

The logo for Thungela, featuring the word "thungela" in a white, lowercase, sans-serif font. The letter "u" is highlighted in a vibrant orange color, while the remaining letters are white. The background is a dark, solid black.

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# 2021 Interim Results

Presentation for the six months ended 30 June 2021



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



# AGENDA

01

## RESULTS OVERVIEW

July Ndlovu

02

## OPERATIONAL PERFORMANCE

July Ndlovu

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## FINANCIAL PERFORMANCE

Deon Smith

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July Ndlovu

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## Q&A

Questions through Webinar and Conference Call

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# Results Overview

July Ndlovu | Chief Executive Officer



# H1 2021 KEY FEATURES

## SUCCESSFUL TRANSITION

Listed on JSE and LSE on 7 June  
One month of economic and operational independence

## SAFETY & HEALTH FOCUS

Loss of life incident in H1  
Comprehensive COVID-19 response

## STRONG EARNINGS

Operating Profit of R990m and Adjusted EBITDA<sup>1</sup> of R1.9bn

## ROBUST FINANCIAL POSITION

Net cash position of R3.0bn at 30 June 2021 with strong cash generation in June

## PRODUCTION AND COST OUTLOOK CONFIRMATION

Export Saleable Production: 15-16Mt  
FOB cost per export tonne flat in real terms ~R830

## DISCIPLINED CAPITAL ALLOCATION

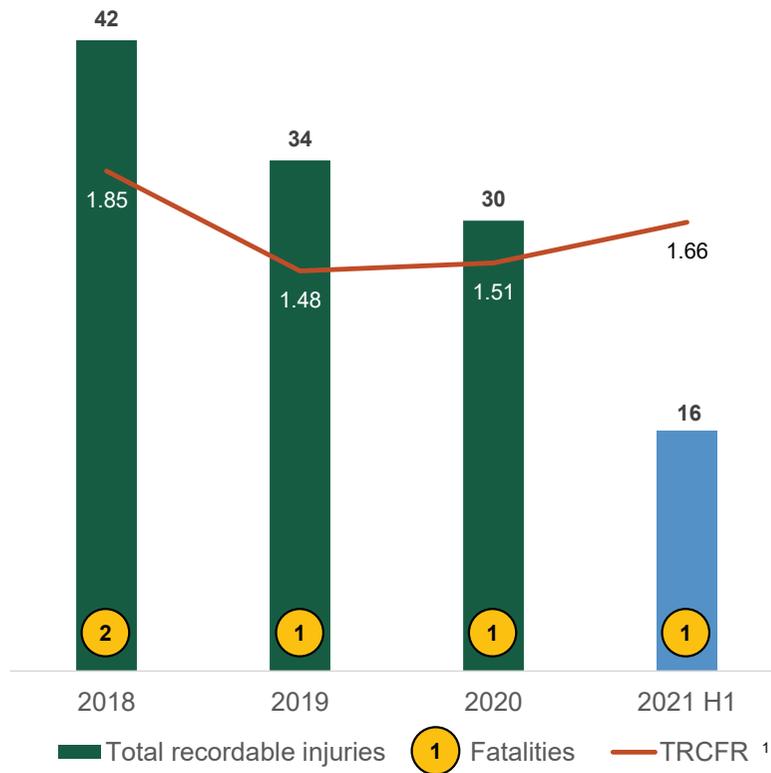
Low end of capex guidance (R2.6bn to R3.0bn)  
Remain committed to dividend policy

**Notes:**

1. Adjusted EBITDA: Profit/(loss) before net finance costs, tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation

# SAFETY

## Key Safety Metrics



**Notes:**

1. Total Recordable Case Frequency Rate = Total number of recordable injuries per one million hours worked

### Loss of life incident

- With deep sadness we report tragic passing of Mr. Moeketsi Mabatla during an evacuation following an underground fire at Goedehoop colliery on 23 June 2021
- Fire emanated from trackless mobile machine

### Commitment to a fatality-free business

- Back to basics
- Work management
- Culture change

### Total Recordable Cases

- Total of 16 recordable cases were registered in H1 2021 (H1 2020: 16)
- Total Recordable Case Frequency Rate for the period was 1.66 (H1 2020: 1.60)

# COMPREHENSIVE RESPONSE TO COVID-19 PANDEMIC

## We continue to mount a resilient and effective response

- Development of COVID-19 critical controls for on-site management of the pandemic
- Procedures include testing, ensuring that social distancing can be maintained in the workplace and detailed contact tracing programmes
- Allows our operations to continue operating safely

## Actions taken have prepared us well for subsequent waves

- Highveld Hospital adapted for COVID-19 response
- Established a COVID-19 PCR testing laboratory
- Installed 50 new bed units
- Provision of personal protective equipment, medical supplies and clinical support to 8 clinics

## Vaccination programme being rolled-out

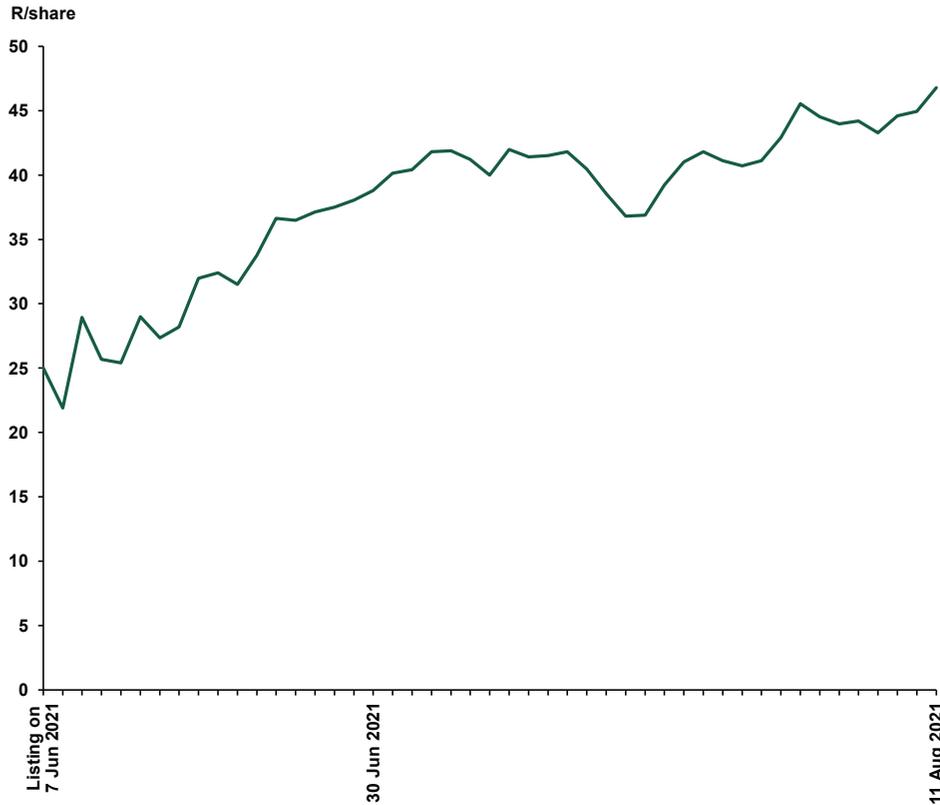
- Highveld Hospital has been approved as a vaccination site
- Currently administering vaccinations to eligible employees, including contractors
- Up to 500 persons vaccinated per week on average



