

thungela

Reviewed condensed consolidated interim
financial statements
for the six months ended 30 June 2021



ABOUT THUNGELA

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Thungela Resources Limited (‘Thungela’ or the ‘Group’ or the ‘Company’) are responsible for the preparation of the commentary, condensed consolidated interim financial statements, Pro Forma Financial Information and the APMs, as well as the forward-looking statements included in this document. The directors are satisfied that this document fairly presents the state of the affairs of the Group.

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COMMENTARY

KEY FEATURES

Safety

The Group remains committed to achieving a fatality-free business and will continue working tirelessly with our stakeholders to ensure that all our people return home safely every day. It is therefore with sadness that the Group reports the loss of Moeketsi Mabatla at Goedehoop Colliery on 23 June 2021. Learning from incidents such as this is important to continuously improve our safety response and controls across our operations.

Successful transition to a standalone, JSE and LSE listed business

Our listing on the JSE and LSE on 7 June 2021 was a significant milestone for our business and also marked the start of our economic and operational independence.

Comprehensive ongoing response to the COVID-19 pandemic

The Group recognises the impact that the COVID-19 pandemic has had across the world, including on our people, their families, and our host communities, and the Group extends our condolences to all of those who have lost loved ones. To protect the lives and livelihoods of our people and our communities, Thungela has rolled out a comprehensive programme in response to the COVID-19 pandemic, including a workplace testing and vaccination programme.

Operating profit of R990 million and Adjusted EBITDA of R1,888 million for the six months ended 30 June 2021

Operating profit and Adjusted EBITDA¹ benefited from a strong recovery in thermal coal prices, underpinned by the global economic recovery, and an improved asset portfolio following steps to place higher cost production on care and maintenance from the first quarter of 2021. EPS was impacted by the restructuring costs and termination benefits, as well as the fair value loss on the derivative asset related to the Capital Support Agreement concluded as part of the Demerger.

Robust financial position with cash of R3,135 million (Net cash of R3,043 million), supported by strong cash generation since the Group achieved economic and operational independence

In addition to the R2,500 million cash injection received upon Demerger, the Group generated strong cash flows in June contributing to a robust cash position of R3,135 million (Net cash¹ of R3,043 million) at 30 June 2021.

Confirmation of full year production and cost outlook

Notwithstanding the underperformance across the TFR network which may continue to impact sales and production volumes, Thungela confirms the guidance for export saleable production of between 15Mt to 16Mt and flat FOB cost per export tonne.

Disciplined capital allocation

A review and prioritisation of the Group's capital expenditure plans confirmed the opportunity to achieve the low end of the full year 2021 guidance (R2,600 million to R3,000 million) without compromising the integrity of installed capacity or the stripping and development plans.

Thungela remains committed to its stated dividend policy, which is to target a dividend pay-out of a minimum of 30% of Adjusted operating free cash flow¹.

¹ This is considered an APM, refer to Annexure 1 on page 63 of this document for further detail.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

July Ndlovu, Chief Executive Officer of Thungela, said:

"Thungela is pleased to announce a significant increase in interim earnings as we report for the first time as an independent, focused coal export business. Our operating profit of R990 million and Adjusted EBITDA¹ of R1,888 million demonstrate our ability to operate profitably notwithstanding the ongoing pandemic. Our listing on the Johannesburg Stock Exchange and London Stock Exchange on 7 June 2021 was a significant milestone for our new business and for the shareholders and partners who have embarked on this journey with us.

We mourn the sad passing of our colleague and friend Moeketsi Mabatla at Goedehoop Colliery on 23 June 2021. We have lost 12 of our colleagues to COVID-19, and many of us have also lost family and friends to this pandemic. The loss of these lives casts a shadow over the start of our journey and our heartfelt condolences go out to all who have lost loved ones. These losses will continue to shape our safety behaviours as we champion a fatality-free business and fight COVID-19 infections.

We have established our workplace vaccination programme in collaboration with the South African government and other stakeholders. We are also working on plans to extend this programme to families of employees and contractors as well as those in our host communities.

Impacting the lives of the people closest to our operations in a meaningful and authentic way is at the core of our new identity. Our newly established Employee and Community Partnership Plans signify this commitment. Each of these plans now holds a 5% fully funded interest in our coal operations in South Africa, setting them up to share in the financial value that we generate.

After a month of operating as a standalone business, we are cash positive and well positioned to deliver on our targets. We are pleased to note the recent recovery of global thermal coal prices. These are reflective of the continued demand for high quality coal amid challenging supply dynamics across many regions. Our business reported an increase in earnings, with EPS of 313 cents. The steps we have taken to upgrade our portfolio and our continued focus on improving productivity and operating costs, will no doubt stand us in good stead into the future."



¹ This is considered an APM, refer to Annexure 1 on page 63 of this document for further detail.

COMPARABILITY OF RESULTS

While the financial and operating results of the Group have been prepared in a manner fully compliant with IFRS, the Group has also deemed it necessary to present Pro Forma Financial Information in order to enhance stakeholders' understanding of the Group's operating and financial performance as an independent business on a like for like basis.

Various acronyms, abbreviations and measures used throughout this document have been defined in Annexure 2 on page 67.

Internal Restructure of the Thungela Group before Demerger

An internal restructuring process was undertaken to separate the South African Thermal Coal Operations and the various non-thermal coal operations within Anglo American in order to prepare the Group for the Demerger. This included consolidating all of the South African Thermal Coal Operations into a single group of companies and is referred to as the Internal Restructure. As part of the Internal Restructure, the following key steps were undertaken, among others:

- Certain categories of assets and liabilities that were not exclusively or predominantly related to TOPL's coal business were transferred out of TOPL to ACSSA, at the time both wholly owned subsidiaries of ASA, with effect from 1 September 2020;
- The 100% ownership interest in TOPL was transferred by ASA to SACO, also a wholly owned subsidiary of ASA, with effect from 31 December 2020. TOPL owns a 33.3% share in Butsanani Energy and in combination with SACO's existing 33.3% holding in Butsanani Energy, SACO also obtained control of this business with effect from 31 December 2020;
- Anglo American's 50% interest in Mafube Coal Mining was transferred by ASAC, also a wholly owned subsidiary of ASA, to SACO with effect from 31 March 2021;
- Thungela was incorporated on 5 January 2021 as a wholly owned subsidiary of ASA to act as the holding company of the Group;
- The 100% ownership interest in SACO was sold by ASA to Thungela, also at the time of the sale a wholly owned subsidiary of ASA, with effect from 1 June 2021; and
- The EPP and CPP came into effect and each purchased from Thungela 5% of its share in SACO with effect from 2 June 2021, as well as subscribed for the E preference share and C preference share as more fully detailed in note 2 of the condensed consolidated interim financial statements for the six months ended 30 June 2021.

Thungela was then 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 Group obtained economic and operational independence from Anglo American from 1 June 2021, on the sale of SACO to Thungela.

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. As such, the comparatives included in the financial statements reflect the book values of the assets and liabilities of the SACO Group as previously recognised in the Anglo American Group financial statements. The equity of the Thungela Group, however, reflects Thungela's capital structure, which reflects shares issued only in June 2021.

The acquisitions of TOPL, including Butsanani Energy, and Mafube Coal Mining on 31 December 2020 and 31 March 2021 respectively, are business combinations under common control. The Group has elected to account for both acquisitions 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 have not been restated.

¹ TOPL is defined as Thungela Operations Proprietary Limited (currently known as AOPL until the formal name change).

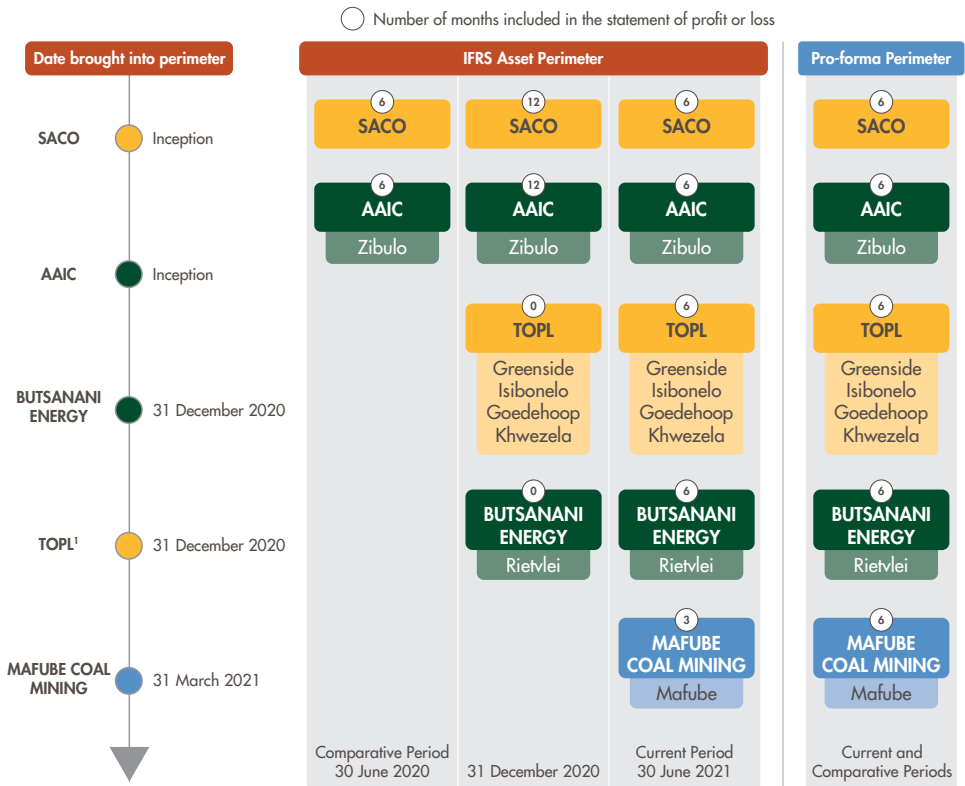
Internal Restructure of Thungela Group before Demerger continued

Consequently, the condensed consolidated interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 includes the results of the TOPL, Butsanani Energy and Mafube Coal Mining businesses as follows:

- The results of the operations of TOPL (owning and operating the Isibonelo, Khwezela, Greenside and Goedehoop collieries) with effect from 1 January 2021 (representing a full six months of performance);
- The results of the operations of Butsanani Energy (owning the independently operated Rietvlei colliery) with effect from 1 January 2021 (representing a full six months of performance); and
- The proportionate share of the results of the operations of Mafube Coal Mining (owning and operating the Mafube colliery) for three months with effect from 1 April 2021.

Before the Internal Restructure, SACO owned 73% of AAIC (owning and operating the Zibulo colliery), and thus the comparatives included in the condensed consolidated interim financial statements reflect only the operations of AAIC before the Internal Restructure was implemented.

These steps are illustrated in the below diagram:



¹ TOPL is defined as Thungela Operations Proprietary Limited (currently known as AOPL until the formal name change).

COMPARABILITY OF RESULTS continued**Presentation of Pro Forma Financial Information**

The impact of the Internal Restructure is significant to the financial and operating results of the Group, given that the ownership structure reflected only one out of seven operating mines until 31 December 2020, which is not reflective of the operations of the Group on a forward-looking basis. The comparatives included in the condensed consolidated interim financial statements are thus not fully reflective of the operations of the Group over the comparative period. On this basis, the Group has presented a Pro Forma condensed consolidated interim statement of profit or loss for the six months ended 30 June 2021 and 30 June 2020 ('the Pro Forma Financial Information') to reflect what the financial results may have been, if the Internal Restructure had happened at the start of the reporting period. This Pro Forma Financial Information is included in Annexure 3 on page 69 of this document and has been prepared using the same basis of preparation as reflected in the HFI as included in the PLS published on 8 April 2021, which is available for download from the Group's website at <https://www.thungela.com/investors/demerger>

The Pro Forma Financial Information has been prepared to enhance users' understanding of the condensed consolidated interim financial statements, based on the timing of the Internal Restructure and the impact thereof on the comparability of the financial results as detailed in note 2 of the condensed consolidated interim financial statements for the six months ended 30 June 2021. The Pro Forma Financial Information excludes any Pro Forma impacts arising as a consequence of the Demerger, Post-Balance Sheet Transactions (as defined in the Annex 6B of the PLS) and related agreements as contemplated in the PLS.

The Pro Forma Financial Information is prepared for illustrative purposes only, is the responsibility of the Thungela directors and, because of its nature, may not fairly present the results of operations of the Group for the reporting periods presented if the Internal Restructure had taken place at the start of the reporting periods. The Pro Forma Financial Information has not been reported on by the Group's independent auditor.

The Pro Forma Financial Information, as well as the Pro Forma APMs are more fully set out in Annexure 3 of the condensed consolidated interim financial statements for the six months ended 30 June 2021, on page 69 of this document.

The directors consider additional operational and financial measures to assess the results of 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 not been reported on by the Group's independent auditor. Refer to Annexure 1 of this document on page 63 for further detail.

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been reviewed by PwC and their unmodified review opinion appears on page 21. The auditor's opinion does not necessarily report on all the information contained in this document.

KEY FIGURES

Group (IFRS)	30 June 2021	30 June 2020
Safety		
Total recordable case frequency rate (TRCFR) (per million-man hours)	1.66	1.60
Operational performance (kt unless otherwise stated)		
Export saleable production	6,661	1,535
Export equity sales	6,589	1,304
Third-party export sales	926	–
Average realised export price (Rand/tonne)	1,105	999
Financial performance (Rand million unless otherwise stated)		
Revenue	10,046	1,657
Operating profit	990	52
Adjusted EBITDA ¹	1,888	247
Profit/(loss) for the reporting period	351	(122)
Earnings/(loss) per share (cents)	313	(193)
Headline earnings/(loss) per share (cents)	305	(193)
Financial structure (Rand million)		
Capital expenditure ¹	(1,284)	(237)
Adjusted operating free cash flow ¹	(1,682)	(248)
	30 June 2021	31 December 2020
Financial structure (Rand million unless otherwise stated)		
Net working capital	2,020	156
Cash and cash equivalents	3,135	194
Net cash/(debt) ¹	3,043	(388)
Environmental liability coverage (%) ¹	52.0	46.6
	30 June 2021	30 June 2020
Group (Pro Forma Financial Information)		
Operational performance (kt unless otherwise stated)		
Export saleable production	7,107	7,782
Export equity sales	6,589	7,188
Third-party export sales	926	850
Average realised export price (Rand/tonne)	1,105	815
FOB cost per export tonne (Rand/tonne) ¹	782	782
Financial performance (Rand million unless otherwise stated)		
Revenue	10,157	8,200
Operating profit/(loss)	1,046	(286)
Adjusted EBITDA ¹	1,977	107
Profit/(loss) for the reporting period	422	(438)
Earnings/(loss) per share (cents)	223	(359)

¹ This is considered an APM, refer to Annexure 1 on page 63 of this document for further detail.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Safety

Our people are at the heart of our business and their safety is what matters most. It is therefore with deep sadness that we report the tragic passing of Moeketsi Mabatla during an evacuation following an underground fire that emanated from a trackless mobile machine. This incident occurred on 23 June 2021 at the Goedehoop Colliery.

We remain committed to achieving a fatality-free business and will continue working tirelessly with our stakeholders to ensure that all our people return home safely every day.

Our TRCFR for the period was 1.66 total recordable cases per million-man hours (30 June 2020: 1.60).

COVID-19 response

The COVID-19 pandemic continues to have an impact on our business, operations, people, and host communities. Our operations continue to mount a resilient and effective response to the pandemic. The Group has implemented a series of actions on our sites, including the development of COVID-19 critical controls for on-site management of the pandemic, which have enabled our operations to continue operating safely.

