act of South Africa	The Companies Act 71 of 2008 (as amended)
Thungela or the Company	Thungela Resources Limited
Thungela share plan	The long-term share incentive plan adopted by Thungela to attract, retain, incentivise and reward high-calibre employees
TOPL	Thungela Operations Proprietary Limited (known as AOPL until the name was formally changed on 1 March 2022)
TRCFR	Total recordable case frequency rate
Trusts	The EPP and CPP collectively
TSR	Total shareholder return
UK Disclosure Guidance and Transparency Rules	The rules relating to the disclosure of information made in accordance with section 73A(3) of the FSMA
UK Listing Rules	The listing rules relating to admission to the UK Officials List made under section 73A(2) of the FSMA
UK Officials List	The official list of the FCA
USD	United States dollar
VAT	Value added tax
WANOS	Weighted average number of shares outstanding
ZAR	South African rand
Zimele	Anglo American Zimele Loan Fund Proprietary Limited

CORPORATE INFORMATION

THUNGELA RESOURCES LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2021/303811/06
JSE share code: TGA
LSE share code: TGA
ISIN: ZAE000296554
Tax number: 9111917259
('Thungela' or the 'Group' or the 'Company')

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Kholeka Winifred Mzondeki
Thero Micarios Lesego Setiloane
Benjamin Monaheng (Ben) Kodisang
Seamus Gerard French (Irish)[1]

1 Seamus Gerard French resigned from Anglo American on 31 December 2021 and is independent from 1 January 2022.

PREPARED UNDER THE SUPERVISION OF

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