# SUCCESSFUL LISTING

## Listing of Thungela Resources Limited

Thungela Resources Limited on JSE (TGA)



### Demerger preparation and regulatory approval

- Internal Restructure commenced in 2020 and completed immediately prior to Demerger
- Resultant comparative complexities necessitated having to present IFRS and Pro Forma Information

### Fully-fledged standalone business

- Critical functions and services standalone within Thungela
- Some services provided under Transitional Services Agreements
- Planning started to initiate final transition to full standalone

### Economic and operational independence

- Demerger effective from 4 June 2021
- TGA started trading on JSE (Primary Listing) and LSE (Standard Listing) on 7 June 2021
- One month of economic and operational independence

# CREATING SHARED VALUE

## Thungela Community and Employee Partnership Plans



### Lasting benefits for stakeholders

- Nkulo Community Partnership Plan
- SACO Employee Partnership Plan
- Each plan purchased 5% of the issued share capital of SACO<sup>1</sup> from Thungela immediately before the Demerger

### Unique fully funded model

- Purchase of the shares fully funded by Thungela
- Trusts entitled to 10% collectively of ordinary dividends declared by SACO through holding of ordinary shares

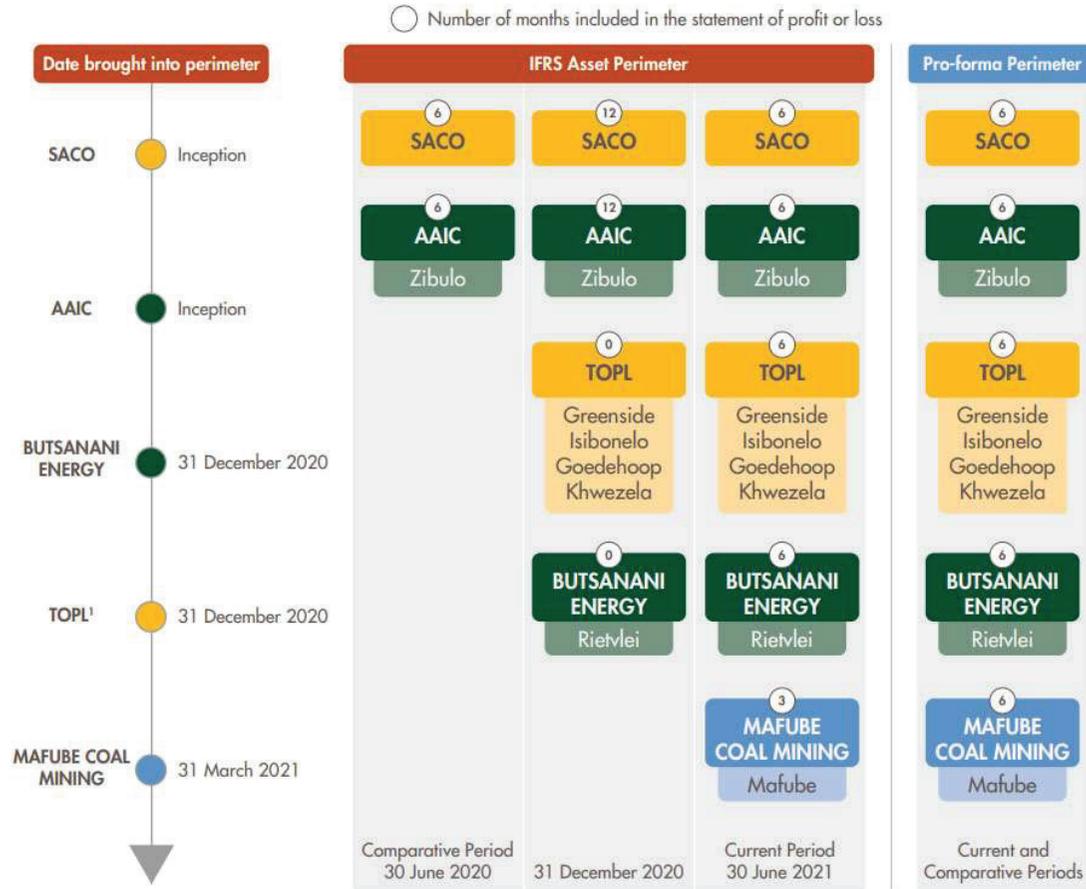
### Additional minimum benefits

- Community Partnership Trust entitled to a preference dividend<sup>2</sup> of a minimum of R6m p.a. until 2024 - first payment to Trust made in June 2021
- Employee Partnership Trust entitled to minimum dividend<sup>2</sup> of R4,000 pa<sup>3</sup> per eligible employee

**Notes:**

1. South Africa Coal Operations Proprietary Limited
2. Special share classes established to facilitate the payment of the minimum dividends to both the employee and community partnership plans (additional benefits to the ordinary shares)
3. Qualifying employees only. Guaranteed until 2024. Vesting three years after grant date.

# INTERNAL RESTRUCTURE



**Notes:**

1. Thungela Operations Proprietary Limited (currently known as Anglo Operations Proprietary Limited until the formal name change)

