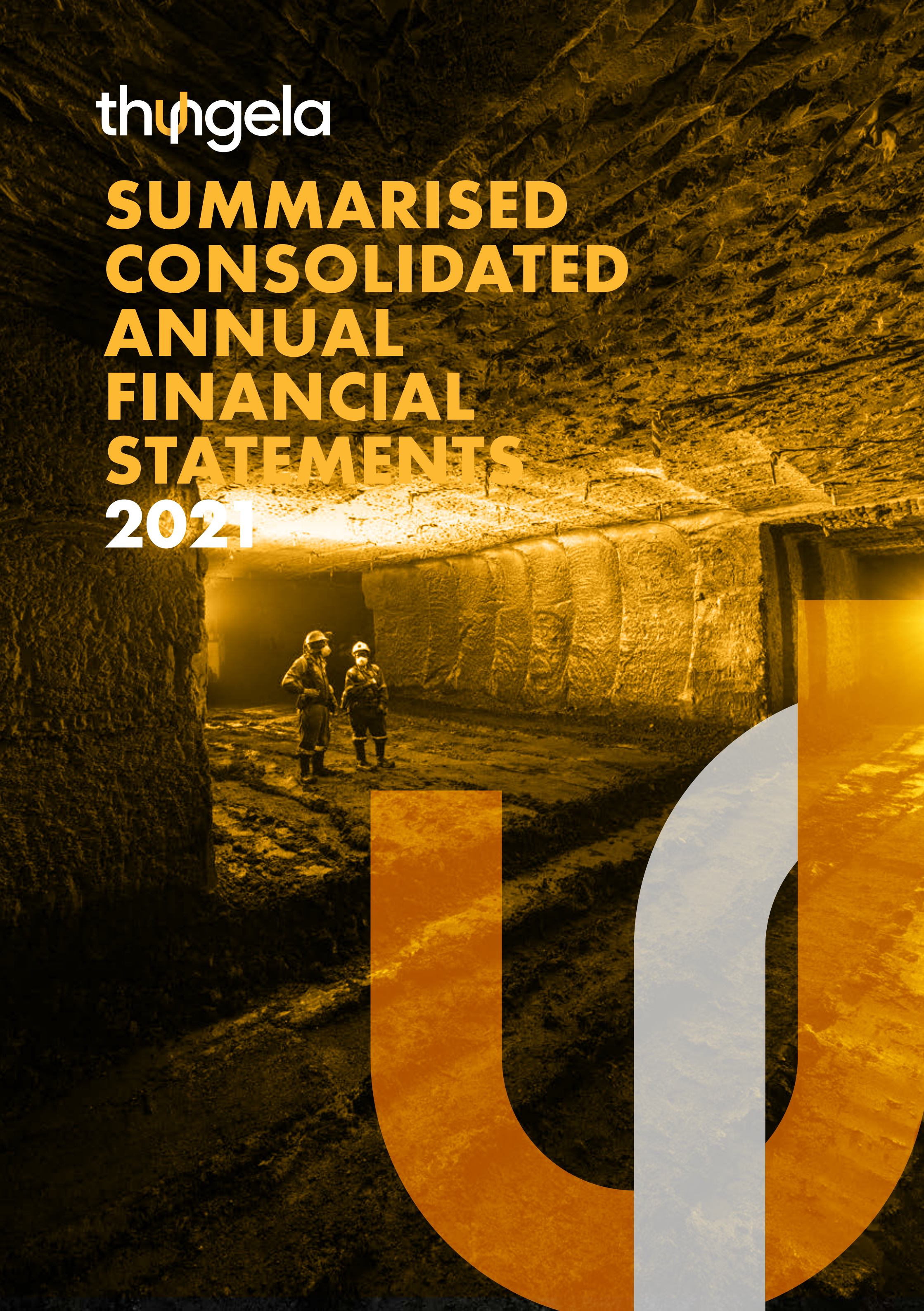
thungela

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2021



ABOUT THUNGELA

Thungela, a Zulu word which means 'to ignite', is a leading South African thermal coal business, focused exclusively on thermal coal production. It is one of the largest pure-play producers and exporters of thermal coal in South Africa based on aggregate Coal Reserves and marketable coal production.