At our Highveld Hospital the Group established a COVID-19 PCR testing laboratory and installed 50 new bed units to provide clinical care when needed. The Group also provided eight clinics in the region with personal protective equipment, medical supplies, clinical support and training of healthcare professionals. The Highveld Hospital has been accredited as a vaccination site and the Group is currently administering vaccinations to eligible employees including contractors. The Group is also working on plans to extend this programme to families of employees and contractors as well as those in our host communities.

Environmental stewardship

The Group remains committed to being responsible stewards of the environment. For the six months ended 30 June 2021, the Group has not recorded any reportable environmental incidents (typically referred to as level 3 - 5 incidents).

The Group continues to advance trials focused on passive water treatment and have also completed assurance procedures focused on the management of mineral residue deposits and tailings.

Creating shared value for stakeholders

In a landmark empowerment transaction, the Group created the SACO Employee Partnership Plan and the Nkulo Community Partnership Plan. Each of these Trusts hold a 5% direct equity stake in our operations through SACO. These structures are unique in the industry, as they are debt-free, an empowerment milestone for the South African mining industry. The first distribution of R6 million to the Nkulo Community Partnership Plan was made on 30 June 2021. Trustees have been appointed and plans are underway to appoint an administrator to ensure the Trust delivers on its mandate.

MARKET OVERVIEW

Thermal coal price and exchange rate (Pro Forma Financial Information)	30 June 2021	30 June 2020
Benchmark coal price ¹ (USD/tonne)	97.71	66.39
Average realised export price (USD/tonne)	75.27	48.90
Average realised export price (Rand/tonne)	1,105	815
Realised price as a % of benchmark (%)	77.0	73.7
ZAR:USD exchange rate	14.68	16.67

The Group's financial and operating results are impacted by movements in the thermal coal price and the ZAR:USD exchange rate. Seaborne thermal coal prices strengthened to an average of \$97.71 per tonne in the first half of 2021, a 47% improvement on prices observed for the comparative period. The price improvement has been driven by a rebound in global economic activity as the impact of COVID-19 gradually recedes around the world. A resurgence of the pandemic remains a risk, especially in developing countries.

Firmer demand out of South Asia, the continuing ban on Australian coal imports into China, and supply constraints in South Africa, Australia and Colombia remain price supportive in the short term. Developing economies in South Asia (including India, Pakistan, Sri Lanka and Vietnam) continued to secure South African coal and account for 75% of the South African seaborne supply, while China increased its share to 12%.

While the world gradually moves to renewable energies, these developing economies will continue to require thermal coal. The demand for seaborne thermal coal in South and Southeast Asia will be driven by urbanisation and robust economic growth, which drives energy demand. Thungela's high-quality coal is well placed to continue capitalising on significant market demand in this region.

While seaborne thermal coal prices have improved, the market also observed a widening in the various quality discounts (with the exception of high grade 6,000kcal/kg product) as end-users attempted to mitigate the impact of the higher prices. The Group has, however, seen the average discount for its products narrow to 23% in the current period, compared to an average discount of 26% in the comparative period. All things being equal, the new marketing arrangement with Anglo American, which became effective on 1 June 2021, should also support a slightly narrower discount in the second half of 2021 and going forward.

The Group's ability to move coal to the Richards Bay Coal Terminal was severely hampered by TFR underperformance. The rail coal line operator's performance challenges are attributable to theft of infrastructure (e.g. overhead power cables, signalling and tracks) and equipment failures mainly related to locomotives. TFR conducted maintenance on the coal line in July 2021. Should the South African government and TFR reduce or eliminate the issues relating to theft and equipment failures, then an improved rail performance during the second half of 2021 is expected. Thungela will continue working closely with TFR in order to resolve these challenges.

¹ Benchmark price reference for 6000kcal/kg thermal coal exported from the Richards Bay Coal Terminal.

OPERATIONAL OVERVIEW

Group (IFRS) (kt)	30 June 2021	30 June 2020
Run of mine	13,246	3,361
Total saleable production	13,047	2,623
Export saleable production	6,661	1,535
Domestic saleable production	6,386	1,088
Total sales	13,579	2,230
Export equity sales	6,589	1,304
Third-party export sales	926	–
Domestic sales	6,064	926

The material differences between the current and comparative period for the measures set out in the table above relate mainly to the Internal Restructure as described in note 2 of the condensed consolidated interim financial statements for the six months ended 30 June 2021.

Group (Pro Forma Financial Information) (kt)	30 June 2021	30 June 2020
Run of mine	13,892	15,261
Total saleable production	13,493	14,227
Export saleable production	7,107	7,782
Domestic saleable production	6,386	6,445
Total sales	14,010	14,005
Export equity sales	6,589	7,188
Third-party export sales	926	850
Domestic sales	6,495	5,967

ROM has decreased by 9.0% to 13,892kt, mainly due to higher cost production at the Bokgoni pit at Khwezela being placed onto care and maintenance in the first quarter of 2021. This decrease was partially offset by increased volumes from the Navigation pit at Khwezela, which is in ramp-up. Furthermore, during January 2021, production was impacted by the second wave of the COVID-19 pandemic in South Africa.

Export saleable production volumes decreased 8.7% to 7,107kt as a result of the decrease in ROM production. Export equity sales also declined by 8.3% to 6,589kt, primarily as a result of the lower saleable production volumes for the six months ended 30 June 2021, but also as a result of lower than planned railings due to the challenges experienced by TFR. While the lower than planned rail performance had a muted impact on saleable production, incremental costs to manage higher-than-normal on-mine inventory stockpiles continue to be incurred.

Domestic saleable production decreased marginally to 6,386kt, while domestic sales increased by 8.8% to 6,495kt, primarily due to the Rietvlei colliery selling down product stockpiles.

Coal resources and reserves

Other than the normal life-of-mine depletion, there were no material changes to the Coal Resources and Coal Reserves estimates as disclosed in the PLS published on 8 April 2021.

FINANCIAL OVERVIEW

Group (IFRS) (Rand million unless otherwise stated)	30 June 2021	30 June 2020
Revenue	10,046	1,657
Operating costs	(8,670)	(1,603)
Operating profit	990	52
Profit/(loss) for the reporting period	351	(122)
Attributable to non-controlling interests	118	(2)
Attributable to equity shareholders of the Group	233	(120)
Earnings/(loss) per share (cents)	313	(193)
Headline earnings/(loss) per share (cents)	305	(193)
WANOS (number of shares)	74,408,794	62,110,182
APMs¹ (Rand million unless otherwise stated)		
Adjusted EBITDA	1,888	247
Adjusted EBITDA margin (%)	18.8	14.9
Adjusted operating free cash flow	(1,682)	(248)
Capital expenditure	(1,284)	(237)
	30 June 2021	31 December 2020
Net cash/(debt)	3,043	(388)
Environmental liability coverage (%)	52.0	46.6

The material differences between the current and comparative period for the measures set out in the tables above relate mainly to the Internal Restructure as described in note 2 of the condensed consolidated interim financial statements for the six months ended 30 June 2021.

Profit for the reporting period

Profit for the reporting period turned positive to R351 million, mainly as a result of improved prices and various restructuring steps, of which R233 million is attributable to equity shareholders of the Group, while R118 million is attributable to NCI. Of the total profit attributable to NCI, R57 million relates to the NCI in AAIC (operating the Zibulo colliery). However, due to the nature of the loan structure with AAIC the cash generated by AAIC is primarily utilised for the repayment of debt owed by AAIC to TOPL. The balance of R61 million is attributable to NCI in Butsanani Energy (owning the Rietvlei colliery) which is pronounced on the back of strong sales in the first six months of the year.

Profit for the reporting period was impacted significantly by the restructuring costs and termination benefits incurred in the first half of 2021. These costs relate primarily to two matters:

- Additional costs incurred in placing Bokgoni on care and maintenance in the first quarter of 2021 amounting to R193 million; and
- Costs relating to the Demerger amounting to R193 million, of which R138 million related to the accelerated vesting of the Anglo American share awards, which were settled as part of the Demerger, and a further R55 million related to costs incurred to execute the Demerger.

¹ Refer to Annexure 1 from page 63 of this document for further detail on the APM's.

FINANCIAL OVERVIEW continued

Profit for the reporting period continued

Profit for the reporting period was further impacted by a fair value loss of R584 million on the derivative asset relating to the Capital Support Agreement with Anglo American. Given the relatively higher benchmark thermal coal prices observed currently compared to when the agreement was signed in March 2021, it is unlikely that the Group will draw on the additional capital support available as set out in the agreement. Thus, an adjustment has been processed to reflect the derivative asset at its fair value at 30 June 2021. This agreement has not resulted in any cash in or outflow to date for the Group.

Earnings per share and headline earnings per share

The Group issued 136,311,808 shares on 1 June 2021. Of these shares, 62,110,182 shares are considered to have been issued for the existing SACO Group, and are shown as outstanding from the start of the comparative period and reflected as the WANOS for 30 June 2020. The remaining 74,201,626 shares are considered to have been issued in exchange for cash received from Anglo American in June 2021. These shares have been appropriately weighted from the time of their issue to 30 June 2021, resulting in a WANOS of 74,408,794.

The Group generated earnings per share of 313 cents during the period and in the comparative period the Group incurred a loss per share of 193 cents.

The Group generated headline earnings per share of 305 cents during the current period, and for the comparative period the Group incurred a headline loss per share of 193 cents. For the six months ended 30 June 2021, the 305 cents per share includes the impact of the two significant once-off adjustments, being the restructuring costs and termination benefits incurred of R386 million, and the fair value loss on the derivative relating to the Capital Support Agreement with Anglo American of R584 million, as more fully set out above.

Cash utilised in operating activities

The Group utilised cash of R442 million in operating activities during the current period compared to cash utilised of R78 million in the comparative period.

Adjusted operating free cash flow

The Group generated negative Adjusted operating free cash flow¹ of R1,682 million during the current period (compared to negative R248 million in the comparative period).

The difference between the profit for the reporting period generated and the Adjusted operating free cash flow is attributable mainly to the planned working capital build and sustaining capital expenditure incurred in the six months ended 30 June 2021.

Cash and cash equivalents

The Group ended the period with a strong cash position of R3,135 million. Upon achieving economic and operational independence on 1 June 2021, the intercompany loan balance with Anglo American was extinguished and Thungela received a cash injection of R2,500 million from Anglo American. Cash and cash equivalents are reduced by loans and borrowings of R92 million to determine Net cash¹.

Capital expenditure

During the first six months of 2021 the Group incurred R1,284 million of capital expenditure. Typically capex is weighted towards the second half of the year, but as a result of strict capital discipline in the six months ended 30 June 2021, and our work to review and prioritise future spend, we believe that full year capex spend will come in at the low end of the capex target range previously provided of between R2,600 million and R3,000 million.

¹ This is considered an APM, refer to Annexure 1 from page 63 of this document for further detail.

Net working capital

Rand million

Net working capital balance per statement of financial position at 31 December 2020	156
Movements per the statement of cash flows	
Increase in inventories	397
Increase in trade and other receivables	737
Decrease in trade and other payables	588
Non-cash flow movement	142
Net working capital balance per statement of financial position at 30 June 2021	2,020

During the first six months of 2021 net working capital increased by R1,864 million (R1,722 million cash movement). This increase was driven by the replenishment of inventory in order to adequately prepare the Group to function as a standalone business engaged in an arm's-length marketing agreement with AAML. Furthermore, payables moderated downwards as historical payables were cleared in preparation for the Demerger. The increase in receivables is driven primarily by the higher prices achieved in the current period.

Environmental Provisions

At 30 June 2021 the Environmental Provisions recognised amount to R6,359 million, compared to R6,184 million at 31 December 2020. During the period, a contribution of R188 million was made to the Green Fund (which represents the contribution for the entire year). Environmental liability coverage has improved from 46.6% at 31 December 2020, to 52.0% at 30 June 2021.

The Group is satisfied that its exposure to the current environmental obligations is adequately provided for.

While the Group notes the further postponement of the effective date of the NEMA Financial Provisioning Regulations, the Group continues to do work to understand the potential impacts of these regulations on our Environmental Provisions, and financial provisioning required. Where the Group felt there is substantive merit to supplement the basis for our Environmental Provisions the Group has done so.

The Environmental Provisions are comprehensively assessed on an annual basis and determined with the assistance from specialist independent environmental consultants. The next assessment is planned for the second half of 2021.

COMMENTARY continued

FINANCIAL OVERVIEW continued

Group (Pro Forma Financial Information) (Rand million unless otherwise stated)	30 June 2021	30 June 2020
Revenue	10,157	8,200
Operating costs	(8,725)	(8,519)
Operating profit/(loss)	1,046	(286)
Profit/(loss) for the reporting period	422	(438)
Attributable to non-controlling interests	118	52
Attributable to equity shareholders of the Group	304	(490)
Earnings/(loss) per share (cents)	223	(359)
WANOS (number of shares)	136,311,808	136,311,808
APMs¹ (Rand million unless otherwise stated)		
Adjusted EBITDA	1,977	107
Adjusted EBITDA margin (%)	19.5	1.3
FOB cost	5,553	6,086
FOB cost per export tonne (Rand/tonne)	782	782

Revenue

Revenue increased by 23.9% to R10,157 million as a result of the higher realised thermal coal prices observed in the current period of R1,105/tonne (30 June 2020: R815/tonne), partially offset by the impact of the stronger ZAR:USD exchange rate and the lower export sales volumes compared to the prior period.

Operating costs

Total operating costs increased marginally, notwithstanding lower export saleable production, by 2.4% to R8,725 million mainly due to higher third-party purchases. In addition, total operating costs were impacted by foreign exchange movements, given the strengthening of the ZAR:USD exchange rate, and inflation.

However, FOB cost decreased by 8.8% to R5,553 million, primarily as a result of eliminating higher cost production by placing Bokgoni on care and maintenance in the first quarter of 2021. FOB cost per export tonne is in line with the prior period at R782, as the impact of the reduction in total FOB cost is offset by the lower export saleable production volumes.

¹ Refer to Annexure 1 from page 63 of this document for further detail on the APMs.

Adjusted EBITDA

Adjusted EBITDA¹ increased to R1,977 million in the current period (from R107 million in the prior period) mainly as a result of 35.5% higher realised prices in Rand, as well as the impact of removing higher cost production from the portfolio. The Adjusted EBITDA margin¹ improved to 19.5%, compared to 1.3% for the comparative period.

Profit for the reporting period

Profit for the reporting period turned positive to R422 million, compared to a loss of R438 million in the comparative period. This improvement was driven mainly by the increase in revenue which more than absorbed the combined impact of the restructuring costs and termination benefits of R386 million, as well as the fair value loss of R584 million on the derivative pertaining to the Capital Support Agreement.

Profit attributable to equity shareholders of the Group improved to R304 million for the period, compared to an attributable net loss of R490 million in the comparative period. Net profit attributable to NCI more than doubled from R52 million to R118 million.

Earnings per share

The Group generated earnings per share of 223 cents during the period (based on a WANOS for the period of 136,311,808). For the purposes of the Pro Forma Financial Information, these shares have been considered to be in issue from the start of the comparative period, and so WANOS is reflective of total shares in issue.

In the comparative period in the prior year the Group incurred a loss per share of 359 cents (based on WANOS for the period of 136,311,808).

OUTLOOK

Thungela is committed to running a fatality-free business, and the Group will continue to make every effort to ensure that everyone returns home safely every day.

The Group confirms the guidance for export saleable production of between 15Mt and 16Mt and flat FOB cost per export tonne of R830 for the full year.

As the Group begins to review the appropriate level of expenditure with a Thungela lens, capital expenditure is now expected to be on the low end of the range (R2,600 million to R3,000 million) previously provided for the full year.

With continued strong prices as well as improved performance by TFR through the remainder of the year, the Group is likely to achieve positive Adjusted operating free cash flow¹ for the remainder of 2021. Our strong balance sheet coupled with the above paves the way for Thungela to consider the declaration of a maiden dividend at the annual results for 2021, in line with Thungela's stated dividend policy of a minimum pay-out of 30% of Adjusted operating free cash flow.