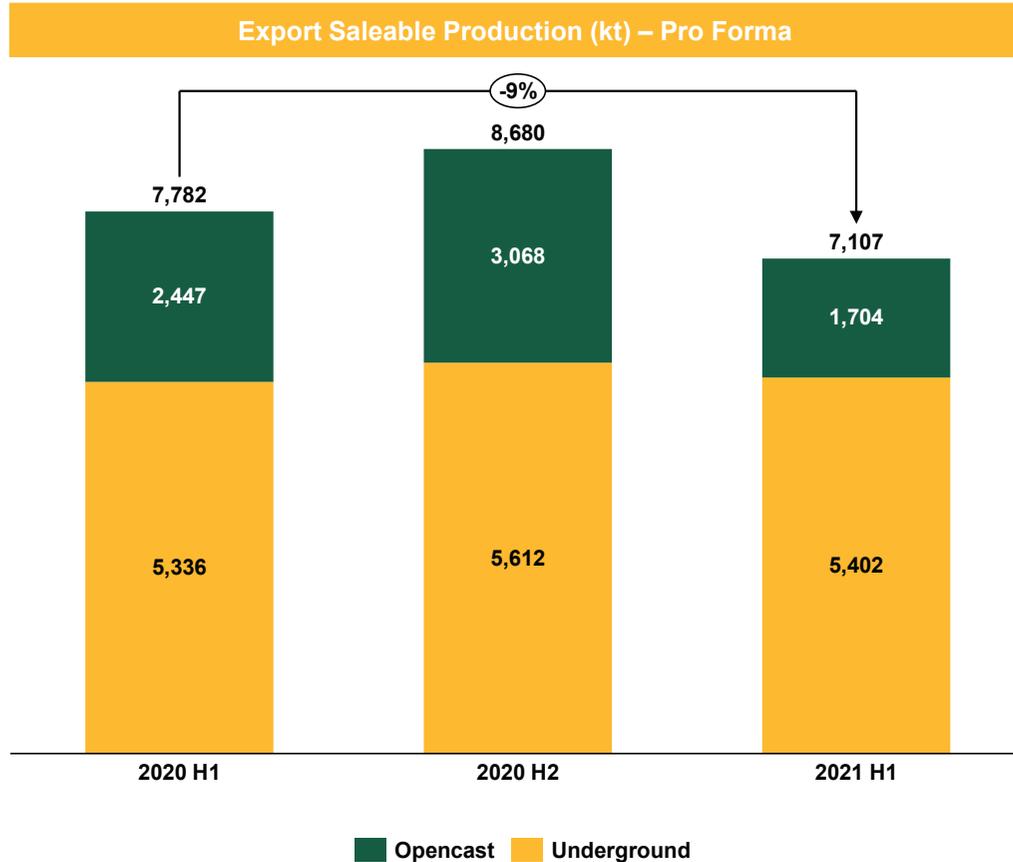
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# Operational Performance

July Ndlovu | Chief Executive Officer



# EXPORT PRODUCTION VOLUMES



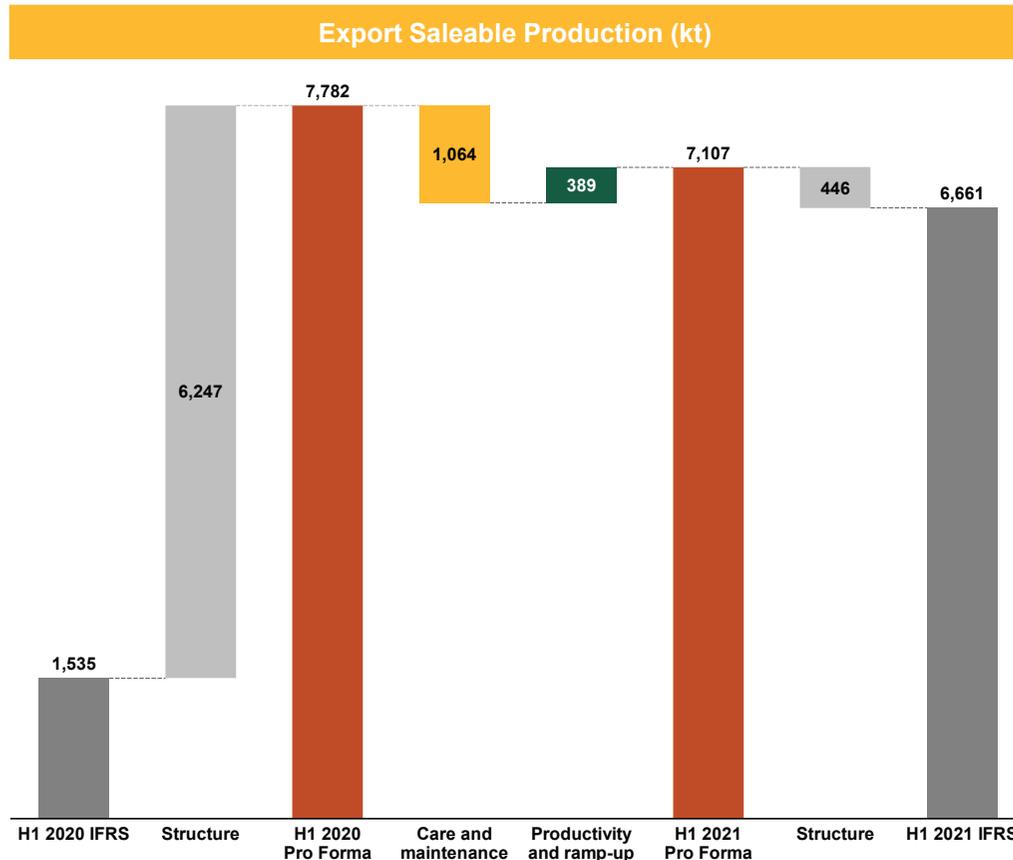
## Performance

- Export saleable production decreased by 9% from H1 2020 to H1 2021
- High-cost Bokgoni pit placed on care and maintenance in H1 2021
- Offset partially by ramp-up of Navigation and productivity improvements

## Seasonality

- Second half production historically higher than first half due to fewer interruptions and rain events
- H1 2020 and H1 2021 both impacted by the first and second COVID-19 waves respectively

# EXPORT PRODUCTION VOLUMES



## Structure impact on IFRS vs. Pro Forma

- IFRS H1 2020 included only AAIC
- IFRS H1 2021 included Mafube from 1 April 2021
- Pro Forma adjustments made to reflect the current and forward-looking asset perimeter

## Khwezela reconfiguration

- High-cost volumes removed at Bokgoni
- Navigation ramp-up progressing
- Umlalazi continues to ramp down towards end of 2021 as reserves are depleted

## COVID-19 impact

- H1 2020 hard lockdown: most pronounced pandemic-related operational interruption to date
- H1 2021 Wave 2 impact offset by productivity improvements