The Group owns interests in, and produces its thermal coal predominantly from seven mining operations, namely Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo colliery), Mafube Coal Mining (operating the Mafube colliery) and Butsanani Energy (owning the independently operated Rietvlei colliery) which consist of both underground and opencast mines located in the Mpumalanga province of South Africa.

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

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

FORWARD-LOOKING STATEMENTS AND THIRD-PARTY INFORMATION

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 Resource and Reserve positions), 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. The Group assumes no responsibility to update forward-looking statements in this document except as required by law.

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

THUNGELA'S 2021 REPORTING SUITE

This report forms part of our overall suite of reporting documents for the year ended 31 December 2021, all of which should be read together. Our 2021 reporting suite includes the documents as detailed below.

INTEGRATED ANNUAL REPORT*

- Balanced assessment of our approach to creating and sustaining value.
- Detailed assessment of our Coal Resources and Coal Reserves in line with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves,2016 (the SAMREC Code).
- Developed in line with the <IR> Framework, the Companies Act of South Africa, King IV, the JSE Listings Requirements, the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules.

ANNUAL FINANCIAL STATEMENTS

- Detailed understanding of the Group's financial and operational performance, including Pro forma financial information.
- Prepared in accordance with IFRS, the Companies Act of South Africa, King IV, the JSE Listings Requirements, the UK Listings Rules and the UK Disclosure Guidance and Transparency Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT*

- Detailed disclosure of the key environmental, social and governance elements that could have a material impact on our performance and business if not effectively managed.
- Prepared in accordance with the core requirements of the GRI requirements, and internal safety and sustainable development indicators.

* Available from April 2022.

Various acronyms, abbreviations and measures used throughout our 2021 reporting suite have been defined on page 91 to 94.

For more information, visit www.thungela.com/investors/annualreporting

Responsibly creating value together for a shared future

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DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

The summarised consolidated annual financial statements should be read in conjunction with the Annual financial statements for the year ended 31 December 2021, as well as 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 directors are responsible for the preparation of the Annual financial statements from which the summarised consolidated annual financial statements have been derived.

The summarised consolidated annual financial statements are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable judgements and estimates. The summarised consolidated annual financial statements comprise the summarised consolidated statement of financial position as at 31 December 2021, the summarised consolidated statement of profit or loss and other comprehensive income, the summarised consolidated statement of changes in equity and the summarised consolidated statement of cash flows for the year then ended, the notes to the summarised consolidated annual financial statements, and other related information presented in this document.

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

- maintaining adequate accounting records and an effective system of risk management
- developing, implementing and maintaining a sound system of internal control relevant to the preparation and fair presentation of these summarised consolidated annual financial statements, that provides reasonable assurance against material misstatement or loss, whether owing to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances
- safeguarding shareholders' investments and the Group's assets
- preparing the summarised consolidated annual financial statements, including the supplementary annexures.

The Group's independent external auditor is responsible for reporting on whether the Annual financial statements are fairly presented in accordance with IFRS, and their unqualified report appears on pages 25 to 31 of the Annual financial statements. The independent external auditor has not audited these summarised consolidated financial statements, and their report on the Annual financial statements does not necessarily cover all information included in this document.

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

The directors acknowledge that they are ultimately responsible for the process of risk management and the system of internal financial control established by the Group and place a strong emphasis on maintaining a strong control environment. Based on the information and explanations given by management, the internal auditors, the independent external auditor and the Group's risk, compliance and other reporting processes, the directors are not aware of any material breakdown in the functioning of these controls and systems during the year ended 31 December 2021. The directors are of the opinion that the risk management processes and system of internal financial control provide reasonable assurance in all key material aspects that the financial records may be relied upon for the preparation of the summarised consolidated annual financial statements.

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 summarised consolidated annual financial statements.

The summarised consolidated annual financial statements have been prepared under the supervision of Deon Smith, CA(SA), CFO.