¹ This is considered an APM, refer to Annexure 1 from page 63 of this document for further detail.

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 which may also have an impact on the achievement of social, economic, and environmental objectives.

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

- Catastrophic risks
- Product prices
- Safety
- Health pandemics
- Political and regulatory uncertainties
- Corruption
- Cyber security
- Operational performance
- Water
- Evolving stakeholder requirements and expectations
- Dependency on rail and port infrastructure

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

FORWARD-LOOKING STATEMENTS

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) and environmental, social and corporate governance goals and aspirations, are 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.

Such forward-looking statements are based on numerous assumptions regarding Thungela's present and future business strategies and the environment in which Thungela will operate in the future. Important factors that could cause Thungela's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, levels of actual production during any period, levels of global demand and thermal coal market prices, resource exploration and development capabilities, recovery rates and other operational capabilities, safety, health or environmental incidents, the effects of global pandemics and outbreaks of infectious diseases, the outcome of litigation or regulatory proceedings, the availability of mining and processing equipment, the ability to produce and transport products profitably, the availability of transport infrastructure, the impact of foreign currency exchange rates on market prices, the availability of sufficient credit, the effects of inflation, political uncertainty and economic conditions in South Africa, the actions of competitors, activities by courts, regulators and governmental authorities and changes in taxation or safety, health, environmental or other types of regulation in the countries where Thungela operates and such other risk factors identified in Thungela's Pre-Listing Statement and Prospectus. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this document.

FORWARD-LOOKING STATEMENTS continued

Thungela expressly disclaims any obligation or undertaking (except as required by applicable law, the JSE Listings Requirements of the securities exchange of the JSE Limited in South Africa, the UK Listing Rules, the Disclosure and Transparency Rules of the Financial Conduct Authority and any other applicable regulations) to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Thungela's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Nothing in this document should be interpreted to mean that future earnings per share of Thungela will necessarily match or exceed its historical published earnings per share. Certain statistical and other information about Thungela included in this document is sourced from publicly available third-party sources. As such it has not been independently verified and presents the views of those third parties, but may not necessarily correspond to the views held by Thungela and Thungela expressly disclaims any responsibility for, or liability in respect of, such information.

These forward-looking statements have not been reported on by the Group's independent auditor.





REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors of Thungela are responsible for the maintenance of adequate accounting records and the preparation of the condensed consolidated interim financial statements and related information in a manner that fairly presents the state of the affairs of the Group.

The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structures and procedures. These systems are designed to provide reasonable assurance as to the reliability of the condensed consolidated interim financial statements, and to prevent and detect material misstatement and loss.

The directors have made an assessment of the Group's ability to continue as a going concern, and there is no reason to believe that the Group will not be a going concern in the year ahead. Thungela has accordingly adopted the going concern basis in preparing the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements as set out on pages 21 to 79 have been approved by the board of directors and are signed on their behalf by:

Sango Ntsaluba

Chairman

July Ndlovu

CEO

Gideon Smith

CFO

13 August 2021

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

To the Shareholders of Thungela Resources Limited

We have reviewed the condensed consolidated interim financial statements of Thungela Resources Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2021 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 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 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 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 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 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 2021 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.
Director: A J Rossouw
Registered Auditor
Johannesburg
South Africa
13 August 2021

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

Rand million	Notes	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Revenue	4	10,046	1,657	3,750
Operating costs	3	(8,670)	(1,603)	(3,872)
Restructuring costs and termination benefits	3	(386)	(2)	(2)
Operating profit/(loss)	3	990	52	(124)
Fair value loss on derivative asset – capital support	14	(584)	–	–
Profit/(loss) before net finance costs and tax		406	52	(124)
Net finance costs		(146)	(173)	(314)
Investment income	6	219	1	3
Interest expense	6	(362)	(164)	(312)
Other net financing losses	6	(3)	(10)	(5)
Profit/(loss) before tax		260	(121)	(438)
Income tax credit/(expense)		91	(1)	76
Profit/(loss) for the reporting period		351	(122)	(362)
Attributable to:				
Non-controlling interests		118	(2)	(32)
Equity shareholders of the Group		233	(120)	(330)
Other comprehensive loss				
Items that will not be reclassified to profit or loss				
Fair value loss on financial asset investments		(63)	(13)	(10)
Related tax		1	3	2
Net items that will not be reclassified to profit or loss		(62)	(10)	(8)
Total comprehensive income/(loss) for the reporting period		289	(132)	(370)
Attributable to:				
Non-controlling interests		117	(5)	(34)
Equity shareholders of the Group		172	(127)	(336)
Earnings/(loss) per share				
Basic (cents)	5	313	(193)	(531)
Diluted (cents)	5	313	(193)	(531)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Rand million	Notes	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
ASSETS				
Non-current assets				
Intangible assets ¹		149	28	158
Property, plant and equipment	7	10,745	4,461	8,436
Environmental rehabilitation trusts	9	3,113	34	2,880
Investment in associate		78	–	89
Deferred tax assets ²		153	–	*
Loan to Anglo American ³		–	1,460	–
Financial asset investments	14	390	37	361
Trade and other receivables	11	44	–	44
Other non-current assets		111	–	111
Derivative asset – capital support	14	332	–	–
Total non-current assets		15,115	6,020	12,079
Current assets				
Inventories	10	1,604	310	1,149
Trade and other receivables	11	4,138	518	3,351
Current tax assets		120	–	123
Cash and cash equivalents	12	3,135	28	194
Total current assets		8,997	856	4,817
Total assets		24,112	6,876	16,896
EQUITY				
Stated capital		10,041	–	–
Contributed capital		965	–	–
Merger reserve		2,606	2,591	7,179
Share-based payment reserve		–	3	65
Other reserves		60	2	411
Retained loss		(3,145)	(2,372)	(4,894)
Equity attributable to the shareholders of the Group		10,527	224	2,761
Non-controlling interests		1,507	1,550	1,395
Total equity		12,034	1,774	4,156
LIABILITIES				
Non-current liabilities				
Loans from Anglo American	15	–	3,465	361
Lease liabilities		112	–	127
Retirement benefit obligations		456	–	455
Deferred tax liabilities		1,009	554	581
Environmental and other provisions	9	5,929	354	5,519
Total non-current liabilities		7,506	4,373	7,043
Current liabilities				
Trade and other payables	13	3,722	623	4,344
Loans and borrowings	15	92	–	221
Lease liabilities		19	–	24
Environmental and other provisions	9	716	11	1,107
Current tax liabilities		23	95	1
Total current liabilities		4,572	729	5,697
Total liabilities		12,078	5,102	12,740
Total equity and liabilities		24,112	6,876	16,896

¹ Represents servitude related to the Zibulo colliery, and software acquired through TOPL as part of the Internal Restructure.

² Refer to page 28 for judgement applied to the deferred tax asset recognition.

³ The loan to Anglo American was sold from SACO to TOPL in October 2020, and later settled through the issuance of shares in TOPL to SACO as part of the Internal Restructure.

* Represents an amount less than R1 million.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Rand million	Notes	Stated capital	Contributed capital
Balance at 1 January 2020		–	–
Total comprehensive loss for the reporting period		–	–
Movements in share-based payment reserve ²		–	–
Balance at 30 June 2020		–	–
Acquired through Internal Restructure	8	–	–
Total comprehensive loss for the reporting period		–	–
Movements in share-based payment reserve ²		–	–
Balance at 31 December 2020		–	–
Issue of shares for assumed fair value of SACO	16	4,575	–
Issue of shares for cash	16	5,466	–
Acquired through Internal Restructure	8	–	–
Total comprehensive (loss)/income for the reporting period		–	–
Movements in share-based payment reserve ²	17	–	–
Transfer of FVOCI reserve on sale of investments		–	–
Contributed capital – Capital Support Agreement	14	–	916
Contributed capital – milestone awards	17	–	49
Balance at 30 June 2021		10,041	965

¹ Includes the financial asset revaluation reserve and retirement benefit obligation reserve.

² Includes movements as a result of share-based payment expenses, vesting of shares and granting of shares.

The individual movements are not considered material, other than the accelerated vesting of the Anglo American shares awards as detailed in note 17.

Merger reserve	Share-based payment reserve	Other reserves ¹	Retained loss	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
2,591	7	9	(2,247)	360	1,559	1,919
-	-	(7)	(120)	(127)	(5)	(132)
-	(4)	-	(5)	(9)	(4)	(13)
2,591	3	2	(2,372)	224	1,550	1,774
4,588	60	408	(2,311)	2,745	(127)	2,618
-	-	1	(210)	(209)	(29)	(238)
-	2	-	(1)	1	1	2
7,179	65	411	(4,894)	2,761	1,395	4,156
(4,575)	-	-	-	-	-	-
-	-	-	-	5,466	-	5,466
2	-	-	1,299	1,301	-	1,301
-	-	(61)	233	172	117	289
-	(65)	-	(73)	(138)	(5)	(143)
-	-	(290)	290	-	-	-
-	-	-	-	916	-	916
-	-	-	-	49	-	49
2,606	-	60	(3,145)	10,527	1,507	12,034

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Rand million	Notes	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Cash flows from operating activities				
Profit/(loss) before tax		260	(121)	(438)
Net finance costs	6	146	173	314
Profit/(loss) before net finance costs and tax		406	52	(124)
Restructuring costs and termination benefits ¹		138	–	–
Fair value loss on derivative asset – capital support	14	584	–	–
Depreciation and amortisation	3	512	193	408
Share-based payment charges		70	1	2
(Decrease)/increase in provisions		(476)	(1)	34
Profit on sale of property, plant and equipment	3	(8)	–	–
Other adjustments		74	2	15
Movements in working capital		(1,722)	(259)	(109)
Increase in inventories		(397)	(165)	(70)
(Increase)/decrease in trade and other receivables		(737)	138	(201)
(Decrease)/increase in trade and other payables		(588)	(232)	162
Cash flows from operations		(422)	(12)	226
Income tax paid		(20)	(66)	(66)
Net cash (utilised in)/generated from operating activities		(442)	(78)	160
Cash flows from investing activities				
Expenditure on property, plant and equipment	4	(1,284)	(237)	(604)
Proceeds on sale of property, plant and equipment		9	–	–
Expenditure on intangible assets		(5)	–	–
Purchase of financial asset investments ²		(300)	(4)	(4)
Repayment of loans granted to investees		6	–	–
Loans granted to investees		(95)	–	–
Advance of quasi equity loan to associate		11	–	–
Investment income received		5	2	3
Acquired through Internal Restructure	8	158	–	195
Net cash utilised in investing activities		(1,495)	(239)	(410)
Cash flows from financing activities				
Shares issued for cash	16	5,466	–	–
Interest expense paid		(34)	(1)	(1)
Capital repayment of lease obligations		(20)	–	–
Repayment of loans and borrowings	15	(3,104)	–	–
Proceeds on loans from Anglo American	15	2,570	331	430
Net cash generated from financing activities		4,878	330	429
Net increase in cash and cash equivalents		2,941	13	179
Cash and cash equivalents at the start of the reporting period				
		194	15	15
Net increase in cash and cash equivalents		2,941	13	179
Cash and cash equivalents at the end of the reporting period				
	12	3,135	28	194

¹ Restructuring costs and termination benefits of R138 million include the accelerated vesting of shares and represents the non-cash portion of the expense.

² Purchase of financial asset investments relates to the initial investment in the other environmental investments, through the Green Fund as well as the purchase of Anglo American shares related to the employee share awards detailed in note 17.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

COMPLIANCE

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee), Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council), the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

The condensed consolidated interim financial statements have been prepared under the supervision of Mr GF Smith CA (SA).

The condensed consolidated interim financial statements should be read in conjunction with the HFI as published in the PLS, which has been prepared in accordance with IFRS and the basis of preparation as fully disclosed in that document. The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in accordance with IFRS, are consistent with the accounting policies applied in the preparation of the HFI, along with the additional accounting policies set out in Annexe 6A of the PLS, although not in line with the basis of preparation included in that document. The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities.

The condensed consolidated interim financial statements are presented in South African Rand, which is the functional currency of Thungela.

The condensed consolidated interim financial statements were authorised for issue by the board of directors on 11 August 2021.

Going concern

The financial position of Thungela, its cash flows, liquidity position and net cash position are set out in the condensed consolidated interim financial statements. The Group's net cash at 30 June 2021 was R3,043 million (31 December 2020: net debt of R388 million, 30 June 2020: net debt of R3,437 million), inclusive of funding received from Anglo American to fund the operations of the business up to the Demerger. The Group's net current asset position of R4,425 million (31 December 2020: net current liability position of R880 million, 30 June 2020: R127 million) is strong, bolstered by the cash injection received from Anglo American in preparation for the Demerger of R2,500 million. The Group has no significant debt at 30 June 2021, as set out in note 15.

The directors have considered Thungela's cash flow forecasts for the period to the end of August 2022, under base case and reasonable worst-case scenarios, with consideration given to the uncertainty of the current economic environment, including the impact of the COVID-19 pandemic, 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 be able to operate at its current level for the foreseeable future. For this reason, Thungela has adopted the going concern basis in preparing the condensed consolidated interim financial statements.

Judgements and estimates

Thungela has made judgements, estimates and assumptions that may affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements and the key sources of estimation uncertainty are similar to those applied in preparing the HFI as included in Annexe 2C of the PLS as published on 8 April 2021, other than as set out on the following page.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

COMPLIANCE continued

1. BASIS OF PREPARATION continued

Recognition of deferred tax assets

Thungela has a significant amount of assessed tax losses and unredeemed capital deductions available in TOPL, on the basis of historical loss-making operations in this entity. As TOPL has not been in a taxable income position for an extended period of time, no deferred tax asset has been raised on these available tax losses previously. However, a number of contracts have been entered into in preparation for the Demerger which are likely to positively impact the availability of future taxable income against which to utilise the available assessed tax loss. On this basis a deferred tax asset has been raised on a portion of the assessed loss that Thungela considers reasonably certain to utilise post the Demerger. A significant deterioration in the expected cash flows from these contracts may impact the value of this asset recognised, and a full reassessment of the available future taxable income will be performed at the year end.

New, revised and amended accounting pronouncements

There were no new, revised and amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 January 2021, that had a material impact on the condensed consolidated interim financial statements.

2. INTERNAL RESTRUCTURE OF THE THUNGELA GROUP BEFORE DEMERGER

An internal restructuring process was undertaken by Anglo American to separate the SA Thermal Coal Operations and the various non-thermal coal operations within the Anglo American in order to prepare the Group for the Demerger. 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, the following key steps were undertaken, amongst others:

- Certain categories of assets and liabilities that were not exclusively or predominantly related to TOPL's coal business were transferred out from TOPL to ACSA, at the time both wholly owned subsidiaries of ASA, with effect from 1 September 2020;
- The 100% ownership interest in TOPL was transferred by ASA to SACO, also a wholly owned subsidiary of ASA, with effect from 31 December 2020. TOPL owns a 33.3% share in Butsanani Energy and in combination with SACO's existing 33.3% holding in Butsanani Energy, SACO also obtained control of this business with effect from 31 December 2020;
- Anglo American's 50% interest in Mafube Coal Mining was transferred by ASAC, also a wholly owned subsidiary of ASA, to SACO with effect from 31 March 2021;
- Thungela was incorporated on 5 January 2021 as a wholly owned subsidiary of ASA to act as the holding company of the Group;
- The 100% ownership interest in SACO was transferred by ASA to Thungela, also at the time of the sale a wholly owned subsidiary of ASA, with effect from 1 June 2021; and
- The EPP and CPP came into effect and each purchased from Thungela 5% of its share in SACO respectively, with effect from 2 June 2021, as well as subscribed for the E preference share and C preference share as more fully detailed below.