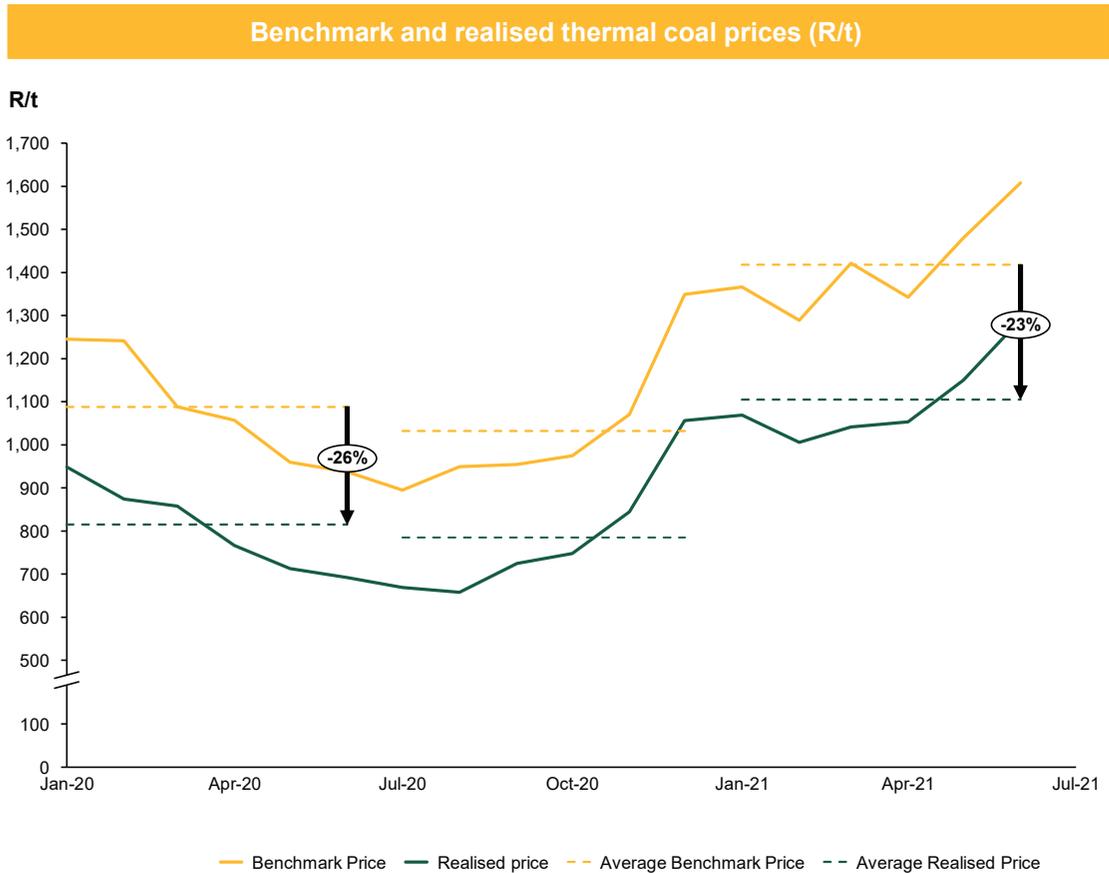


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# Financial Performance

Deon Smith | Chief Financial Officer

# MARKET OVERVIEW



## Export markets

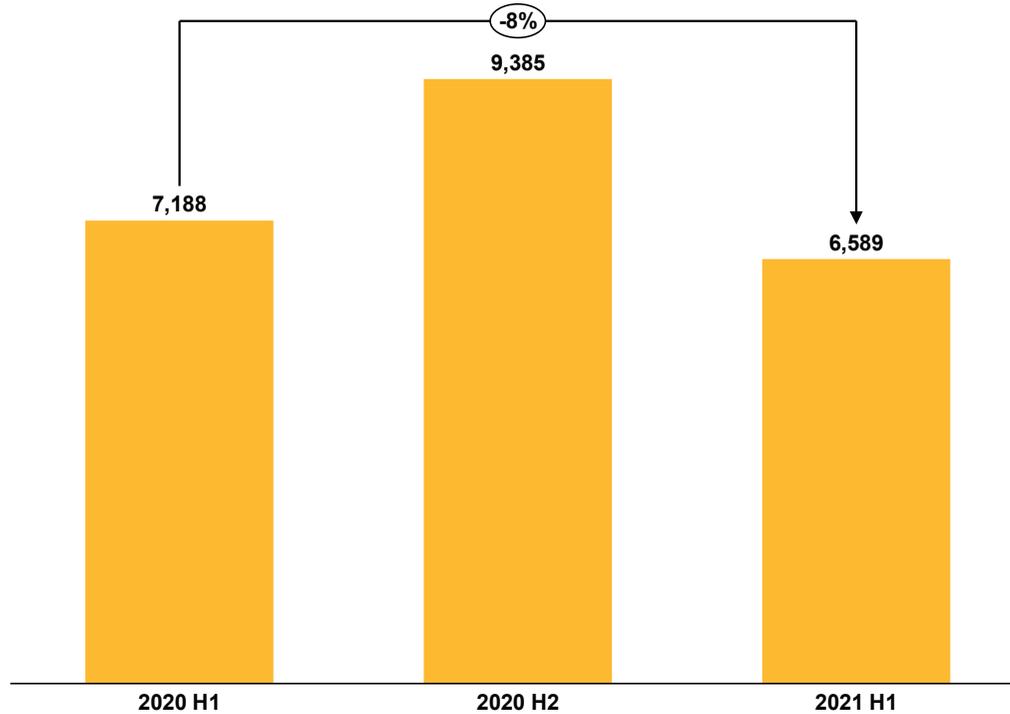
- Firmer demand from South Asian countries underpinned by urbanisation and economic growth
- Supply constraints, including TFR challenges and ongoing geopolitical tension between Australia and China, remains price supportive for South African export coal

## Prices and discounts

- Strengthening prices during H1 2021
- Market observed widening in quality adjustment discounts, with exception of high-grade (6,000kcal/kg) thermal coal which earned a premium
- Thungela's discount of 23% in H1 2021 expected to moderate further

# EXPORT EQUITY SALES

Export Equity Sales<sup>1</sup> (kt) – Pro Forma



## Performance

- Export equity sales decreased by 8%
- Driven by lower export saleable production volumes

