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
('Thungela' or the 'Company' and together with its affiliates, the 'Group')

Chief Financial Officer's Pre-Close and Trading Statement for the financial year ending 31 December 2022

Robust cash generation despite continued rail constraints

Dear Stakeholder

As we reflect on Thungela's journey in 2022, we are proud that we have continued to deliver on our promise of responsibly creating value together for a shared future.

Thungela has operated fatality-free for the year to date and we will continue our relentless drive to eliminate fatalities.

The business has continued to deliver strong earnings and cash generation for the period 1 January 2022 to 30 November 2022 ("the year to date"[1]) and we expect to achieve another strong set of financial results for the year ending 31 December 2022 ("FY 2022").

These results have been achieved against the backdrop of various challenges in South Africa, primarily a deterioration in Transnet Freight Rail ("TFR") performance, a rise in illegal mining activity, and increased incidents of power interruption.

TFR performance continued to deteriorate in the second half of the year - from an annualised industry rate of 53.3Mt in H1 2022, down to an expected annualised rate of 49.0Mt in H2 2022. Poor rail performance impacted our ability to move coal to port, with a concomitant impact on export sales. The poor performance was further exacerbated by a 12 day strike by Transnet employees in October 2022, as well as a severe derailment on the coal corridor in early November which took 10 days to clear.

While we were able to partially mitigate the impact on our business, the duration of these events, combined with the need for TFR to rebalance the rail system following the conclusion of the strike and the derailment, resulted in a loss of approximately 600kt of export saleable production for FY 2022.

Thungela sought to mitigate the impact of the rail challenges to the extent possible by continuing to rail higher-grade products and creating additional stockpile capacity by trucking coal between our operations. We also trucked coal from our operations to three additional third-party sidings to create further rail loading optionality and de-risk train cancellations. Notwithstanding these actions, we were forced to curtail production at some operations in 2022.

The following are the key insights into our performance for the year to date and our expectations for the financial year ending 31 December 2022.

- **Demand for energy, including thermal coal, remained firm** into H2 2022 given continued supply constraints coupled with the need for energy security globally. The on-going conflict in Ukraine resulted in Europe seeking to mitigate the impact of tighter gas stocks through increased imports of coal. Demand in the region is expected to remain firm into 2023 as stocks will have to be replenished following the winter season.

- **The Benchmark coal price[2]** has averaged $276.57/tonne for the year to date, compared to $124.11/tonne for FY 2021. Although prices remain firm, they continue to be volatile.

- **Discount to the Benchmark coal price** has been approximately 15% for the year to date, compared to 16% for FY 2021 and 13% for H1 2022. Discounts for lower grade products have widened in the second half of the year due to the high and volatile price levels. The average realised export price for the year to date is $236.11/tonne, compared to $103.82/tonne for FY 2021.

- **Export saleable production** for FY 2022 is expected to be 12.8Mt, lower than the revised guidance range of 13.0Mt to 13.6Mt issued in August 2022, and 15% lower than FY 2021 export saleable production of 15.0Mt. This is mainly attributable to the reduced and inconsistent TFR rail performance.

- **FOB cost per export tonne excluding royalties** for FY 2022 is expected to be approximately R955/tonne, which is 4% higher than the upper end of the revised guidance range of R885 to R915/tonne issued in August 2022. This is in comparison to R785/tonne for FY 2021 (on a pro forma basis[3]). The increase is primarily attributable to the proportionate impact of lower export saleable production, and a non-cash charge of R85/tonne relating to an increase in the environmental provisions based on revised closure estimates. Including royalties, the FOB cost per export tonne is expected to be R1,106/tonne, compared to R812/tonne in FY 2021 (on a pro forma basis[3]).

- **Export equity sales** for FY 2022 are expected to be 11.9Mt, compared to 13.9Mt (on a pro forma basis[3]) in FY 2021, a decrease of 14%. We expect an inventory build of approximately 900kt for FY 2022.

- **Capital expenditure** for FY 2022 is expected to be R1.9 billion**,** in line with guidance. This consists of R1.6 billion relating to sustaining capital and R0.3 billion relating to expansionary capital.

- **Cash flow generation** has been robust on the back of strong realised export coal prices. The strong cash generation has resulted in a **net cash position of R19.8 billion** on 30 November 2022, compared to R8.0 billion on 30 November 2021. Cash flow from operations in December 2022 is expected to be neutral due to the disruption to November sales as a result of the TFR strike and derailment. Furthermore, the Group expects to pay taxes and royalties of R4.0 billion and to make a contribution of R1.0 billion towards the establishment of a self-insurance structure in December 2022 as discussed below.

- **Earnings per share ("EPS")[4]** for FY 2022 is expected to be at least R125.00. This represents an increase of at least R63.92 (or 105%) compared to FY 2021 EPS of R61.08.

- **Headline earnings per share ("HEPS")[4]** for FY 2022 is expected to be at least R131.00, an increase of at least R64.43 (or 97%) compared to FY 2021 HEPS of R66.57.