Thungela was then 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 Group obtained economic and operational independence from Anglo American from 1 June 2021, on the transfer of SACO to Thungela.

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. As such, the comparatives included in the financial statements reflect the book values of the assets and liabilities of the SACO Group as previously recognised in the Anglo American Group financial statements. The equity of the Group, however, reflects Thungela's capital structure, which reflects shares issued only in June 2021.

2. INTERNAL RESTRUCTURE OF THE THUNGELA GROUP BEFORE DEMERGER continued

The acquisitions of TOPL, including Butsanani Energy, and Mafube Coal Mining on 31 December 2020 and 31 March 2021 respectively, are 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 have not been restated.

Consequently, the condensed consolidated interim statement of profit or loss and comprehensive income for the six months ended 30 June 2021 includes the results of the TOPL, Butsanani Energy and Mafube Coal Mining businesses as follows:

- The results of the operations of TOPL (owning and operating the Isibonelo, Khwezela, Greenside and Goedehoop collieries) with effect from 1 January 2021 (representing a full six months performance);
- The results of the operations of Butsanani Energy (owning the independently managed Rietvlei colliery) with effect from 1 January 2021 (representing a full six months performance); and
- The proportionate share of the results of the operations of Mafube Coal Mining (owning and operating the Mafube colliery) for three months with effect from 1 April 2021.

Before the Internal Restructure, SACO owned 73% of AAIC (owning and operating the Zibulo colliery), and thus the comparatives included in the condensed consolidated interim financial statements reflect only the operations of AAIC before the Internal Restructure was implemented.

Preparation of Pro Forma Financial Information

The impact of the Internal Restructure is significant to the financial and operating results of the Group, given that the ownership structure reflected only one out of seven operating mines until 31 December 2020, which is not reflective of the operations of the Group on a forward-looking basis. The comparatives included in the condensed consolidated interim financial statements are therefore not fully reflective of the operations of the Group over the comparative period. On this basis, the Group has prepared a Pro Forma condensed consolidated interim statement of profit or loss for the six months ended 30 June 2021 and 30 June 2020, to reflect what the financial results may have been, if the Internal Restructure had happened at the start of the reporting period. This Pro Forma Financial Information is included in Annexure 3, and has been prepared using the same basis of preparation as reflected in the HFI as included in the PLS. The Pro Forma Financial Information has not been reported on by the Group's independent auditor.

Community Partnership Plan and Employee Partnership Plan

In order to further enhance the environmental, social and governance factors of the Group, Thungela has founded the Nkulo Community Partnership Trust and the SACO Employee Partnership Trust (collectively 'the Trusts'). The Trusts were founded in June 2021, and each purchased 5% of the issued 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 are debt-free from their inception. The Trusts will be entitled to 10% collectively of the ordinary dividends declared by SACO through their holding of ordinary shares.

The Nkulo Community Partnership Trust also 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 who ordinarily reside in the communities surrounding the mines operated by the Group. The first preference dividend payment to the Trust was made in June 2021. The SACO Employee Partnership Trust also subscribed for an E preference share in SACO for a nominal amount, which entitles the Trust to a preference dividend of R4,000 per eligible employee per annum up to 2024, to be paid to the employee three years after grant date. No payment has yet been made in relation to the E preference share, and no grant has yet been made to the eligible employees.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL PERFORMANCE

3. OPERATING PROFIT/(LOSS)

Rand million	Notes	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Revenue		10,046	1,657	3,750
Operating costs		(8,670)	(1,603)	(3,872)
Employee costs		(2,053)	(423)	(827)
Depreciation	7	(498)	(192)	(406)
Amortisation		(14)	(1)	(2)
Third-party commodity purchases		(752)	–	–
Commodity purchases from Mafube Coal Mining ¹		(137)	–	–
Consumables, maintenance and production input costs		(3,034)	(562)	(1,170)
Inventory production costs		416	168	48
Logistics, marketing and selling costs		(1,659)	(309)	(806)
Demurrage and other expenses		(125)	(51)	(78)
Royalties		40	(8)	(14)
Exploration and evaluation ²		(70)	(11)	(64)
Exploration expenditure		(16)	–	–
Evaluation expenditure		(54)	(11)	(64)
Net foreign exchange (losses)/gains		(11)	53	4
Profit on sale of property, plant and equipment		8	–	–
Audit fees		(2)	(1)	(2)
Professional fees		(28)	(5)	(10)
Learnership and development expenses		(83)	(4)	(26)
Temporary staff		(68)	–	(6)
Recharged costs from Anglo American		(309)	(24)	(57)
Administration expenses		(176)	(4)	(9)
Operating expenses		(133)	(20)	(48)
Other net administration expenses		(101)	(11)	(65)
Other net operating expenses ³		(190)	(222)	(391)
Operating profit/(loss) before restructuring costs and termination benefits		1,376	54	(122)
Restructuring costs and termination benefits ⁴		(386)	(2)	(2)
Operating profit/(loss)		990	52	(124)

¹ Commodity purchases from Mafube Coal Mining relates 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 Exploration and evaluation expenditure excludes associated employee costs, which are considered immaterial.

³ Other net operating expenses include costs payable to TOPL prior to the Internal Restructure.

⁴ Restructuring costs and termination benefits for 30 June 2021 include costs related to placing Bokgoni on care and maintenance in the first quarter of 2021, amounting to R193 million, the expense related to the accelerated vesting of the Anglo American share awards as per note 17 amounting to R138 million and other Demerger related costs.

4. SEGMENTAL INFORMATION

Overview

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

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Opencast	Mining operations done in an opencast mine where coal is extracted, include the following mining operations: <ul style="list-style-type: none"> • Isibonelo • Khwezela • Mafube • Rietvlei
Underground	Mining operations done in an underground mine where coal is extracted, include the following mining operations: <ul style="list-style-type: none"> • Zibulo • Greenside • Goedehoop
Corporate and other	Various corporate and other marketing activities.

The disclosures in this note include certain APMs, being:

- Adjusted EBITDA – profit/(loss) before net finance costs, tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation; and
- Capital expenditure – cash expenditure on property, plant and equipment, including the movement in capital creditors.

For more information on the APMs used by Thungela, including definitions, refer to Annexure 1.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL PERFORMANCE continued

4. SEGMENTAL INFORMATION continued

Rand million	Revenue	Adjusted EBITDA	Depreciation and amortisation
Reviewed 30 June 2021 – 6 months			
Opencast	4,285	371	(102)
Underground	5,761	1,721	(383)
Corporate and other	–	(204)	(27)
Total	10,046	1,888	(512)
Profit for the reporting period			
Reviewed 30 June 2020 – 6 months			
Opencast	–	–	–
Underground	1,657	243	(193)
Corporate and other	–	4	–
Total	1,657	247	(193)
Loss for the reporting period			
Reviewed 31 December 2020 – 12 months			
Opencast	–	–	–
Underground	3,750	282	(408)
Corporate and other	–	4	–
Total	3,750	286	(408)
Loss for the reporting period			

Fair value loss on derivative asset – capital support	Restructuring costs and termination benefits	Investment income	Interest expense and other financing losses	Income tax (expense)/ credit	Profit/(loss) after tax
–	(137)	118	(210)	(3)	37
–	(51)	83	(85)	(254)	1,031
(584)	(198)	18	(70)	348	(717)
(584)	(386)	219	(365)	91	351
					351
–	–	–	–	–	–
–	(2)	1	(14)	116	151
–	–	–	(160)	(117)	(273)
–	(2)	1	(174)	(1)	(122)
					(122)
–	–	–	–	–	–
–	(2)	3	(27)	127	(25)
–	–	–	(290)	(51)	(337)
–	(2)	3	(317)	76	(362)
					(362)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL PERFORMANCE continued

4. SEGMENTAL INFORMATION continued

Capital expenditure by segment	Expan- sionary	Stay-in- business	Stripping and develop- ment	Total capital expenditure
Rand million				
Reviewed 30 June 2021 – 6 months				
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 creditor	–	140	–	140
Capital expenditure	44	1,008	232	1,284
Reviewed 30 June 2020 – 6 months				
Underground	52	160	10	222
Corporate and other	15	–	–	15
Expenditure on property, plant and equipment	67	160	10	237
Reconciliation to the statement of cash flows				
Movement in capital creditor	–	–	–	–
Capital expenditure	67	160	10	237
Reviewed 31 December 2020 – 12 months				
Underground	155	389	101	645
Corporate and other	40	–	–	40
Expenditure on property, plant and equipment	195	389	101	685
Reconciliation to the statement of cash flows				
Movement in capital creditor	–	(81)	–	(81)
Capital expenditure	195	308	101	604

Capital expenditure encompasses expenditure (cash capital expenditure and capital creditors), to sustain the business (stay-in-business and stripping and development), and investment and lifex projects (expansionary).

Product revenue by segment

Rand million	Opencast	Under-ground	Total
Reviewed 30 June 2021 – 6 months			
Thermal export ¹	2,683	5,618	8,301
Industrial and domestic	1,602	143	1,745
Total revenue	4,285	5,761	10,046
Reviewed 30 June 2020 – 6 months			
Thermal export ¹	–	1,303	1,303
Industrial and domestic	–	354	354
Total revenue	–	1,657	1,657
Reviewed 31 December 2020 – 12 months			
Thermal export ¹	–	2,943	2,943
Industrial and domestic	–	807	807
Total revenue	–	3,750	3,750

¹ Thermal export revenue consists of revenue generated from sales to AAML.

Revenue by destination	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Rand million			
United Kingdom	8,301	1,303	2,943
South Africa	1,745	354	807
Total revenue	10,046	1,657	3,750
All revenue and operating profit of Thungela is derived from operations based in South Africa.			
Thungela's revenue by customer type can be analysed as follows:			
Revenue with Anglo American	8,301	1,303	2,943
Other – domestic sales	1,745	354	807
Total revenue	10,046	1,657	3,750

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL PERFORMANCE continued

5. RECONCILIATION OF PROFIT/(LOSS) AFTER TAX TO HEADLINE EARNINGS/(LOSS)

The calculation of headline earnings/(loss) has been determined in line with the requirements of SAICA Circular 1/2019.

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Reconciliation of headline earnings/(loss)			
Profit/(loss) attributable to equity shareholders of the Group	233	(120)	(330)
Adjusted for:			
Profit on sale of property, plant and equipment	(8)	–	–
Tax effects of above items			
Profit on sale of property, plant and equipment	2	–	–
Headline earnings/(loss)	227	(120)	(330)
Number of shares in issue (number of shares) ¹	136,311,808	–	–
WANOS in issue (number of shares) ¹	74,408,794	62,110,182	62,110,182
Diluted WANOS in issue (number of shares) ²	74,408,794	62,110,182	62,110,182
Earnings/(loss) per share			
Basic (cents)	313	(193)	(531)
Diluted (cents)	313	(193)	(531)
Headline earnings/(loss) per share			
Basic (cents)	305	(193)	(531)
Diluted (cents)	305	(193)	(531)

¹ Refer to note 16 for details of the stated capital issued and calculation of WANOS.

² There are no dilutive share options in issue for the reporting periods.

6. NET FINANCE COSTS

Rand million	Note	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Investment income				
Interest income from cash and cash equivalents		9	1	1
Growth on environmental rehabilitation trusts	9	210	*	2
Investment income		219	1	3
Interest expense				
Interest and other finance expense		(36)	(5)	(6)
Net interest costs on retirement benefit obligations		(21)	–	–
Interest expense on loans from Anglo American		(35)	(145)	(277)
Unwinding of discount on environmental and other provisions	9	(270)	(14)	(29)
Interest expense		(362)	(164)	(312)
Other net financing losses				
Net foreign exchange losses		(3)	(10)	(5)
Other net financing losses		(3)	(10)	(5)
Net finance costs		(146)	(173)	(314)

* Represents an amount less than R1 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

CAPITAL BASE

7. PROPERTY, PLANT AND EQUIPMENT

Overview

Property, plant and equipment comprise tangible assets that make up Thungela's operations. These include acquired mineral rights, capitalised waste stripping and mine development costs, processing plant and infrastructure, vehicles and other equipment.

Rand million	Land and buildings			Plant and equipment			Total
	Mining property	Owned	Right-of-use	Owned	Right-of-use	Capital work in progress	
Reviewed 30 June 2021 – 6 months							
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
Decommissioning asset capitalised	–	–	–	(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

Rand million	Land and buildings			Plant and equipment			Total
	Mining property	Owned	Right-of-use	Owned	Right-of-use	Capital work in progress	
Reviewed 30 June 2020 – 6 months							
Cost							
Balance at the start of the reporting period	1,923	349	–	4,337	–	394	7,003
Additions	–	–	–	13	–	224	237
Transfers of capital work in progress	–	–	–	17	–	(17)	–
Reclassifications	–	–	–	(19)	–	19	–
Decommissioning asset capitalised	–	–	–	(4)	–	–	(4)
Balance at the end of the reporting period	1,923	349	–	4,344	–	620	7,236
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(805)	(64)	–	(1,714)	–	–	(2,583)
Depreciation charge	(58)	(4)	–	(130)	–	–	(192)
Balance at the end of the reporting period	(863)	(68)	–	(1,844)	–	–	(2,775)
Carrying amount							
Balance at the start of the reporting period	1,118	285	–	2,623	–	394	4,420
Balance at the end of the reporting period	1,060	281	–	2,500	–	620	4,461

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

CAPITAL BASE continued

7. PROPERTY, PLANT AND EQUIPMENT continued

Rand million	Land and buildings			Plant and equipment			Total
	Mining property	Owned	Right-of-use	Owned	Right-of-use	Capital work in progress	
Reviewed							
31 December 2020							
– 12 months							
Cost							
Balance at the start of the reporting period	1,923	349	–	4,337	–	394	7,003
Acquired through Internal Restructure	4,886	966	55	18,125	107	4,477	28,616
Additions	–	–	–	18	–	667	685
Transfers of capital work in progress	22	–	–	50	–	(72)	–
Reclassifications	–	–	–	(19)	–	19	–
Decommissioning asset capitalised	–	–	–	8	–	–	8
Balance at the end of the reporting period	6,831	1,315	55	22,519	107	5,485	36,312
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(805)	(64)	–	(1,714)	–	–	(2,583)
Acquired through Internal Restructure	(4,200)	(759)	(23)	(16,325)	(21)	(3,559)	(24,887)
Depreciation charge	(124)	(8)	–	(274)	–	–	(406)
Balance at the end of the reporting period	(5,129)	(831)	(23)	(18,313)	(21)	(3,559)	(27,876)
Carrying amount							
Balance at the start of the reporting period	1,118	285	–	2,623	–	394	4,420
Balance at the end of the reporting period	1,702	484	32	4,206	86	1,926	8,436

8. ACCOUNTING FOR INTERNAL RESTRUCTURE

As described in note 2, TOPL, including Butsanani Energy, and Mafube Coal Mining were acquired by the Group at 31 December 2020 and 31 March 2021 respectively. Each of the transactions took place at the fair value of the business, or the Group's interest in the business, and the consideration was settled by the issue of shares by SACO to ASA. However, as the transactions are considered to be business combinations under common control, the Group has applied predecessor accounting to the acquisitions. The assets and liabilities of TOPL and Butsanani Energy and the Group's share of the assets and liabilities of Mafube Coal Mining have been 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 TOPL, including Butsanani Energy, and Mafube Coal Mining, and thus the comparative 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 each business are noted below.