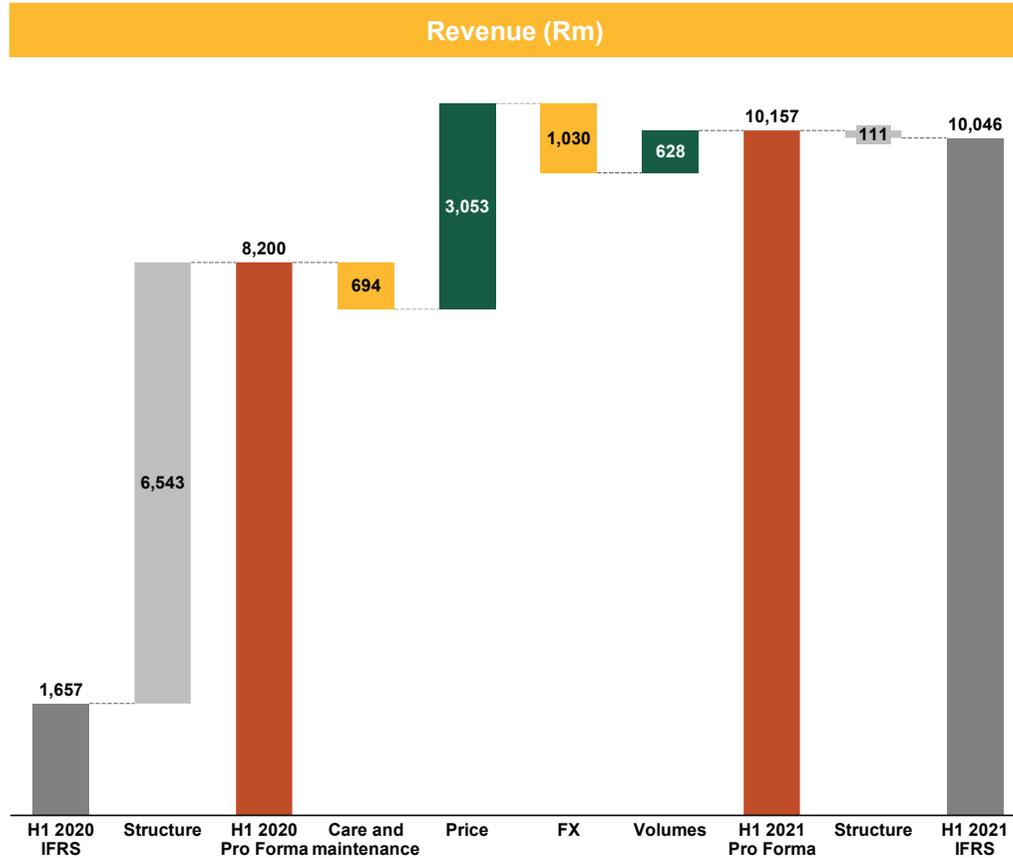
## Impact of TFR challenges

- Railings in H1 2021 lower than planned due to performance challenges experienced by TFR
- Increased inventory at operations
- Expect improvement in TFR performance

**Notes:**

1. Export Equity Sales are total export sales, less third party traded sales

# REVENUE



## Structure impact on IFRS vs. Pro forma

- IFRS H1 2020 includes only AAIC
- IFRS H1 2021 includes Mafube from 1 April 2021
- Pro Forma adjustments made to reflect the current and forward-looking asset perimeter

## Price

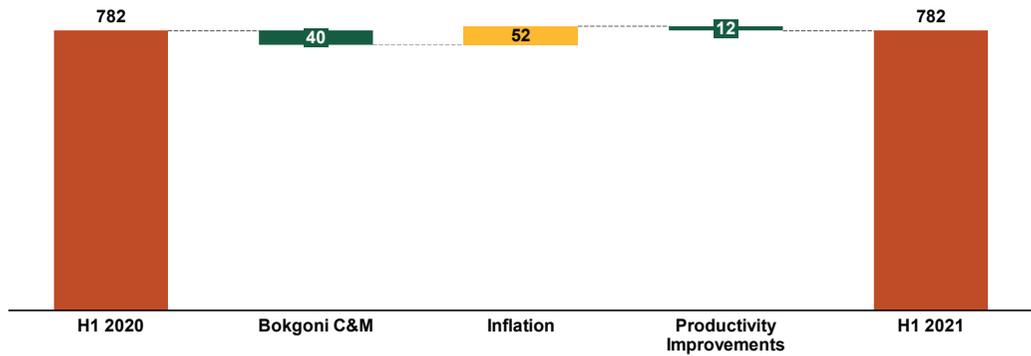
- Benchmark prices improved by 47% in USD
- Realised prices improved 36% in Rand terms
- Rand strengthened by 12% against the USD

## Volume

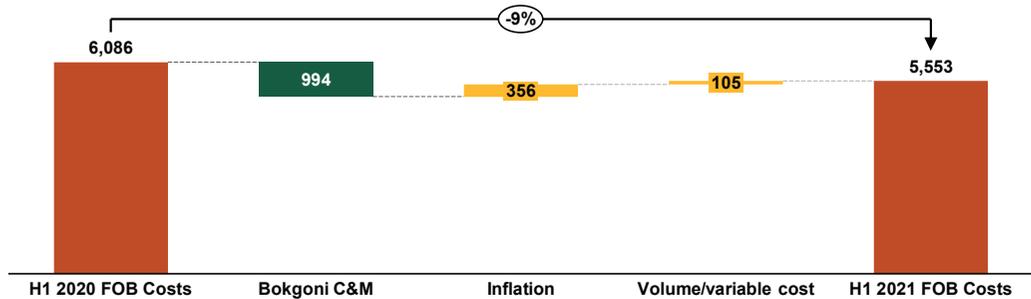
- Bokgoni placed on care and maintenance
- TFR challenges
- Partially offset by Navigation ramp-up and improved operational performance from underground operations