APPROVAL OF THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The summarised consolidated annual financial statements on pages 3 to 104 were approved by the board of directors and are signed on the directors' behalf by:

Sango Ntsaluba
Chairman

July Ndlovu
CEO

22 March 2022

GROUP PERFORMANCE IN 2021

ASSESSING PERFORMANCE AGAINST THE SIX CAPITALS

Headwinds

- TFR performance
- COVID-19
- Inflationary pressure (explosives and fuel)
- Stronger exchange rate

Natural
Minimise our impact on the environment

GHG emissions **819** (2020: 883)	Reduce total kt CO_2 equivalent
Water abstraction **865** (2020: 785)	Reduce million litres
Energy consumption **3.42** (2020: 3.87)	Reduce gigajoules consumed

Intellectual
Capable people and effective organisation

HDSAs in management **74%** (2020: 70%)	Increase number of HDSAs in management
Women in management **28%** (2020: 25%)	Increase number of women in management

Social and relationship
Partner with local communities and government

Local procurement **R2.3 billion** (2020: R1.5 billion)	Enterprise and supplier development
Returns to EPP and CPP **R273 million**	Creating value together

Tailwinds

- Benchmark coal prices
- Smooth transition to standalone business
- Lower corporate costs
- Lower capex spend

Financial
Sound financial and operating performance

Adjusted EBITDA **R10 billion** (2020: R286 million loss)	Generate strong earnings
Unit cost (FOB/tonne) – IFRS **R830** per export tonne (2020: R804/tonne)	
Unit cost (FOB/tonne) – Pro forma **R812** per export tonne (2020: R833/tonne)	Market guidance of R830/tonne
Returns to shareholders **R2.5 billion** 63% of Adjusted operating free cash flow	Minimum of 30% of Adjusted operating free cash flow

Manufactured
Sustainably deliver valuable product

Export saleable production – Pro forma **15.0 Mt** (2020: 16.5 Mt)	Market guidance 15 Mt to 16 Mt
Export equity sales **13.9 Mt** (2020: 16.6 Mt)	

Human
Do no harm to our workforce

Fatalities **One** (2020: One)	Be a fatality free business
TRCFR **1.35** (2020: 1.51)	Improvement in total recordable case frequency rate (TRCFR)

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

We are returning a total of R2.5 billion to our shareholders and a further R273 million to the Employee and Community Trusts.

July Ndlovu, chief executive officer of Thungela, said:

"I am delighted to report Thungela's first set of full-year results as a publicly listed company since its debut on the Johannesburg Stock Exchange and the London Stock Exchange on 7 June 2021. Our exceptional performance shows the magnitude of what we have been able to accomplish since Demerger.

We faced several challenges, most notably COVID-19 and rail infrastructure constraints due to the underperformance of Transnet Freight Rail (TFR).

Despite these, Thungela has successfully transitioned from a loss-making Group with a net debt position, to a profitable, highly cash-generative pure-play thermal coal business. Profit for the reporting period stands at R6.9 billion, following a loss of R362 million the previous year. This was driven by solid operational performance and a favourable price environment. Our net cash position at year end was R 8.7 billion.

Our robust cash flow generation and financial strength allow us to declare a maiden dividend of R18.00 per share. We are returning a total of R2.5 billion to our shareholders, which represents a pay-out of 63% of 2021 Adjusted operating free cash flow, well above the minimum pay-out of 30% per our dividend policy. We recognise that our shareholder base is diverse and to balance the interests of shareholders we will also seek authorisation from shareholders at the forthcoming AGM for a potential future share buyback programme, if appropriate.

Furthermore, the SACO Employee and Nkulo Community Partnership Trusts, the two share ownership schemes that we established to enable employees and our communities to share in the value we create, will accordingly receive R273 million in dividends.

Looking ahead, the Group remains committed to working with TFR, the South African government and the industry, to resolve the rail issues experienced in 2021 and at the start of 2022. We remain cautiously optimistic that the challenges are transient. We have, however, planned our operational performance on a gradual, rather than an immediate, recovery in rail performance.

Thungela expects to benefit from continued robust demand which, coupled with shrinking global thermal coal supply, has driven thermal coal prices to record levels. The market tightness provides a rationale for capital allocation decisions that offer various opportunities to build on our core – these could be either internal projects or acquisitive. Our investment criteria require that they have a short investment payback period, compelling economics, meet our ESG investment criteria and enhance cash returns.