Rand million	Reviewed 30 June 2021 6 months	Reviewed 31 December 2020 12 months
Total non-current assets	1,700	7,342
Total current assets	458	8,795
Total assets	2,158	16,137
Total non-current liabilities	588	5,903
Total current liabilities	271	6,147
Total liabilities	859	12,050
Total book value of net assets acquired	1,299	4,087

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

LIABILITIES

9. ENVIRONMENTAL AND OTHER PROVISIONS

Rand million	Environmental Provisions				Total
	Environ-mental restoration	Decom-missioning	Restruc-turing ¹	Other ²	
Reviewed 30 June 2021 – 6 months					
Balance at the start of the reporting period	5,386	798	208	234	6,626
Acquired through Internal Restructure	228	40	–	–	268
Charged to the income statement	(181)	–	(204)	68	(317)
Capitalised	–	(14)	–	–	(14)
Unwinding of discount	232	33	–	5	270
Amounts applied	(163)	–	–	(21)	(184)
Reclassification	–	–	(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
Reviewed 30 June 2020 – 6 months					
Balance at the start of the reporting period	196	98	–	62	356
Charged to the income statement	(1)	–	–	–	(1)
Capitalised	–	(4)	–	–	(4)
Unwinding of discount	9	4	–	1	14
Balance at the end of the reporting period	204	98	–	63	365
Classified as:					
Current	–	–	–	11	11
Non-current	204	98	–	52	354

¹ The restructuring provision at December 2020 relates to a decision taken to place the Bokgoni section of the Khwezela operation on care and maintenance effective from the first quarter of 2021 due to the sustained low-price environment and following in-depth consultation.

² The balances primarily relate to a provision raised for contractual obligations, the Zibulo servitude and dividends payable to the non-controlling shareholders of AAIC.

Rand million	Environmental Provisions				Total
	Environ- mental restoration	Decom- missioning	Restruc- turing ¹	Other ²	
Reviewed 31 December 2020 – 12 months					
Balance at the start of the reporting period	196	98	–	62	356
Acquired through Internal Restructure	5,187	683	208	172	6,250
Charged to the income statement	(15)	–	–	–	(15)
Capitalised	–	8	–	–	8
Unwinding of discount	18	9	–	2	29
Amounts applied	–	–	–	(2)	(2)
Balance at the end of the reporting period	5,386	798	208	234	6,626
Classified as:					
Current	622	84	208	193	1,107
Non-current	4,764	714	–	41	5,519

¹ The restructuring provision at December 2020 relates to a decision taken to place the Bokgoni section of the Khwezela operation on care and maintenance effective from the first quarter of 2021 due to the sustained low-price environment and following in-depth consultation.

² The balances primarily relate to a provision raised for contractual obligations, the Zibulo servitude and dividends payable to the non-controlling shareholders of AAIC.

Environmental Provisions

Thungela is obliged to undertake rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental disturbance is caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on the operating sites. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations existing at the reporting date. It is anticipated that the majority of these costs will be existing 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 current land disturbance and expected costs of rehabilitation. The disturbed areas and expected costs are reassessed each year between October and December, and any required change in the Environmental Provisions is recognised on the completion of the assessment.

The Environmental Provisions have been determined on the basis of the legal obligations under the existing MPRDA Regulations, as well as the Group's interpretation of the potential increase in costs required to meet certain of the NEMA Financial Provisioning Regulations, for example water treatment costs. The Group's Environmental Provisions are in line with currently enforceable laws and regulations. Based on the mining industry's understanding, the 2015 NEMA Financial Provisioning Regulations are currently being reviewed by the regulator and clarity as to any updates thereto will only become known closer to the revised effective date of 19 June 2022. Drafts of the replacement regulations were published in November 2017, and again in 2019, but are yet to be finalised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

LIABILITIES continued

9. ENVIRONMENTAL AND OTHER PROVISIONS continued

Environmental Provisions continued

As currently drafted, the NEMA Financial Provisioning Regulations will alter the way companies calculate financial provisioning for environmental obligations, and it is likely that compliance with the NEMA Financial Provisioning Regulations in their current form will substantially increase the required quantum of financial provisioning made by mining companies 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 extraneous water.

The effective date of the NEMA Financial Provisioning Regulations has continually been deferred, from an original effective date of February 2017, to the latest deferral in the current year to 19 June 2022.

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 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 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 amounts to R4,048 million at 31 December 2020, compared to the total Environmental Provisions recognised by the Group of R6,359 million (31 December 2020: R6,184 million, 30 June 2020: R302 million). This difference is due to additional costs that the Group believes it is likely to incur through a combination of its 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 its operations. The NEMA Financial Provisioning Regulations require the treatment of water to be provided for using the costs for currently available technologies which the DMRE has approved. Passive water treatment has not yet been accepted by the DMRE as a proven water treatment technology and so may not be considered a currently available method of treating water. Significant progress has been made on proving this treatment on a pilot scale, with a co-operation agreement signed with a number of interested parties, including Thungela, to research various water treatments and determine the suitability of the treated water. The construction of a demonstration scale plant to further prove this treatment is due to commence in August 2021. If this treatment is not acceptable to the DMRE, the Environmental Provisions currently provided for may increase by approximately R1,442 million.

Environmental rehabilitation trusts

Environmental rehabilitation trusts' assets comprise the following investments:

	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Rand million			
Investments in unit trusts	3,113	34	2,880
	3,113	34	2,880
The movement in the total investments held by the Environmental rehabilitation trusts is as follows:			
Balance at the start of the reporting period	2,880	34	34
Acquired through Internal Restructure	23	–	2,844
Growth on assets	210	*	2
Balance at the end of the reporting period	3,113	34	2,880

* Represents an amount less than R1 million.

Environmental rehabilitation trusts continued

The 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.

The movement in the environmental rehabilitation trusts includes fair value movements as well as dividend and interest income, where applicable. This movement is recognised in net finance costs.

Investments in the unit trusts are recognised at fair value through profit or loss.

These funds are not available for the general purposes 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 meet specific environmental obligations. These obligations are included within the Environmental Provisions as disclosed above. For these reasons, guarantees are held to increase the value included in the trust to cover the expected liability. These guarantees are secured by the other environmental investments below.

Other environmental investments

The movement in the amounts held for the other environmental investments is as follows:

	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Rand million			
Balance at the start of the reporting period	3	–	–
Acquisition through Internal Restructure	–	–	3
Contributions during the reporting period	188	–	–
Growth on assets	2	–	–
Balance at the end of the reporting period	193	–	3

In 2021 Thungela invested R188 million in long-term investments, referred to as the 'Green Fund' through two financial institutions in order to secure the guarantees required to further fund the Group's environmental obligations and replace guarantees previously held where AASA had provided surety. These investments are ceded to the financial institutions as security 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 amounts payable, 0.8% and 0.7% respectively are related annual fees which are not included in the investment balance. The annual requirement for funding is expected to decrease as the investment value increases. These investments are included in financial asset investments as disclosed in note 14.

These funds are not available for the general purposes of Thungela and can only be accessed once closure activities have commenced, or to the extent that growth on the funds has exceeded the required annual investment amount.

These investments are recognised at fair value through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

LIABILITIES continued

9. ENVIRONMENTAL AND OTHER PROVISIONS continued

Environmental Provisions continued

Thungela's exposure related to its environmental obligations is analysed below:

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Environmental restoration and decommissioning provision	(6,359)	(302)	(6,184)
Environmental rehabilitation trusts	3,113	34	2,880
Other environmental investments	193	–	3
Guarantees	3,098	461	2,890
Total	6,404	495	5,773
Real pre-tax risk-free discount rate	4.3% – 4.9%	4.0%	4.0%

Thungela is required to provide guarantees in respect of rehabilitation, remediation, closure and ongoing post-closure monitoring activities to cover the difference between the potential closure costs in real cash flow terms and amounts held in the environmental rehabilitation trusts. The guarantees are primarily in place to meet any immediate closure obligations under existing DMRE requirements. At 30 June 2021 these guarantees amounted to R3,098 million (31 December 2020: R2,890 million, 30 June 2020: R461 million), issued in favour of the DMRE. If Thungela has to comply with the NEMA Financial Provisioning Regulations by 19 June 2022 (i.e. they are not replaced or further deferred), it is likely that the level of guarantees required to be held for closure liabilities will increase. Work is ongoing to understand the potential impact of the NEMA Financial Provisioning Regulations on the required level of guarantees held, 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 for the sale or other disposal of business operations. Having taken appropriate legal advice, Thungela believes that any material liability arising from the indemnities provided is remote.

Total financial guarantees amounting to R3,266 million (31 December 2020: R3,051 million, 30 June 2020: R592 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 at 30 June 2021, 31 December 2020 and 30 June 2020

WORKING CAPITAL

10. INVENTORIES

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Consumables	452	70	477
Finished products	1,152	240	672
Total inventories	1,604	310	1,149

The cost of inventories recognised as an expense and included in operating costs amounted to R6,572 million (31 December 2020: R2,904 million, 30 June 2020: R1,333 million).

The write-down of inventories to NRV recognised throughout the year amounted to R118 million (31 December 2020: R70 million, 30 June 2020: R51 million). NRV is determined on a monthly basis, using the average realised price for that month for a particular grade of coal, and deducting costs to sell including transport costs from the mine to the Richards Bay Coal Terminal where relevant. Any write-down to NRV is recognised in profit or loss in the month incurred.

Accounting for inventory involves the use of judgements and estimates within the production process. Estimation of volumes and measurement of production costs are calculated by engineers using available industry, engineering and scientific data based on three months' average costs in line with the production period. NRVs are estimated using realised prices for the month. Estimates used are periodically reassessed by Thungela, considering technical analysis and historical performance.

ROM stockpiles are not included in the inventory valuation until the coal has been processed into finished products.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

WORKING CAPITAL continued

11. TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from Thungela's customers for the sale of thermal coal. Trade and other receivables also include amounts receivable for VAT and other indirect taxes, prepaid expenses and amounts receivable from others for non-sale transactions.

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Net trade receivables	2,539	392	2,374
Trade receivables	2,675	394	2,465
Expected credit losses	(136)	(2)	(91)
Other tax receivables ¹	902	106	699
Prepayments ²	441	–	118
Other receivables ³	300	20	204
	4,182	518	3,395
Classified as:			
Current	4,138	518	3,351
Non-current	44	–	44

¹ Other tax receivables include VAT receivable and diesel rebates. A provision of R235 million was recognised in TOPL before the Internal Restructure in relation to ongoing audits by SARS on the diesel rebate submissions.

² Prepayments includes insurance premiums of R224 million, ordinary course deposits to secure supply of critical consumables of R125 million and a payment made in relation to educational development activities in host communities of R81 million.

³ Other receivables include various amounts receivable by the Group. No items included here are considered individually material.

Trade receivables include R1,929 million (31 December 2020: R1,693 million, 30 June 2020: Nil) due from AAML. As per the contractual terms with AAML, all trade balances should be settled within 15 days of invoicing. The historical level of default experienced has been minimal; hence it is assessed the credit risk of the AAML trade receivable is low.

Given the nature of the domestic counterparties, 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.

Trade receivables do not incur any interest, are principally short term in nature and are measured at their nominal value, net of the appropriate provision for expected credit losses.

12. CASH AND CASH EQUIVALENTS

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Short-term investments	2,601	–	–
Cash and cash equivalents	534	28	194
Total cash and cash equivalents	3,135	28	194

Short-term investments are held with the primary purpose of managing short-term liquidity requirements immediately after the Demerger and includes the cash injection received from Anglo American of R2,500 million.

Liquidity was 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. The investments earn interest at rates between 3.7% – 4.4%.

13. 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 12 months. The total also includes contract liabilities included within other payables of R26 million (31 December 2020: R24 million, 30 June 2020: R9 million), which represents monies received from customers but for which the Group has not yet satisfied the associated performance obligation. These amounts are recognised as revenue when the performance obligation is satisfied.

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Trade payables	1,628	277	2,314
Accruals	998	188	1,111
Other tax and employee-related payables	888	102	723
Other payables	208	56	196
Total trade and other payables	3,722	623	4,344

Trade payables are non-interest-bearing and are measured at their nominal value until settled.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL INSTRUMENTS

14. FINANCIAL INSTRUMENTS

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 rate, interest rate or commodity price curve), unless carrying value is considered to approximate fair value.

Where discounted cash flow models based on management'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. Refer to page 55 where the fair value hierarchy has been defined.

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

¹ The movement in the financial asset investments relates to the investment in the Green Fund as detailed in note 9, and the disposal of the Anglo American shares in relation to the accelerated vesting of the share awards as detailed in note 17.

² Trade and other receivables exclude prepayments and other tax receivables.

³ Trade and other payables exclude tax, employee related payables and deferred income.

Rand million	Notes	Financial assets			Financial liabilities at amortised cost	Total
		Amortised cost	FVPL	FVOCI		
Reviewed 30 June 2020 – 6 months						
Financial assets						
Environmental rehabilitation trusts	9	–	34	–	–	34
Financial asset investments		19	–	18	–	37
Loan to Anglo American		1,460	–	–	–	1,460
Trade and other receivables ¹	11	412	–	–	–	412
Cash and cash equivalents	12	28	–	–	–	28
		1,919	34	18	–	1,971
Financial liabilities						
Loans and borrowings	15	–	–	–	(3,465)	(3,465)
Trade and other payables ²	13	–	–	–	(512)	(512)
		–	–	–	(3,977)	(3,977)
Net financial assets/ (liabilities)		1,919	34	18	(3,977)	(2,006)

¹ Trade and other receivables exclude prepayments and other tax receivables.

² Trade and other payables exclude tax, employee related payables and deferred income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL INSTRUMENTS continued

14. FINANCIAL INSTRUMENTS continued

Rand million	Notes	Financial assets			Financial liabilities at amortised cost	Total
		Amortised cost	FVPL	FVOCI		
Reviewed						
31 December 2020						
– 12 months						
Financial assets						
Environmental rehabilitation trusts	9	–	2,880	–	–	2,880
Financial asset investments		71	3	287	–	361
Trade and other receivables ¹	11	2,578	–	–	–	2,578
Cash and cash equivalents	12	194	–	–	–	194
		2,843	2,883	287	–	6,013
Financial liabilities						
Lease liabilities		–	–	–	(151)	(151)
Loans and borrowings	15	–	–	–	(582)	(582)
Trade and other payables ²	13	–	–	–	(3,597)	(3,597)
		–	–	–	(4,330)	(4,330)
Net financial assets/ (liabilities)		2,843	2,883	287	(4,330)	1,683

¹ Trade and other receivables exclude prepayments and other tax receivables.

² Trade and other payables exclude tax, employee-related payables and deferred income.

Derivative asset – capital support

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 the date of admissions to the end of 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 contract is a derivative contract that has been recognised at its fair value with subsequent gains or losses recognised in profit or loss. The agreement was conditional on the Demerger being approved, and commenced on 1 June 2021. However, as the Group was contractually committed to the derivative from March 2021, the derivative asset was recognised at this date. The derivative asset was initially valued at R916 million based on the pricing model noted below, and since the contract was with an Anglo American entity, the corresponding credit was recognised as a capital contribution from the parent entity at the time.

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), assumed Benchmark coal price volatility and the ZAR Discount Factor assumed for purposes of determining the fair value of the derivative and realised Benchmark coal price in ZAR 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 price and exchange rates. A fair value loss of R584 million on the derivative asset was recognised in profit or loss for the reporting period on the basis of the sustained recovery in the Benchmark coal price to 30 June 2021.