# FOB COST PER EXPORT TONNE

H1 2020 vs H1 2021 FOB cost per export tonne (R/t) - Pro Forma



H1 2020 vs H1 2021 FOB cost (Rm) – Pro Forma



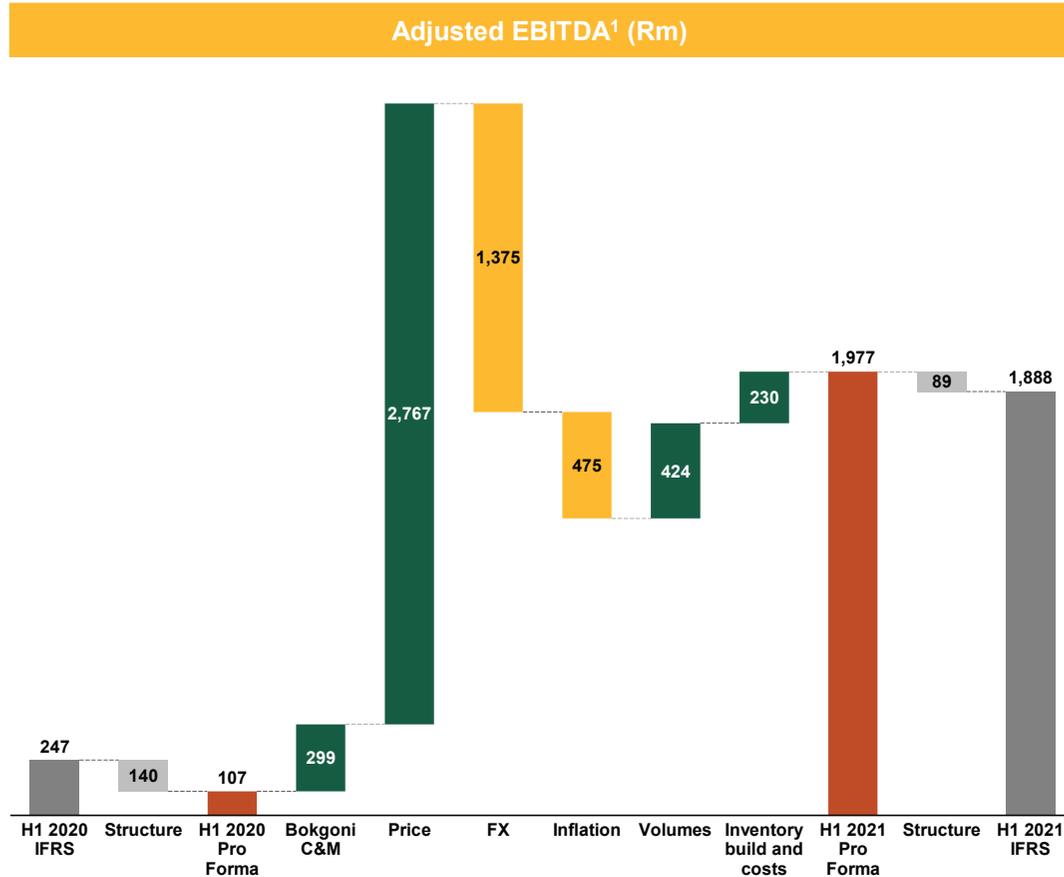
## Cost performance

- FOB cost per export tonne flat period-on-period (R782/t)
- High-cost tonnes removed at Bokgoni
- Inflation includes incremental COVID-19 related cost
- Productivity improvements in underground operations

## Total FOB Costs

- Down 9% period-on-period
- Removal of Bokgoni costs resulted in 16% reduction
- Higher output from productivity improvements resulted in additional variable costs on the incremental volumes

# ADJUSTED EBITDA



**Notes:**

1. Adjusted EBITDA: Profit/(loss) before net finance costs, tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation

## Structure impact on IFRS vs. Pro Forma

- IFRS H1 2020 includes only AAIC
- IFRS H2 2021 includes Mafube from 1 April 2021
- Pro Forma adjustments made to reflect the current and forward-looking asset perimeter

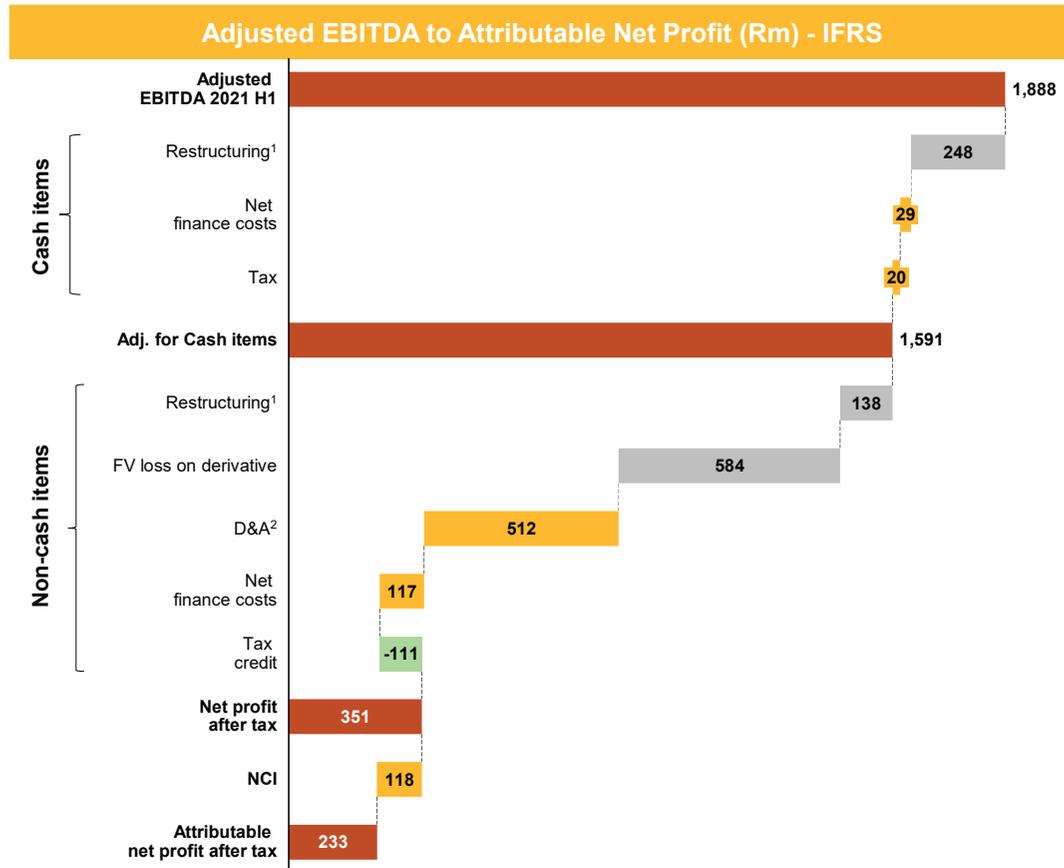
## Macro environment

- Realised prices improved 36% in Rand terms
- Inflation and COVID-19 related cost pressures more than offset by increases in volumes across underground operations

## Portfolio

- Decision to place Bokgoni on care and maintenance
- Navigation continuing to ramp up
- Inventory build – partially planned but exacerbated by TFR challenges

# NET PROFIT AFTER TAX



**Notes:**

1. Restructuring costs and termination benefits
2. Depreciation and amortisation

## Profit impacted by non-cash items

- FV loss on derivative related to Capital Support Agreement is due to the sustained recovery of the Benchmark coal price
- One-off restructuring costs relate to Bokgoni care and maintenance as well as one-off demerger costs