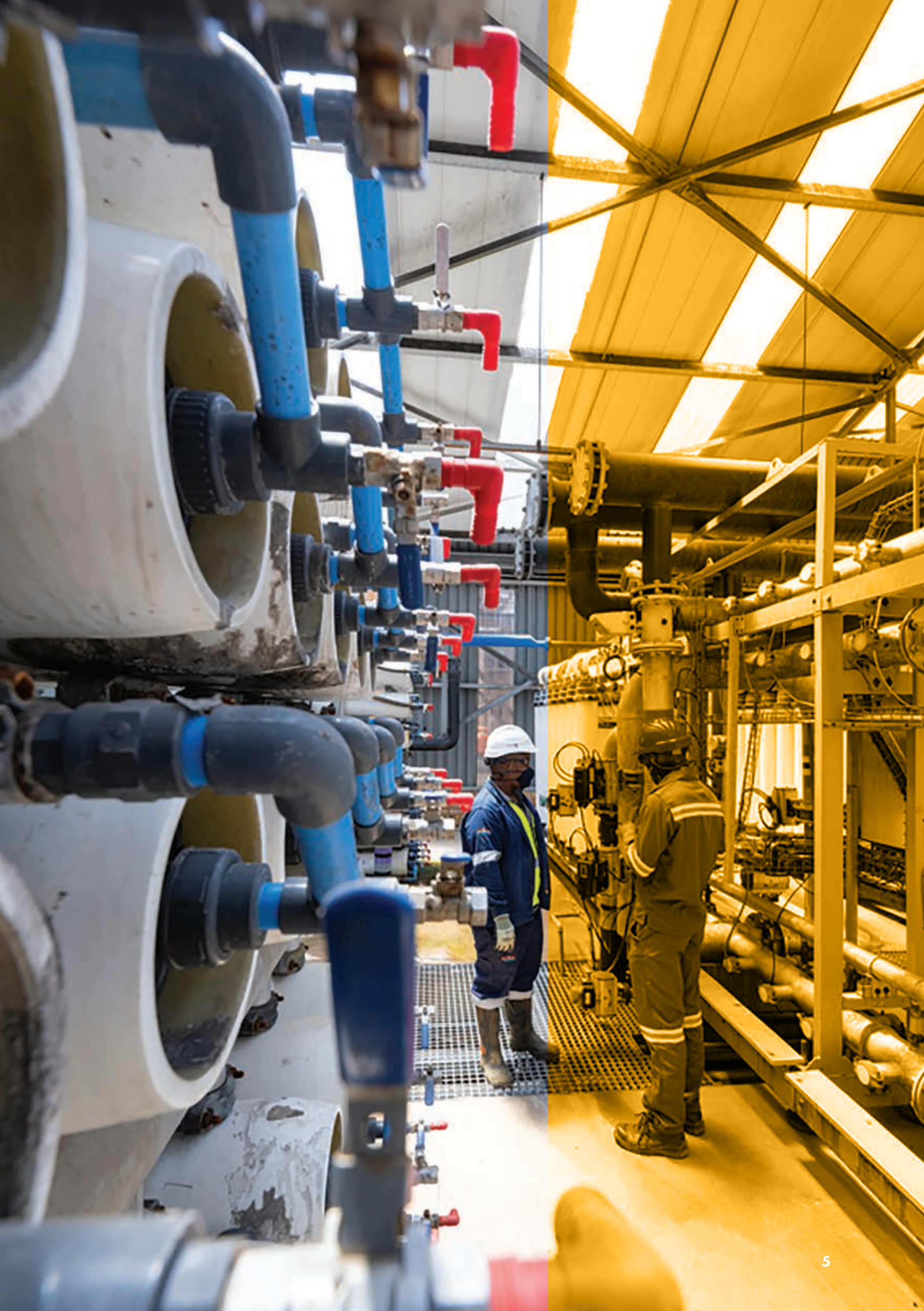
A high level of cash generation since listing and a healthy balance sheet mean that we enter 2022 in a position of strength in a supportive environment where we expect strong thermal coal prices.

In a world that is not devoid of volatility, we intend to show resilience and agility. We will maintain our focus on what we can control: achieving our goal of becoming a fatality-free business, realising further operational improvements and cost efficiencies, maximising the full potential of our existing assets with a near-term focus on production replacement projects, creating future diversification options and optimising capital allocation.

In driving our ESG aspirations, we will continue to challenge ourselves to reduce our carbon intensity at every operation on an annual basis while we develop intermediate emission reduction targets and chart our pathway to net-zero by 2050, subject to the requirements of the countries in which we operate and the markets we serve. Our first goal is to finalise intermediate carbon reduction targets by 2023."