Thungela has taken the strategic decision to focus on the closure of parts of the Khwezela complex in an effort to reduce the impact of illegal mining on the site and to mitigate the risk of future adverse environmental events. Revised closure cost estimates resulted in a non-cash income statement charge of R1.1 billion in FY 2022. These estimates are higher compared to previous assessments due to higher diesel costs, an increase in mining inflation assumptions, and the cost of rehabilitating previously rehabilitated mining areas due to surface disturbances caused by illegal mining activities.

The acquisition of the 27% shareholding in Anglo American Inyosi Coal Proprietary Limited, the entity which holds the Zibulo operation and the Elders project, underscores our commitment to optimising capital allocation. As a result of the transaction, Thungela will benefit from the full economics of the most cash generative assets in our portfolio, providing an uplift in earnings attributable to the equity owners of Thungela.

Recognising that sustainability requires continued and predictable access to insurance, Thungela has implemented a self-insurance structure and will make an initial capital contribution of R1.0 billion in December 2022.

Maintaining disciplined capital allocation remains a cornerstone of Thungela's strategy and a key enabler of the long-term sustainability of the business. The board is committed to returning additional cash to shareholders above the targeted minimum pay-out ratio of 30% of adjusted operating free cash flow[5]. With this in mind, the Company expects to declare a final dividend for FY 2022 upon the release of its annual results on or about 27 March 2023.

Deon Smith
Chief Financial Officer

Annexure A: Operational Performance

As disclosed in the Annual Financial Statements for the year ended 31 December 2021, the internal restructure[3] had an impact on the comparatives presented for 31 December 2021. 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 year ending 31 December 2022, the financial statements will 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 year ended 31 December 2021. No additional pro forma financial information will be presented for the year ending 31 December 2022.

Table 1: Export saleable production by operation

Export saleable production Mt	**2021 Actual IFRS** (a)	**2021 Actual Pro Forma** (b)	**2022 Forecast[6]** (c)	**% change** (c-b)/b
Underground	**11.2**	**11.2**	**9.5**	**-15%**
Zibulo	5.6	5.6	4.3	-23%
Greenside	3.5	3.5	2.6	-26%
Goedehoop[7]	2.2	2.2	2.6	18%
Opencast	**3.3**	**3.8**	**3.3**	**-13%**
Khwezela	2.0	2.0	1.5	-25%
Mafube	1.3	1.8	1.8	-
TOTAL	**14.5**	**15.0**	**12.8**	**-15%**

Table 2: Export sales by segment

Export sales Mt	2021 Actual	2022 Forecast[6]	% change
Equity sales	**13.9**	**11.9**	**-14%**
Underground	10.2	8.5	-17%
Opencast	3.7	3.4	-8%
Third party sales	**1.0**	**0.0**	**-**
TOTAL	**14.9**	**11.9**	**-20%**

Footnotes

1. All references in this document to “year to date” refer to the period from 1 January 2022 to 30 November 2022.
2. Benchmark price reference for 6,000kcal/kg thermal coal exported from the Richards Bay Coal Terminal.
3. The internal restructure was completed on 31 March 2021 and had an impact on financial and non-financial information of the Group. Refer to note 2A in the Annual Financial Statements for the year ended 31 December 2021 at https://www.thungela.com/investors/results for full detail related to the internal restructure. Information disclosed on a pro forma basis for the comparative period reflects the pro forma information presented in 2021.
4. EPS and HEPS for FY 2022 is based on a WANOS of approximately 133.7 million shares. This takes into account the impact of the shares issued on 30 November 2022 relating to the transaction to acquire 27% of Anglo American Inyosi Coal Proprietary Limited. EPS and HEPS for FY 2021 is based on a WANOS of approximately 105.3 million shares.
5. Adjusted operating free cash flow is net cash flows from operating activities less sustaining capex.
6. Based on the latest available management forecasts. Final figures may differ by ± 5%.
7. Export saleable production for Goedehoop includes approximately 300kt attributable to the Nasonti operation.

Review of Pre-Close and Trading Statement
The information in this Pre-Close and Trading Statement, including the pro forma information, is the responsibility of the directors of Thungela and has not been reviewed or reported on by the Group's independent auditors.

The pro forma financial information has been prepared for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

A further trading statement will be released once the Company has certainty on the ranges for EPS and HEPS as required by the JSE Listing Requirements.

Investor Call Details
A conference call and audio webinar relating to the details of this announcement will be held at 12:00 SAST on Thursday 8 December 2022. A recording of the webinar will be made available on the Thungela website from 15:00 on the same date.

Conference Call registration:
https://services.themediaframe.com/links/thungela-10043528.html

Audio webinar registration:
https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=9046114&linkSecurityString=13c2af378c

Disclaimer

This document includes forward-looking statements. All statements other than statements of historical facts included in this document, 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 Reserve and Resource positions), are, or may be deemed to be, forward-looking statements. 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. The Group assumes no responsibility to update forward-looking statements in this announcement except as may be required by law.

The information contained within this announcement is deemed by the Company 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.

Investor Relations
Ryan Africa
Email: ryan.africa@thungela.com

Media Contacts
Tarryn Genis
Email: tarryn.genis@thungela.com

UK Financial adviser and corporate broker
Liberum Capital Limited
Tel: +44 20 3100 2000

Sponsor
Rand Merchant Bank
(a division of FirstRand Bank Limited)

Rosebank
8 December 2022