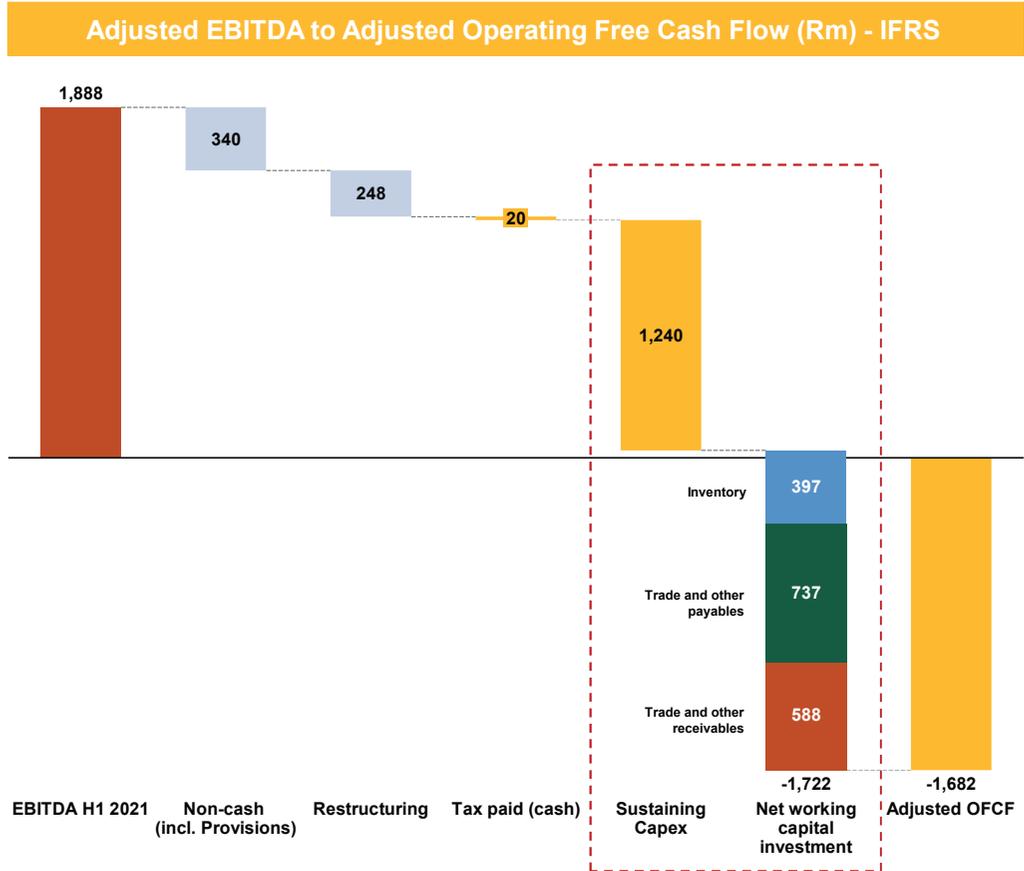
## Non-controlling interests

- Total NCI of R118m
  - R57m attributable to NCI in AAIC
  - R61m attributable to NCI in Rietvlei

## Earnings per share

- EPS of 313c per share
- Calculated using weighted average number of shares for the period of 74,408,794

# ADJUSTED OPERATING FREE CASH FLOW



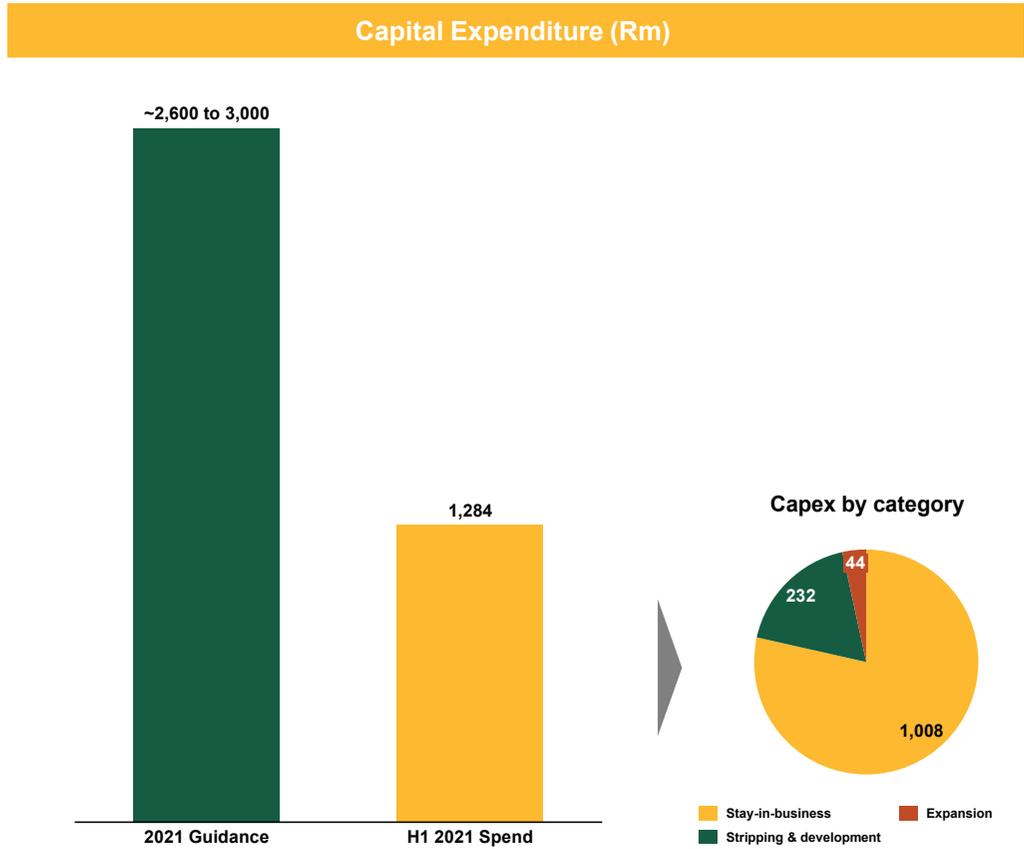
## Cash evolution

- 1 June 2021 'clean-slate' as intercompany loan extinguished prior to demerger – start of economic and operational independence
- R2.5bn cash injection augmented by strong operational cashflows in June 2021
- Net cash of R3.0bn end June 2021

## Deployment of cash

- Restructuring cost 'one off' following Bokgoni C&M
- Working capital replenished
- Run of Mine stockpiles – not included in inventory

# CAPITAL EXPENDITURE



## Thungela lens

- Review and prioritisation of H2 2021 plans to deliver targeted capex savings
- Process and reviews to reduce capital intensity underway – focus now on 2022 plans
- Lifex capital project studies continue (Zibulo, Elders, Clydesdale)