July Ndlovu
Chief executive officer

22 March 2022



OUR MARKETS

MACROECONOMIC ENVIRONMENT

World economies recovered in 2021 as the negative impact of COVID-19 reduced. As a result, energy demand increased while related fuels sources experienced significant supply constraints. Against this background, seaborne thermal coal demand improved in 2021 with the Benchmark coal price averaging $124/tonne, compared to $65/tonne in 2020.

Significant supply constraints from a number of key thermal coal producing hubs placed pressure on coal availability which led to firm and robust prices during 2021. Furthermore, concerns about geopolitical tensions between Australia and China, and between Russia and Ukraine heightened risks on fuel sources, including thermal coal, and further increased demand for thermal coal. South African coals were again in demand in Europe due to weather interruptions on renewables (noticeably wind generation) and reduced nuclear energy output in Germany and France. Towards the end of 2021 and into 2022 the growing tensions between Russia and Ukraine resulted in significant concerns around both coal and gas supplies from Russia.

The continued political tensions between China and Australia, and the consequent Chinese trade restrictions on Australian coals, led to a redirection in the coal flows out of both Australia and South Africa. South Africa was again well positioned to market its high quality coals with low trace elements into China. The Australian volumes not sold into China were redirected and placed in alternative markets, including India and Vietnam. The supply constraints out of coal producing hubs included South Africa (TFR's poor rail performance and community unrest), Russia and Australia (both rail and port constraints), and Colombia (community unrest). These supply constraints combined with the improved demand for thermal coal supported the firm price levels, and towards the end of the year premiums were achieved for high quality coals and discounts reduced on the mid to high ash coals.

Developing economies in South Asia (including India, Pakistan, Sri Lanka and Vietnam) continued to source South African coal and account for 75% of the South African seaborne supply, while China increased its share to 12%. This demand continues to be driven by urbanisation and robust economic activity as countries in this region recover from the COVID-19 pandemic.

2021 PERFORMANCE

Thermal coal price and exchange rate (Pro forma)	**2021**	2020
Benchmark coal price (USD/tonne)	**124.11**	65.21
Average realised export price (USD/tonne)	**103.82**	48.47
Average realised export price (Rand/tonne)	**1,535**	798
Realised price as a % of Benchmark coal price	**84**	74
ZAR:USD average exchange rate	**14.79**	16.47

Thungela responded to price dynamics and the poor TFR rail performance by prioritising higher grade export coal market placement. The resultant average portfolio quality discount (from the Benchmark coal price) for the Group's products for 2021 narrowed to 16%, compared to 26% for the prior year.

The Group's ability to export coal, via the Richards Bay Coal Terminal, was severely hampered by TFR underperformance throughout 2021. TFR railed 58.1Mt to the Richards Bay Coal Terminal in 2021 which is the lowest level in over 13 years. The TFR challenges continue to be attributable mainly to theft of rail infrastructure and locomotive failures. TFR conducted two maintenance shuts in 2021 (typically there is one per year), which not only resulted in an increased outage of 19 days but also in limited improvement in performance. Thungela, together with the coal industry, has continued to assist TFR to improve the rail performance in 2022. The industry initiatives have included increased security support on the coal line and supporting TFR with the sourcing of critical spares for the locomotives. A reduction in security incidents has already been noted but continued focus by TFR, together with support from industry, will be required in order to see a substantial improvement in the coal line performance.

KEY FOCUS AREAS FOR 2022

The seaborne demand for thermal coal is expected to remain firm in 2022 with the constraints and geopolitical tensions described above continuing to impact the demand/supply balance and supporting prices. A close watch will be kept on the following key factors relating to the seaborne thermal coal markets:

- geopolitical tensions
- COVID-19 developments and economic risks of a new variant emerging
- India and China's domestic coal production in relation to their energy demand and the impact thereof on seaborne demand and these two key markets' plans for reducing their carbon dependence through a 'phase down' approach rather than a 'phase out' of coal in the energy mix
- developments in terms of new thermal coal projects which have been hampered by financing opportunities, given ESG pressures on carbon fuels
- potential new coal requirements within the South African domestic market, including Eskom, which could impact the availability of mid to high ash coals for the seaborne market
- resolving and improving the coal producing hub supply constraints experienced, including TFR's performance
- government interventions, such as the Indonesian government's enactment of an export coal ban in January 2022, imposing restrictions on export coal flows in order to ensure adequate coal availability for domestic energy generation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

THE ROLE OF COAL

As the world transitions to a lower carbon future, thermal coal remains a key pillar of the global energy mix. Thungela has an important ongoing role as a responsible thermal coal producer that recognises and balances society's needs, environmental expectations and the vital role that mines play in the economy and local communities.