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

	At initial recognition		At 30 June 2021	
	2021	2022	2021	2022
Benchmark coal price forwards (Rand/tonne)	1,238	1,253	1,607	1,402
Benchmark coal price volatility (%)	24	24	22	23
ZAR discount factor	0.98	0.92	0.98	0.92

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL INSTRUMENTS continued

14. FINANCIAL INSTRUMENTS continued

Fair value hierarchy

An analysis of financial assets and liabilities carried at fair value is set out below:

Rand million	Level 1	Level 2	Level 3	Total
Reviewed 30 June 2021 – 6 months				
Financial assets				
Financial assets at FVOCI	–	–	33	33
Financial assets at FVPL	193	–	–	193
Derivative asset – capital support	–	332	–	332
Environmental rehabilitation trusts	3,113	–	–	3,113
Total assets carried at fair value	3,306	332	33	3,671

Reviewed 30 June 2020 – 6 months

Financial assets

Financial assets at FVOCI	13	–	5	18
Environmental rehabilitation trusts	34	–	–	34
Total assets carried at fair value	47	–	5	52

Reviewed 31 December 2020 – 12 months

Financial assets

Financial assets at FVOCI	254	–	33	287
Financial assets at FVPL	3	–	–	3
Environmental rehabilitation trusts	2,880	–	–	2,880
Total assets carried at fair value	3,137	–	33	3,170

For the level 3 financial assets, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly.

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.

The movements in the fair value of the level 3 financial assets are shown as follows:

	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Rand million			
Balance at the start of the reporting period	33	5	5
Acquired through Internal Restructure	-	-	33
Reclassifications	-	-	(5)
Balance at the end of the reporting period	33	5	33

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

FINANCIAL INSTRUMENTS continued

15. LOANS AND BORROWINGS

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Balance at the start of the reporting period	582	2,989	2,989
Acquired through Internal Restructure	–	–	582
Eliminated through Internal Restructure	–	–	(3,628)
Loans advanced	2,570	331	430
Loans repaid	(3,104)	–	–
Interest capitalised	44	145	209
Balance at the end of the reporting period	92	3,465	582
Classified as:			
Loans from Anglo American	–	3,465	361
Loans and borrowings	92	–	221

As part of the Internal Restructure detailed in note 2, the balance of the loan to TOPL from AASAF at 31 May 2021 was settled, through cash paid from ASA to the Group and then used by TOPL to settle the outstanding loan balance with AASAF in cash. The loan balance at this date, inclusive of interest capitalised, amounted to R2,966 million. The settlement of this loan signals the start of the economic and operational independence of the Group, as before this date all benefit and risk in the business accrued to Anglo American through the loan account.

The loan to TOPL from AASAF attracted interest at a variable interest rate between 5.2% – 5.6% (31 December 2020 5.4%) before the settlement thereof, and was effectively used to fund the operations of the Group before the Demerger.

At June 2020, the Loans from Anglo American represents a RCF between AAIC and AASAF. This loan attracts interest at one-month JIBAR plus 3.8%, and is subject to a facility limit of R4,000 million (which was increased to R5,000 million in 2021) to support the operations of AAIC. In order to prepare the Group for the Demerger, the RCF was ceded from AASAF to TOPL with effect from 1 October 2020. From the date that Thungela obtained control of TOPL, this loan facility is an intra-Group facility, and no longer represents external funding.

Loans and borrowings are short term in nature, have no fixed terms of repayment and attract interest at prime plus 1% to 2%. These loans are held through Butsanani Energy and were used for the initial investment into the Rietvlei colliery.

EQUITY

16. STATED CAPITAL

	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Rand million			
Number of shares			
Authorised			
Ordinary no par value shares	10,000,000,000	–	–
Issued			
Ordinary no par value shares	136,311,808	–	–
Reconciliation of number of shares in issue			
As at the start of the reporting period	–	–	–
Issue of ordinary no par value shares	136,311,808	–	–
Balance at the end of the reporting period	136,311,808	–	–
Rand million			
Stated capital			
Balance at the start of the reporting period	–	–	–
Issue of ordinary no par value shares	10,041	–	–
Balance at the end of the reporting period	10,041	–	–

As detailed in note 2, 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 until 2021. The value of the SACO Group was reflected in the merger reserve from the start of the earliest comparative period presented until the date the shares were legally issued, when it was transferred into stated capital.

For the purpose of determining the WANOS in each reporting period, Thungela has 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 has been restated to reflect the issue of these shares as if it occurred at the start of the earliest comparative period presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

EQUITY continued

17. SHARE-BASED PAYMENT TRANSACTIONS

Anglo American share plans

Anglo American operated a number of employee share plans, which Thungela employees were eligible for prior to the Demerger, including the Anglo American BSP and the Anglo American LTIPs. Awards under the Anglo American share plans were in the form of either conditional share awards or share options or in the form of awards pursuant to which participants have beneficial ownership of Anglo American shares under award.

Participants in the Anglo American share plans who moved to Thungela were treated for the purposes of their Anglo American share plan awards as leaving employment as “good leavers” on completion of the Demerger. Therefore, and subject to the award terms, the Anglo American remuneration committee determined that all awards under the Anglo American share plans held by participants who moved to Thungela vested on completion of the Demerger. Awards under the Anglo American BSP vested in full in accordance with their terms. Awards under the Anglo American LTIPs vested as a portion that reflects the time elapsed to the completion of the Demerger and an assessment, on a basis determined by the Anglo American remuneration committee, of the extent to which the performance conditions have been met.

Anglo American BSP

Awards under the Anglo American BSP were accelerated and vested in full on completion of the Demerger. The accelerated portion of the 2019 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2018) amounting to R18 million, the accelerated portion of the 2020 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2019), amounting to R41 million and the accelerated portion of the 2021 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2020), amounting to R51 million, vested in full. The effect of the acceleration of the vesting period resulted in a total charge to profit or loss amounting to R110 million, which has been recognised within restructuring costs and termination benefits. These awards were settled in Anglo American shares held by Thungela before the Demerger and included in financial asset investments per note 14.

Anglo American LTIP

Awards under the Anglo American LTIP vested in proportion to the time elapsed from the grant date to the completion of the Demerger, at an assumed performance level as determined by the Anglo American remuneration committee. In respect of the early settlement of 2019 grants (based on the performance for the 12 months ended 31 December 2018) and 2020 grants (based on the performance for the 12 months ended 31 December 2019), an amount of R28 million has been expensed on the basis that the grants under the Anglo American LTIP vested as to a portion that reflects the time elapsed from grant date to the completion of the Demerger, however, these costs were previously not included in the Group results based on allocation of expenses from Anglo American. No grant was made in 2021 in relation to the performance for the 12 months ended 31 December 2020. This cost has been recognised within restructuring costs and termination benefits.

Anglo American milestone awards

To incentivise, reward and retain the CEO and the CFO in the preparation for the Demerger, Anglo American granted a retention award to the CEO over 449,829 Thungela shares and a retention award to the CFO over 231,730 Thungela shares. These retention awards were contingent on the recipient remaining in employment with Anglo American Group until the Demerger was completed. The shares were granted by Anglo American on 1 June 2021 and vested in full on 4 June 2021. The value of this award, amounting to R49 million, has been recognised as a direct equity contribution from Anglo American as the parent at the time of the transaction.

OTHER INFORMATION

18. RELATED PARTY TRANSACTIONS

The Group entered into various sale and purchase transactions with related parties in the ordinary course of business. These transactions were subject to terms that are no less, nor more favourable than those arranged with independent third parties. Although the Demerger was effective from 4 June 2021, and Anglo American no longer holds a substantial interest in the Group, transactions with Anglo American are still considered to be related party transactions in the reporting period. 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 so transactional activity is expected to continue.

Transactions and balances with related parties

The table below provides the trading balances and loans recognised by Thungela with related parties:

Rand million	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
Loans to related parties			
Zimele	29	–	30
Anglo American	–	1,460	–
Loans from related parties			
Anglo American	–	(3,465)	(361)
	29	(2,005)	(331)
Trade and other receivables	2,228	68	1,771
Trade and other payables	(12)	(152)	(318)
	2,216	(84)	1,453
The table below provides income and expenses recognised by Thungela from its transactions with related parties:			
Revenue in accordance with export agreements	8,301	1,303	2,943
Expenses for services provided	(309)	(24)	(57)
	7,992	1,279	2,886

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

OTHER INFORMATION continued

19 INVESTMENTS IN SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

Thungela owns interests in various legal entities as detailed below:

Legal entity name	Nature of business	Operation	Shareholding
Subsidiaries			
South Africa Coal Operations Proprietary Limited ¹	Investment holding company		100%
Thungela Operations Proprietary Limited ²	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 ²	Investment holding company		67%
Rietvlei Mining Company Proprietary Limited ^{2,3}	Mining company		51%
	Mining operation	Rietvlei	
Ingagane Colliery Proprietary Limited	Dormant		100%
Springfield Collieries Limited	Dormant		100%
Anglo Inyosi Coal Securityco Proprietary Limited	Dormant		100%
Newsshelf 1316 Proprietary Limited	Dormant		100%
Main Street 1756 Proprietary Limited	Investment holding company		100%

¹ Thungela purchased 100% of the shares in SACO on 1 June 2021 as part of the Internal Restructure.

The Thungela Group is considered a continuation of the SACO Group, and has adopted the financial history of SACO on the acquisition. Thungela sold 10% of its interest in SACO to the SACO Employee Partnership Trust and the Nkulo Community Partnership Trust on 2 June 2021, which are controlled by the Group. Effectively, Thungela owns 100% of SACO.

² Acquired as part of the Internal Restructure with effect from 31 December 2020.

³ Butsanani Energy legally owns 51% of RMC. However, Butsanani Energy economically owns only 45% of RMC. Thungela effectively owns 34% of RMC.

Legal entity name	Nature of business	Operation	Shareholding
Joint operations			
Mafube Coal Mining Proprietary Limited ¹	Mining company Mining operation	Mafube	50%
Phola Coal Processing Plant Proprietary Limited ²	Mining company Processing operation	Phola	50%
Associate			
Richards Bay Coal Terminal Proprietary Limited	Port logistics	Richards Bay Coal Terminal	23%
Trusts			
Nkulo Community Partnership Trust ³	Community Trust		100%
SACO Employee Partnership Trust ³	Employee Trust		100%
Anglo American Thermal Coal Environmental Rehabilitation Trust	Rehabilitation Trust		100%
Mafube Rehabilitation Trust	Rehabilitation Trust		50%

¹ Acquired as part of the Internal Restructure with effect from 31 March 2021.

² The interest in Phola is held through AAIC so effectively the Group owns 37%.

³ Refer to note 2 for further detail relating to the Trusts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

OTHER INFORMATION continued

20 EVENTS AFTER THE REPORTING PERIOD

Derailment on coal export railway line

On 3 July 2021 a 208-wagon coal train derailed in South Africa, partially shutting a rail line that links mines to the Richards Bay Coal Terminal, potentially hampering export volumes. This was the second derailment on the coal line this year. Thungela exports all coal through the Richards Bay Coal Terminal and an efficiently functioning rail network is critical to the operations of the Group. However, the Group did not have any thermal coal on the train that derailed and did not suffer any direct losses as a result of the derailment. This impacted the ability to build stock at the Richards Bay Coal Terminal ahead of the TFR planned maintenance shut which was completed in July, which could impact export sales volumes in the second part of the year.

South African government response to the COVID-19 pandemic

On 30 June 2021, South Africa was in an adjusted level 4 national lockdown in response to the global COVID-19 pandemic, which was further extended on 11 July 2021, and eased to an adjusted level 3 lockdown on 26 July 2021. The lockdown restrictions have not had a significant impact on the operations of Thungela, on the basis of strong protocols already put in place to manage the ongoing impact of the pandemic.

Civil unrest experienced in South Africa

In the week ending 9 July 2021, and the week thereafter, civil unrest was experienced through Gauteng and KwaZulu-Natal. There was widespread damage to infrastructure and property. However, Thungela experienced no direct impact from the unrest. The results of the unrest are not expected to have an impact on the continued operations of Thungela.

IT security breach reportedly experienced by Transnet

In July 2021 Transnet reportedly suffered a security breach of its IT systems. The incident caused Transnet to declare force majeure at its container terminals but not on the Richards Bay coal line, which Thungela utilises to transport coal from its operations to the Richards Bay Coal Terminal. The incident has to date had minimal impact on Thungela, however, the situation will continue to be closely monitored.

The directors are not aware of any other significant matter or circumstance arising after the reporting period up to the date of this report, not otherwise dealt with in this report.

ANNEXURE 1: ALTERNATIVE PERFORMANCE MEASURES

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 financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the 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 of Thungela.

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 that impact 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, have been assessed consistently in each period presented, and have not been reported on by the Group's independent auditor.

Their use is driven by characteristics particularly visible in the mining sector, being:

Earnings volatility: Thungela mines and markets coal. The sector is characterised by significant volatility in earnings driven by movements in macroeconomic factors, primarily price and foreign exchange. This volatility is outside the control of the Group and can mask underlying changes in performance. Therefore, when comparing year-on-year performance, Thungela excludes certain items (such as impairments and restructuring costs) to aid comparability and then quantifies and isolates uncontrollable factors to improve understanding of the controllable portion of variances.

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

ANNEXURE 1: ALTERNATIVE PERFORMANCE MEASURES: continued

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			
Adjusted EBITDA (note A)	Profit/(loss) before net finance costs, tax, impairment losses, restructuring costs and termination benefits, depreciation and amortisation	<ul style="list-style-type: none"> • Depreciation and amortisation • Impairment of goodwill, intangible assets and property, plant and equipment • Restructuring costs and termination benefits 	Exclude the effect of non-recurring transactions to aid comparability
Adjusted EBITDA margin (note B)	Adjusted EBITDA as a percentage of revenue	None	None
Statement of financial position			
Net cash/ (debt) (note C)	Cash and cash equivalents less loans and borrowings	None	None
Statement of cash flows			
Capex (note 4)	Cash expenditure on property, plant and equipment, including the movement on capital creditors in the reporting period	None	None
Sustaining capex (note D)	Stay-in-business and stripping and development capex	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)	FOB cost represents direct cash cost incurred in producing one unit of saleable export product. This includes carbon monoxide costs, direct support costs, by-product credits and logistics costs and excludes, among other things, royalties, marketing, market development and corporate overheads	<ul style="list-style-type: none"> • Industrial and domestic revenue • Administrative costs 	To 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
Environmental liability coverage (note H)	The percentage of cash and cash equivalent investments held to fund future rehabilitation, decommissioning and water treatment expenditure	None	None

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

Rand million	Notes	30 June 2021 6 months	30 June 2020 6 months	31 December 2020 12 months
A. Adjusted EBITDA				
Operating profit/(loss) per the statement of profit or loss and other comprehensive income	3	990	52	(124)
Add – depreciation	3	498	192	406
Add – amortisation	3	14	1	2
Add – restructuring costs and termination benefits	3	386	2	2
Adjusted EBITDA		1,888	247	286
B. Adjusted EBITDA margin				
Adjusted EBITDA	A	1,888	247	286
Revenue	4	10,046	1,657	3,750
Adjusted EBITDA margin (%)		18.8	14.9	7.6
C. Net cash/(debt)				
Cash and cash equivalents	12	3,135	28	194
Less – Loans and borrowings	15	(92)	(3,465)	(582)
Net cash/(debt)		3,043	(3,437)	(388)
D. Sustaining capex				
Stay-in-business capex	4	1,008	160	308
Stripping and development capex	4	232	10	101
Sustaining capex		1,240	170	409
E. Adjusted operating free cash flow				
Cash flow from operating activities		(442)	(78)	160
Sustaining capex	4	(1,240)	(170)	(409)
Adjusted operating free cash flow		(1,682)	(248)	(249)