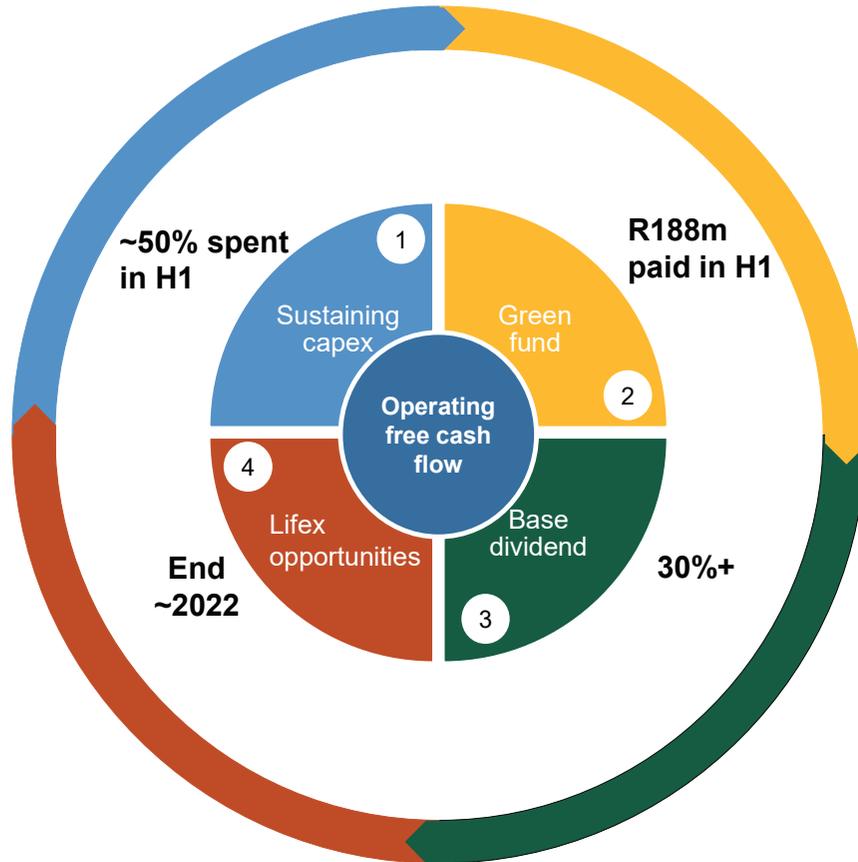
## H1 2021 spend

- H1 sustaining capex<sup>1</sup> spend on track to achieve low end of full year guidance
- Stripping and development capex enables Life of Mine production for the Zibulo, Khwezela and Greenside operations
- Expansion capex represents completion activities at the Navigation pit

**Notes:**  
 1. Sustaining capex is defined as stay-in-business capex plus stripping and development capex

# CAPITAL ALLOCATION

## Capital Allocation Framework



### 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



# OUTLOOK

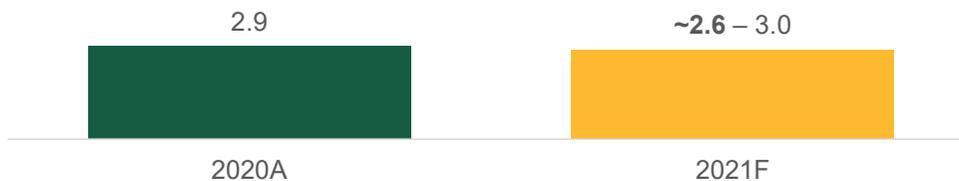
## Export Saleable Production (Mt)



## FOB Cost per export tonne (R/t, real)



## Capex (R billion)



## 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

# CONCLUSION

## AIM TO BE A FATALITY-FREE BUSINESS

Safety continues to be our number one value

## MARKET

Expect strong price environment to continue into H2

## OPERATIONAL DELIVERY

Delivering on our production and cost targets will allow us to take advantage of price environment

## CAPITAL DISCIPLINE

Applying Thungela lens on capital expenditure

## MONITORING EXTERNAL FACTORS

Continued engagements with TFR and expect performance to improve in H2

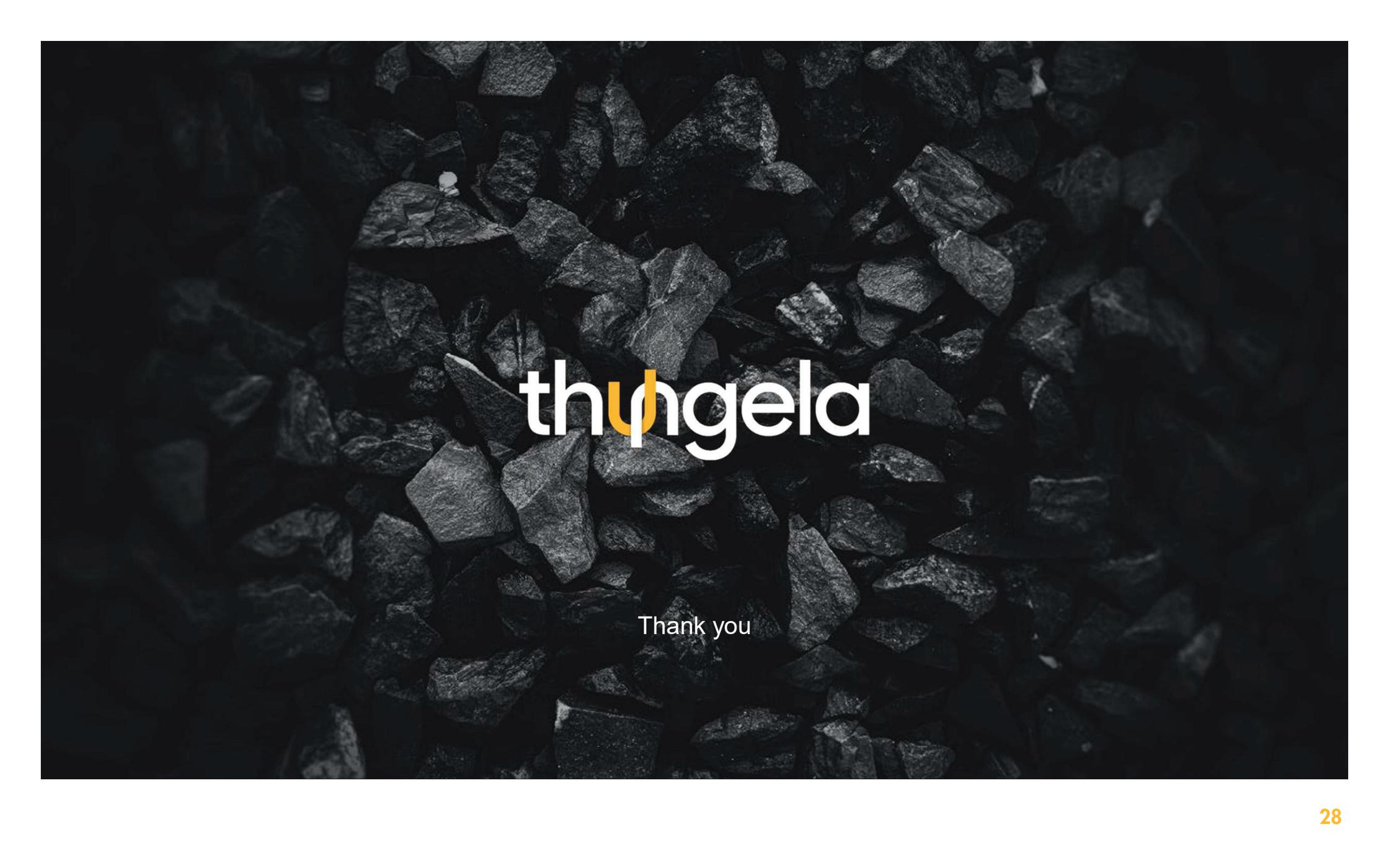
## DIVIDEND

Remain committed to dividend policy of at least 30% of Adjusted operating free cash flow

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Q&A





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Thank you