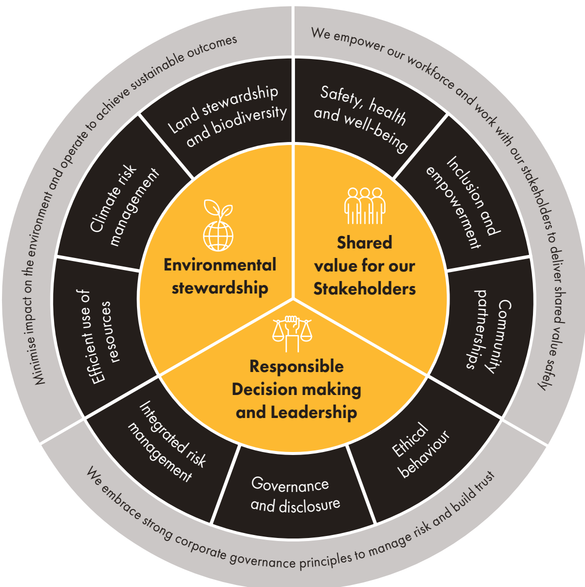
As a responsible miner, our operations provide a wide range of economic and social benefits for host communities in particular and the country as a whole, including significant employment, tax revenues, export earnings and the provision of many essential community services.

COMMITMENT TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STANDARDS

After considering major trends in the external landscape, existing activities, and the ambitions of our employees and stakeholders, we developed a fit-for purpose framework to prioritise those areas that are most salient to our host communities and broader stakeholders. We are on an ESG maturity journey that commenced with the adoption of our ESG approach to support our purpose which is to responsibly create value together for a shared future.

Our commitment to uphold ESG standards while striving to outperform on the social aspect is one of Thungela's strategic focus areas and underpins our licence to operate. Our ESG framework focuses on three pillars, namely, Environmental Stewardship, creating Shared Value for our Stakeholders, and Responsible Decision-Making and Leadership.

Within each of the ESG pillars, we have identified three core priorities most relevant to our employees, communities, stakeholders and global trends. Underpinning these priorities are robust management systems, open and engaged leadership and a commitment to effective and transparent stakeholder engagement, further supported by our Values and Code of Conduct.



Supported by	Robust Management Systems	Open and Engaged Leadership	Values and Code of Conduct	Effective and Transparent Stakeholder Engagement

Full details related to our ESG approach and performance will be included in the environmental, social and governance report to be made available in April 2022.

PERFORMANCE DASHBOARD

Key performance indicators (KPIs)	Outcome	2021	2020
Safety			
Fatalities	×	**1**	1
Total recordable case frequency rate (TRCFR)	√	**1.35**	1.51
Environment			
Total energy consumed (million GJ)	√	**3.42**	3.87
Total greenhouse gas (GHG) emissions (kt CO_2e)	√	**819**	883
Water abstraction (Ml)	×	**865**	785
Water reused/recycled (%)	×	**61**	66
Water treatment (%)	√	**57**	50
Number of level 3 – 5 environmental incidents	×	**1**	–
People			
HDSAs in management (%)	√	**74**	70
Women in management (%)	√	**28**	25

SAFETY

We are on a safety journey, continuously improving our approach. We aspire to zero work-related losses of life and a consistent decrease in total recordable cases. The tragic loss of Moeketsi Mabatla on 23 June 2021 has reinforced our commitment to the elimination of fatalities in our business.

Our commitment is underpinned by our safety strategy which has three pillars: Back to Basics, Work Management and Culture Change. We are pleased to report a 11% improvement in the TRCFR from 1.51 in 2020 to 1.35 in 2021.

ENVIRONMENTAL MANAGEMENT

We are striving for and working towards 100% environmental compliance, both in terms of compliance to the conditions of our licences as well as having approved permits and licences for all our activities. The EIA Regulations, in particular NEMA Regulation 34, require environmental authorisation audit reports to be made publicly available. Our 2021 external environmental legal audit reports were published on our website and these reports are available at https://www.thungela.com/sustainability/environmental-compliance)

There was unfortunately one level 3 incident in November 2021 at Khwezela colliery, Kromdraai complex. Mine impacted water discharged from a decant sump into the adjacent environment and ultimately to the Kromdraaispruit due to the failure of a previously sealed culvert below the decant sump. Contributing to this incident was the vandalism and theft of infrastructure required to pump the polluted water from the decant sump to the liming plant for further treatment. The impact of this incident did not extend to the Wilge River and no biodiversity impacts were observed. Corrective actions were implemented to seal off the culverts and restore the infrastructure required to redirect the water accumulating in the decant sump to the liming plant.