ANNEXURE 1: ALTERNATIVE PERFORMANCE MEASURES: continued

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

Rand million	Notes	Reviewed 30 June 2021 6 months	Reviewed 30 June 2020 6 months	Reviewed 31 December 2020 12 months
F. FOB cost				
Operating costs	3	8,670	1,603	3,872
Less – Industrial and domestic revenue	4	(1,745)	(354)	(807)
Less – Depreciation	3	(498)	(192)	(406)
Less – Amortisation	3	(14)	(1)	(2)
Less – Third-party commodity purchases	3	(752)	–	–
Less – Commodity purchases from Mafube Coal Mining	3	(137)	–	–
Add – Inventory production costs	3	416	168	48
Less – Demurrage and other expenses	3	(125)	(51)	(78)
Less – Exploration and evaluation	3	(70)	(11)	(64)
Less – Net foreign exchange (losses) / gains	3	(11)	53	4
Add – Profit on sale of property, plant and equipment	3	8	–	–
Less – Recharged costs from Anglo American – administration expenses	3	(176)	(4)	(9)
Less – Other net administration expenses	3	(101)	(11)	(65)
FOB cost		5,465	1,200	2,493
G. FOB cost per export tonne				
FOB cost (Rand million)	F	5,465	1,200	2,493
Export saleable production (kt)		6,661	1,535	3,101
FOB cost per export tonne (Rand/tonne)		820	782	804
H. Environmental liability coverage				
Environmental Provisions	9	(6,359)	(302)	(6,184)
Cash collateral held to fund closure activities		3,306	34	2,883
Assets held in the environmental rehabilitation trust	9	3,113	34	2,880
Other environmental investments	9	193	–	3
Environment liability coverage		52.0%	11.3%	46.6%

ANNEXURE 2: ACRONYMS, ABBREVIATIONS AND MEASURES USED IN THE FINANCIAL STATEMENTS

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
AASA	Anglo American South Africa Proprietary Limited
AASAF	Anglo American South Africa Finance Limited
ACSSA	Anglo Corporate Services South Africa Proprietary Limited
Anglo American	The Anglo American plc Group, and its subsidiaries
AOPL	Anglo Operations Proprietary Limited
APM	Alternative performance measure
ASA	Anglo South Africa Proprietary Limited
ASAC	Anglo South Africa Capital Proprietary Limited
Benchmark coal price	Benchmark price reference for 6000kcal/kg thermal coal exported from the Richards Bay Coal Terminal
BSP	Bonus share plan
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
CEO	Chief executive officer
CFO	Chief financial officer
Circular 1/2019	Circular 1/2019 issued by SAICA detailing the requirements for determining headline earnings
CODM	Chief operating decision maker
CPP	The Nkulo Community Partnership Trust, also referred to as the Community Partnership Plan
Demerger	The process to separate Thungela from Anglo American, as fully described in the PLS
DMRE	Department of Mineral Resources and Energy
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPF	The SACO Employee Partnership Trust, also referred to as the Employee Partnership Plan
EPS	Earnings per share
ESG	Environmental, social and governance
FOB	Free on board
FVPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
Group	Thungela and its subsidiaries, joint arrangements and associates
HFI	Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations
IAS	International Accounting Standard
IAS 27	Separate financial statements
IAS 34	Interim financial reporting
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
IFRS 13	Fair value measurement
Internal Restructure	The internal restructuring of the Group undertaken in preparation for the Demerger

ANNEXURE 2: ACRONYMS, ABBREVIATIONS AND MEASURES USED IN THE FINANCIAL STATEMENTS *continued*

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

Term used	Definition
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange Limited
kt	A measure representing 1,000 tonnes
LOM	Life of mine
LSE	London Stock Exchange
LTIP	Long term incentive plan
Mafube Coal Mining	Mafube Coal Mining Proprietary Limited
MPRDA	The South African Mineral and Petroleum Resources Development Act No. 28 of 2002
Mt	Million tonnes
NCI	Non-controlling interest
NEMA	The South African National Environmental Management Act No. 107 of 1998 (as amended from time to time)
NRV	Net realisable value
OCI	Other comprehensive income
Phola	Phola Processing Plant Proprietary Limited
PLS	Combined Prospectus and Pre-listing statement of Thungela, published on 8 April 2021
Pro Forma Financial Information	The Pro Forma condensed consolidated interim statement of profit or loss for the six months ended 30 June 2021 and 30 June 2020, along with supporting Pro Forma analysis of operating profit/(loss) and Pro Forma APMs
RBCT	Richards Bay Coal Terminal Proprietary Limited
RCF	Revolving credit facility in place to manage the funding required for the operations of AAIC
RMC	Rietvlei Mining Company Proprietary Limited
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
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Services
SA Thermal Coal Operations	Anglo American's South African thermal coal operations which were the subject of the Demerger, as defined in the PLS
Thungela	Thungela Resources Limited
TFR	Transnet Freight Rail
Transnet	Transnet SOC Limited
TOPL	Thungela Operations Proprietary Limited (known as AOPL until the name is formally changed)
TRCFR	Total recordable case frequency rate
VAT	Value added tax
USD	United States Dollar
WANOS	Weighted average number of shares
ZAR	South African Rand
Zimele	Anglo American Zimele Loan Fund Proprietary Limited

ANNEXURE 3: PRO FORMA FINANCIAL INFORMATION

Purpose of the Pro Forma Financial Information

This Pro Forma Financial Information has been prepared to enhance users' understanding of the condensed consolidated interim financial statements, based on the timing of the Internal Restructure and the impact thereof on the comparability of the financial results as detailed in note 2 to the condensed consolidated interim financial statements for the six months ended 30 June 2021. The Pro Forma Financial Information excludes any Pro Forma impacts arising as a consequence of the Demerger, Post-Balance Sheet Transactions (as defined in Annexe 6B of the PLS) and related agreements as contemplated in the PLS.

The Pro Forma Financial Information is prepared for illustrative purposes only, is the responsibility of the Thungela directors and because of its nature may not fairly present the results of the operations of the Group for the reporting periods presented if the Internal Restructure had taken place at the start of the reporting period. The Pro Forma Financial Information has not been reported on by the Group's independent auditor.

Basis of preparation of Pro Forma Financial Information

This Pro Forma Financial Information has been prepared using the accounting policies which are consistent with the accounting policies applied in the preparation of the HFI, along with the additional accounting policies set out in Annexe 6A of the PLS, in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and using the basis of preparation fully described in Annexe 2A and 2B of the PLS published on 8 April 2021, as well as the notes and assumptions supporting the Pro Forma Financial Information as detailed on the following pages.

This Pro Forma condensed consolidated interim statement of profit or loss on the following pages represents the Pro Forma effects of the Internal Restructure on the condensed consolidated interim results from operations for the six months ended 30 June 2021 and 30 June 2020 respectively, as if the Internal Restructure had been completed with effect from the start of the reporting period, and may not be fully reflective of the ongoing operating results of the Group.

The Pro Forma Financial Information presented in relation to Mafube Coal Mining is reflective of the Groups proportionate share of the income and expenses of Mafube Coal Mining.

ANNEXURE 3: PRO FORMA FINANCIAL INFORMATION continued

PRO FORMA CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Pro Forma condensed consolidated interim statement of profit or loss below presents the Pro Forma effects of the Internal Restructure on the condensed consolidated interim results for the six months ended 30 June 2021, as if the Internal Restructure had been completed with effect from the start of the reporting period, and may not be fully reflective of the ongoing operating results of the Group.

	Column 1	Column 2	Column 3	Column 4	Column 5
		Inclusion of Mafube Coal Mining	Inter-company eliminations	Reversal of interest on loans with Anglo American	Pro Forma after the Internal Restructure
Rand million	Thungela				
Revenue	10,046	248	(137)	–	10,157
Operating costs	(8,670)	(192)	137	–	(8,725)
Restructuring costs and termination benefits	(386)	–	–	–	(386)
Operating profit¹	990	56	–	–	1,046
Fair value loss on derivative asset – capital support	(584)	–	–	–	(584)
Profit before net finance costs and tax	406	56	–	–	462
Net finance costs	(146)	(4)	–	35	(115)
Investment income	219	1	–	–	220
Interest expense	(362)	(5)	–	35	(332)
Other net financing losses	(3)	–	–	–	(3)
Profit before tax	260	52	–	35	347
Income tax credit	91	(16)	–	–	75
Profit for the reporting period	351	36	–	35	422
Attributable to:				–	
Non-controlling interests	118	–	–	–	118
Equity shareholders of the Group	233	36	–	35	304
Earnings per share					
Earnings per share (cents)					223
Headline earnings per share (cents)					223
WANOS					136,311,808

¹ Refer to Pro Forma operating profit analysis for a detailed analysis of the operating profit generated by the Group.

Notes and assumptions to the Pro Forma condensed consolidated interim statement of profit or loss for the six months ended 30 June 2021

Note 1

Column 1 represents the statement of profit or loss as reported for Thungela for the six months ended 30 June 2021, which has been extracted from the condensed consolidated interim financial statements for the six months ended 30 June 2021 without adjustment.

Note 2

Column 2 represents the statement of profit or loss of Mafube Coal Mining from 1 January 2021 to 31 March 2021, to show the impact on the Group assuming Mafube Coal Mining had been owned by Thungela from start of the reporting period. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela, and represent the financial results of Mafube Coal Mining from 1 January 2021 until the time it was acquired by Thungela through the Internal Restructure on 31 March 2021. The directors are satisfied with the quality of the unpublished management accounts.

Note 3

Column 3 represents the elimination of intercompany revenue and costs between Mafube Coal Mining and TOPL in the period before Mafube Coal Mining was owned by Thungela. This revenue was generated in the normal course of business, between 1 January 2021 and the date that Mafube Coal Mining was acquired through the Internal Restructure on 31 March 2021. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela. The directors are satisfied with the quality of the unpublished management accounts.

Note 4

Column 4 represents the interest accrued on the loan account in TOPL with AASAF for the six-month period, until the date of settlement of the loan on 2 June 2021. For the purposes of preparing the HFI, these loans were treated as part of Invested equity and the interest accrued on them similarly reversed from profit or loss. In order to be consistent with the basis of preparation as included in the HFI, this interest has been reversed for the purposes of presenting the Pro Forma condensed consolidated interim statement of profit or loss for the six months ended 30 June 2021. These adjustments have been extracted without adjustment from the condensed consolidated interim financial statements of Thungela for the six months ended 30 June 2021. TOPL has sufficient available assessed tax losses to absorb the potential tax impact of this adjustment.

Note 5

Column 5 represents the cumulative effect of columns 1 to 4 and represents the Pro Forma condensed consolidated interim statement of profit or loss of Thungela for the six months ended 30 June 2021.

Note 6

As referred to in note 2 of the condensed consolidated interim financial statements for the six months ended 30 June 2021, Thungela is considered in substance to be a continuation of the SACO Group from the start of the earliest comparative period presented. Detail is provided in note 16 of the condensed consolidated interim financial statements for the six months ended 30 June 2021 regarding the treatment of the shares issued by Thungela for the purpose of determining the WANOS. A portion of the shares issued has been regarded in substance as being issued at the start of the earliest comparative period presented. However, for purposes of presenting the Pro Forma Financial Information, it has been assumed that the Internal Restructure was completed at the start of the reporting period. On this basis, in determining the WANOS for the purposes of the Pro Forma Financial Information, it has been assumed that the shares have been issued at the start of the reporting period rather than applying a time proportionate weighting to the issue of these shares. The WANOS is thus considered to be the total number of shares in issue, being 136,311,808.

ANNEXURE 3: PRO FORMA FINANCIAL INFORMATION continued

PRO FORMA CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2020

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Rand million	Thungela	Inclusion of TOPL	Inclusion of Mafube Coal Mining	Inter-company eliminations	Reversal of interest on loans with Anglo American	Pro Forma after the Internal Restructure
Revenue	1,657	6,635	514	(606)	–	8,200
Operating costs	(1,603)	(7,079)	(443)	606	–	(8,519)
Restructuring costs and termination benefits	(2)	35	–	–	–	33
Operating profit/(loss)¹	52	(409)	71	–	–	(286)
Profit/(loss) before net finance costs and tax	52	(409)	71	–	–	(286)
Net finance costs	(173)	(534)	(9)	–	352	(364)
Investment income	1	2	2	–	–	5
Interest expense	(164)	(525)	(11)	–	352	(348)
Other net financing losses	(10)	(11)	–	–	–	(21)
Loss before tax	(121)	(943)	62	–	352	(650)
Income tax (expense)/credit	(1)	274	(19)	–	(42)	212
Loss for the reporting period	(122)	(669)	43	–	310	(438)
Attributable to:		–		–		
Non-controlling interests	(2)	54	–	–	–	52
Equity shareholders of the Group	(120)	(723)	43	–	310	(490)
Loss per share						
Loss per share (cents)						(359)
Headline loss per share (cents)						(359)
Weighted average number of shares						136,311,808

¹ Refer to Pro Forma operating profit/(loss) analysis for a detailed analysis of the operating loss incurred by the Group.

Notes and assumptions to the Pro Forma condensed consolidated statement of profit or loss for the six months ended 30 June 2020

The Pro Forma condensed consolidated interim statement of profit or loss presents the Pro Forma effects of the Internal Restructure on the condensed consolidated interim results for the six months ended 30 June 2020, as if the Internal Restructure had been completed with effect from the start of the reporting period, and may not be fully reflective of the ongoing operating results of the Group.

Note 1

Column 1 represents the condensed consolidated interim statement of profit or loss as reported for Thungela for the six months ended 30 June 2020, which has been extracted from the condensed consolidated interim financial statements for the six months ended 30 June 2021 without adjustment.

Note 2

Column 2 represents the Pro Forma statement of profit or loss of TOPL from 1 January 2020 to 30 June 2020 to show the impact on the Group assuming TOPL had been owned by Thungela from the start of the reporting period. This column also includes the impact of the controlling stake that the Group holds in Butsanani Energy, which was obtained when combining the 33.3% held in Butsanani by TOPL, with the 33.3% held in the entity by SACO. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela, and represent the financial results of TOPL and Butsanani Energy from 1 January 2020 for the full six months ended 30 June 2020. The directors are satisfied with the quality of the unpublished management accounts.

Note 3

Column 3 represents the statement of profit or loss for Mafube Coal Mining from 1 January 2020 to 30 June 2020 to show the impact on the Group assuming Mafube Coal Mining had been owned by Thungela from the start of the reporting period. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela, and represent the financial results of Mafube Coal Mining from 1 January 2020 for the full six months ended 30 June 2020. The directors are satisfied with the quality of the unpublished management accounts.

Note 4

Column 4 represents the elimination of intercompany revenue and costs between AAIC, Mafube Coal Mining and TOPL in the period before Mafube Coal Mining and TOPL were owned by Thungela. These transactions were entered into in the normal course of business, between 1 January 2020 and 30 June 2020. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela. The directors are satisfied with the quality of the unpublished management accounts.

Note 5

Column 5 represents the interest accrued on the loan accounts in both TOPL and AAIC with AASAF for the six-month period, and the associated tax impact within AAIC. For the purposes of preparing the HFI, these loans were treated as part of Invested equity and the interest accrued on them similarly reversed out of profit or loss. In order to be consistent with the basis of preparation as included in the HFI, this interest has been reversed for the purposes of presenting the Pro Forma condensed consolidated interim statement of profit or loss for the six months ended 30 June 2020. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela. The directors are satisfied with the quality of the unpublished management accounts. The tax adjustment has been determined based on the interest reversed in AAIC only, as TOPL has sufficient available assessed tax losses to absorb the potential tax impact of the adjustment in that entity.

ANNEXURE 3: PRO FORMA FINANCIAL INFORMATION continued

PRO FORMA CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2020 continued

Notes and assumptions to the Pro Forma condensed consolidated statement of profit or loss for the six months ended 30 June 2020 continued

Note 6

Column 6 represents the cumulative effect of columns 1 to 5 and represents the Pro Forma condensed consolidated interim statement of profit and loss of Thungela for the six months ended 30 June 2020.

Note 7

As referred to in note 2 of the condensed consolidated interim financial statements for the six months ended 30 June 2021, Thungela is considered in substance to be a continuation of the SACO Group from the start of the earliest comparative period presented. Detail is provided in note 16 of the condensed consolidated interim financial statements for the six months ended 30 June 2021 regarding the treatment of the shares issued by Thungela for the purpose of determining the WANOS. A portion of the shares issued has been regarded in substance as being issued at the start of the earliest comparative period presented. However, for the purposes of presenting the Pro Forma Financial Information, it has been assumed that the Internal Restructure was completed from the start of the reporting period. On this basis, in determining the WANOS for the purposes of the Pro Forma Financial Information, it has been assumed that the shares have been in issue for the full reporting period rather than applying a time proportionate weighting to the issue of these shares. The WANOS is thus considered to be the total number of shares in issue, being 136,311,808.

PRO FORMA CONDENSED CONSOLIDATED INTERIM OPERATING PROFIT ANALYSIS FOR THE PERIOD ENDED 30 JUNE 2021

	Column 1	Column 2	Column 3	Column 4
Rand million	Thungela	Inclusion of Mafube Coal Mining	Intercompany eliminations	Pro Forma after the Internal Restructure
Revenue	10,046	248	(137)	10,157
Operating costs	(8,670)	(192)	137	(8,725)
Employee costs	(2,053)	(42)	–	(2,095)
Depreciation	(498)	(33)	–	(531)
Amortisation	(14)	–	–	(14)
Third-party commodity purchases	(752)	–	–	(752)
Commodity purchases from Mafube Coal Mining ¹	(137)	–	137	–
Consumables maintenance and production input costs	(3,034)	(118)	–	(3,152)
Inventory production costs	416	35	–	451
Logistics marketing and selling costs	(1,659)	–	–	(1,659)
Demurrage and other expenses	(125)	–	–	(125)
Royalties	40	(2)	–	38
Exploration and evaluation ²	(70)	–	–	(70)
Exploration expenditure	(16)	–	–	(16)
Evaluation expenditure	(54)	–	–	(54)
Net foreign exchange losses	(11)	–	–	(11)
Profit on sale of property plant and equipment	8	–	–	8
Audit fees	(2)	–	–	(2)
Professional fees	(28)	(4)	–	(32)
Learnership and development expenses	(83)	(2)	–	(85)
Temporary staff	(68)	(7)	–	(75)
Recharged costs from Anglo American	(309)	(3)	–	(312)
Administration expenses	(176)	–	–	(176)
Operating expenses	(133)	(3)	–	(136)
Other net administration expenses	(101)	5	–	(96)
Other net operating expenses	(190)	(21)	–	(211)
Operating profit before restructuring costs and termination benefits	1,376	56	–	1,432
Restructuring costs and termination benefits	(386)	–	–	(386)
Operating profit	990	56	–	1,046

¹ Commodity purchases from Mafube Coal Mining relates 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 Exploration and evaluation expenditure excludes associated employee costs, which are considered immaterial.

ANNEXURE 3: PRO FORMA FINANCIAL INFORMATION continued

PRO FORMA CONDENSED CONSOLIDATED INTERIM OPERATING PROFIT ANALYSIS FOR THE PERIOD ENDED 30 JUNE 2021 continued

The Pro Forma condensed consolidated interim operating profit analysis presents the Pro Forma effects of the Internal Restructure on the condensed consolidated interim results for the six months ended 30 June 2021, as if the Internal Restructure had been completed with effect from the start of the reporting period, and may not be fully reflective of the ongoing operating results of the Group.

Notes and adjustments to the Pro Forma condensed consolidated interim operating profit analysis for the six months ended 30 June 2021

Note 1

Column 1 represents the condensed consolidated interim operating profit analysis as reported for Thungela, which has been extracted from the condensed consolidated interim financial statements for the six months ended 30 June 2021 without adjustment.

Note 2

Column 2 represents the operating profit analysis of Mafube Coal Mining from 1 January 2021 to 31 March 2021, to show the impact on the Group had Mafube Coal Mining been owned by Thungela from the start of the reporting period. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela, and represent the financial results of Mafube Coal Mining from 1 January 2021 until the time it was acquired by Thungela through the Internal Restructure on 31 March 2021. The directors are satisfied with the quality of the unpublished management accounts.

Note 3

Column 3 represents the elimination of intercompany revenue and costs between Mafube Coal Mining and TOPL in the period before Mafube Coal Mining was owned by Thungela. This revenue was generated in the normal course of business, between 1 January 2021 and the date that Mafube Coal Mining was acquired through the Internal Restructure on 31 March 2021. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela. The directors are satisfied with the quality of the unpublished management accounts.

Note 4

Column 4 represents the cumulative effect of columns 1 to 3 and represents the Pro Forma condensed consolidated interim operating profit analysis of Thungela for the six months ended 30 June 2021.

**PRO FORMA CONDENSED CONSOLIDATED INTERIM OPERATING PROFIT/(LOSS)
ANALYSIS FOR THE PERIOD ENDED 30 JUNE 2020**

Rand million	Column 1	Column 2	Column 3	Column 4	Column 5
	Thungela	Inclusion of TOPL	Inclusion of Mafube Coal Mining	Intercompany eliminations	Pro Forma after the Internal Restructure
Revenue	1,657	6,635	514	(606)	8,200
Operating costs	(1,603)	(7,079)	(443)	606	(8,519)
Employee costs	(423)	(1,651)	(88)	–	(2,162)
Depreciation	(192)	(183)	(50)	–	(425)
Amortisation	(1)	–	–	–	(1)
Third-party commodity purchases	–	(642)	4	–	(638)
Commodity purchases from Mafube Coal Mining and AAIC ¹	–	(606)	–	606	–
Consumables maintenance and production input costs	(562)	(2,590)	(189)	–	(3,341)
Inventory production costs	168	138	(11)	–	295
Logistics marketing and selling costs	(309)	(1,318)	–	–	(1,627)
Demurrage and other expenses	(51)	(143)	–	–	(194)
Royalties	(8)	(25)	(3)	–	(36)
Exploration and evaluation ²	(11)	(49)	–	–	(60)
Exploration expenditure	–	(5)	–	–	(5)
Evaluation expenditure	(11)	(44)	–	–	(55)
Net foreign exchange gains	53	281	–	–	334
Audit fees	(1)	–	–	–	(1)
Professional fees	(5)	(25)	(2)	–	(32)
Learnership and development expenses	(4)	(40)	(3)	–	(47)
Temporary staff	–	(29)	(4)	–	(33)
Recharged costs from Anglo American	(24)	(411)	(4)	–	(439)
Administration expenses	(4)	(216)	(1)	–	(221)
Operating expenses	(20)	(195)	(3)	–	(218)
Other net administration (expenses)/income	(11)	130	6	–	125
Other net operating expenses	(222)	84	(99)	–	(237)
Operating profit/(loss) before restructuring costs and termination benefits	54	(444)	71	–	(319)
Restructuring costs and termination benefits	(2)	35	–	–	33
Operating profit/(loss)	52	(409)	71	–	(286)

¹ Commodity purchases from Mafube Coal Mining and AAIC relates to purchases by TOPL in the ordinary course of business prior to the Internal Restructure.

² Exploration and evaluation expenditure excludes associated employee costs, which are considered immaterial.

ANNEXURE 3: PRO FORMA FINANCIAL INFORMATION continued

PRO FORMA CONDENSED CONSOLIDATED INTERIM OPERATING PROFIT/(LOSS) ANALYSIS FOR THE PERIOD ENDED 30 JUNE 2020 continued

The Pro Forma condensed consolidated interim operating profit/(loss) analysis presents the Pro Forma effects of the Internal Restructure on the condensed consolidated interim results for the six months ended 30 June 2020, as if the Internal Restructure had been completed with effect from the start of the reporting period, and may not be fully reflective of the ongoing operating results of the Group.

Notes and adjustments to the Pro Forma condensed consolidated interim operating profit analysis for the six months ended 30 June 2020

Note 1

Column 1 represents the condensed consolidated interim operating profit analysis as reported for Thungela for the six months ended 30 June 2020, which has been extracted from the condensed consolidated interim financial statements for the six months ended 30 June 2021 without adjustment.

Note 2

Column 2 represents the operating loss of TOPL from 1 January 2020 to 30 June 2020 to show the impact on the Group had TOPL been owned by Thungela from the start of the reporting period. This column also includes the impact of the controlling stake that the Group holds in Butsanani Energy, which was obtained when combining the 33.3% held in Butsanani by TOPL, with the 33.3% held in the entity by SACO. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela, and represent the financial results of TOPL and Butsanani Energy from 1 January 2020 for the full six months ended 30 June 2020. The directors are satisfied with the quality of the unpublished management accounts.

Note 3

Column 3 represents the operating profit of Mafube Coal Mining from 1 January 2021 to 30 June 2020, to show the impact on the Group had Mafube Coal Mining been owned by Thungela from the start of the reporting period. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela, and represent the financial results of Mafube Coal Mining from 1 January 2020 for the full six months ended 30 June 2020. The directors are satisfied with the quality of the unpublished management accounts.

Note 4

Column 4 represents the elimination of intercompany revenue and transactions between AAIC, Mafube Coal Mining and TOPL in the period before Mafube Coal Mining and TOPL were owned by Thungela. These transactions were entered into in the normal course of business, between 1 January 2020 and 30 June 2020. These adjustments have been extracted without adjustment from the unpublished management accounts maintained by Thungela. The directors are satisfied with the quality of the unpublished management accounts.

Note 5

Column 5 represents the cumulative effect of columns 1 to 4 and represents the Pro Forma condensed consolidated interim operating profit/(loss) analysis of Thungela for the six months ended 30 June 2020.

PRO FORMA APMS

The below APMs have been determined using the Pro Forma Financial Information to further enhance the comparability of the financial and operating results. Refer to Annexure 1 for full details in relation to the APMs detailed below.

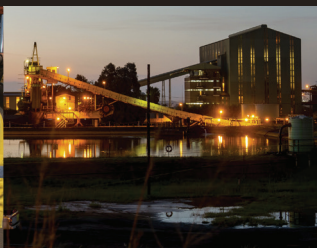
Rand million	Pro Forma 30 June 2021 6 months	Pro Forma 30 June 2020 6 months
A. Adjusted EBITDA		
Operating profit/(loss) per the Pro Forma statement of profit or loss	1,046	(286)
Add – depreciation	531	425
Add – amortisation	14	1
Add – restructuring costs and termination benefits	386	(33)
Adjusted EBITDA	1,977	107
B. Adjusted EBITDA margin		
Adjusted EBITDA	1,977	107
Revenue	10,157	8,200
Adjusted EBITDA margin (%)	19.5	1.3
C. FOB cost		
Operating costs	8,725	8,519
Less – Industrial and domestic revenue ^{1, 2}	(1,856)	(1,648)
Less – Depreciation	(531)	(425)
Less – Amortisation	(14)	(1)
Less – Third-party commodity purchases	(752)	(638)
Add – Inventory production costs	451	295
Less – Demurrage and other expenses	(125)	(194)
Less – Exploration and evaluation	(70)	(60)
Less – Net foreign exchange (losses) / gains	(11)	334
Add – Profit on sale of property, plant and equipment	8	–
Less – Recharged costs from Anglo American – administration expenses	(176)	(221)
Less – Other net administration (expenses) / income	(96)	125
FOB cost	5,553	6,086
D. FOB cost per export tonne		
FOB cost (Rand million)	5,553	6,086
Export saleable production (kt)	7,107	7,782
FOB cost per export tonne (Rand/tonne)	782	782

¹ Industrial and domestic revenue for Thungela of R1,745 million, adjusted for revenue from Mafube Coal Mining of R248 million, less intercompany eliminations of R137 million for the six months ended 30 June 2021.

² Industrial and domestic revenue for Thungela of R354 million, adjusted for industrial and domestic revenue from TOPL, including Butsanani Energy of R1,386 million and revenue from Mafube Coal Mining of R514 million, less intercompany eliminations of R606 million for the six months ended 30 June 2020.

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2021 Interim Results Presentation
for the six-month period 30 June 2021





2021 Interim Results

Presentation for the six months ended 30 June 2021



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Alternative Performance Measures

Throughout this presentation a range of financial and non-financial measures are used to assess our performance, including a number of financial measures that are not defined or specified under IFRS (International Financial Reporting Standards), which are termed 'Alternative Performance Measures' ('APMs'). Management uses these measures to monitor the Group's financial performance alongside IFRS measures to improve the comparability of information between reporting periods and business units. These APMs should be considered in addition to, and not as a substitute for, or in separate 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, it may not be comparable with similarly titled measures and disclosures by other companies.



Notes:



01

RESULTS OVERVIEW

July Ndllovu

02

OPERATIONAL PERFORMANCE

July Ndllovu

03

FINANCIAL PERFORMANCE

Deon Smith

04

OUTLOOK AND CONCLUSION

July Ndllovu

05

Q&A

Questions through Webinar and Conference Call



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Results Overview

July Ndlovu | Chief Executive Officer



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Operational Performance

July Ndlovu | Chief Executive Officer



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Financial Performance

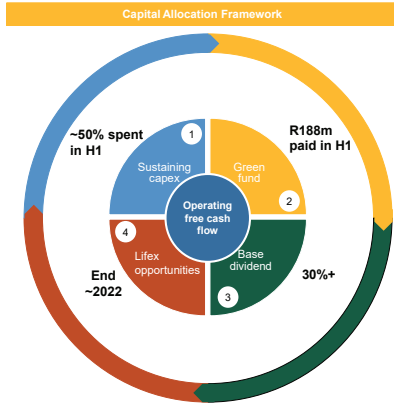
Deon Smith | Chief Financial Officer



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CAPITAL ALLOCATION



Capex

- Continue to study projects - no decision on lifex projects expected before end 2022
- Capex spend and procurement efficiencies expected in 2021
- Looking at all opportunities in our portfolio to ensure that most accretive options are funded, within capital envelope guided

Environmental liability coverage improved

- Environmental liability coverage increased to 52%
- Increase in value of the underlying investments to R3.1bn
- Green fund contribution of R188m, fully funded in H1 2021

Dividend

- Committed to dividend of at least 30% of Adjusted operating free cash flow
- Maiden dividend declaration to be considered by the Board at the 2021 annual results

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Outlook & Conclusion

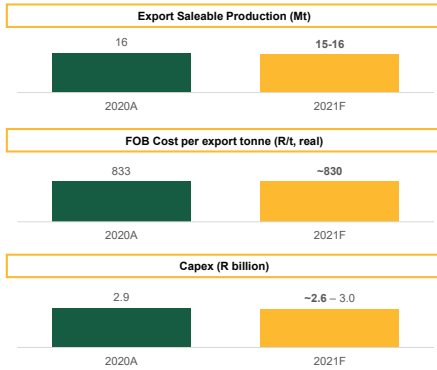
July Ndlovu | Chief Executive Officer



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OUTLOOK



Export saleable production

- Export saleable production guidance maintained at 15Mt to 16Mt for full year in 2021
- Based on expectation of improved rail performance

FOB cost per export tonne

- FOB cost per export tonne guidance maintained at R830 for full year 2021

Capex

- Capital expenditure expected to be on the low end of the range of R2.6bn to R3.0bn previously provided



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Q&A



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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 No: 9111917259
(‘Thungela’ or ‘the Group’ or ‘the Company’)

REGISTERED OFFICE

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This report is available at: www.thungela.com

DIRECTORS

Executive:

J Ndlovu (CEO)
GF Smith (CFO)

Non-executive:

SG French (Irish, appointed 4 June 2021)

Independent non-executives:

SS Ntsaluba (chairperson, appointed
1 January 2021)
KW Mzondeki (appointed 12 February 2021)
RML Setiloane (appointed 7 March 2021)
BM Kodisang (appointed 16 March 2021)

PREPARED UNDER THE SUPERVISION OF:

GF Smith CA(SA)

GROUP COMPANY SECRETARY

DF Klem

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If you have any queries regarding your
shareholding in Thungela Resources Limited,
please contact the transfer secretaries at
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