CARBON AND ENERGY MANAGEMENT

Coal's most serious, long-term, global impact is climate change and we recognise the importance of addressing this challenge. We are deliberate in our understanding of this risk, working proactively to reduce our scope 1 and 2 carbon emissions.

Total carbon dioxide equivalent (CO_2e) emissions in 2021 were 819 kt compared to 883 kt in 2020. This reduction of 7.3% was driven by the decision to place the Bokgoni pit at the Khwezela colliery on care and maintenance in the first quarter of 2021 as well as our energy efficiency improvement projects. Our carbon intensity decreased by 0.9% from 4.60 kg CO_2 per total tonne moved in 2020 to 4.56 kg CO_2 per total tonne moved in 2021.

At Demerger, we set a target of reducing our absolute emissions by 15% off the 2016 baseline. Our 2021 CO_2e emissions were 17% lower than those in 2016, owing to the closure of Goedehoop South and the placement of the Bokgoni pit at the Khwezela colliery on care and maintenance, reduced production due to COVID-19, TFR under performance and improvements in energy efficiency. We will continue to challenge ourselves to reduce our carbon intensity at every operation on an annual basis while we develop intermediate emission reduction targets and chart our pathway to net-zero by 2050, subject to the requirements of the countries in which we operate and the markets we serve.

Our energy intensity improved by 5.6 % year-on-year owing to our energy efficiency projects. We are on track to meet our 2025 target of a 15% improvement in energy efficiency against our business as usual projections, with 6.5% savings achieved to date. We will continue to investigate and implement energy saving projects, particularly on our large energy users, as well as exploring the opportunities for partial substitution of some of our energy requirements with renewable energy.

WATER MANAGEMENT

Mining is a water intensive industry, with water being fundamental for our operations and host communities. We view water as a strategically important, valuable and scarce resource. Our intention is to be responsible water stewards, by enabling mining while seeking to achieve no long-term net harm where we operate and to reduce our long-term liability.

A 20% reduction target for imported water of 812 Ml was set against a 2015 baseline of 1,015 Ml to be achieved by 2023. Overall, the freshwater reduction progress is on track with an abstraction rate of 865 Ml for 2021 (2020: 785 Ml). A strong focus has been placed on reducing freshwater abstraction at our Goedehoop colliery, which is now recycling its mine water for use in the underground continuous miners and we are already seeing a marked reduction in freshwater import. We will continue this focus in 2022, through identifying and addressing high usage areas.

A total reuse/recycle target of 75% has been set for the Group. In 2021, 61% was achieved, slightly down from the 66% in 2020, owing to the increase in freshwater abstraction rather than reuse of mine water, which we are addressing. We achieved and exceeded our annual target of 40% water treatment.

REHABILITATION AND CLOSURE PROVISIONS

Thungela operations achieved excellent overall rehabilitation outcomes in 2021 with 102 ha fully rehabilitated. Annually Thungela uses a third party to update the final decommissioning, rehabilitation and closure plans and to determine the mine closure financial provision in terms of the prevailing legislation, currently under the MPRDA. The transition date of the NEMA Financial Provisioning Regulations has continually been deferred, from an original transition date of February 2017 to 19 June 2022.

As currently drafted, the NEMA Financial Provisioning Regulations will alter the financial provisioning for environmental obligations, and it is likely that compliance with these regulations in their current form will substantially increase the required quantum of financial provisioning for 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.

We have provided for water treatment costs using a combination of active and passive water treatment methods, based on activities currently being performed at our operations. Thungela has embarked on a drive to investigate a number of different technologies to mitigate the impact of water liabilities. We have partnered with Mintek, The University of Pretoria and The Moss Group, to demonstrate the passive treatment process as an integrated system at larger scale and determine the suitability of the treated water for various applications, including irrigation of crops. The construction of a demonstration scale plant to further prove this treatment commenced in August 2021. We are also trialling use of phytoremediation in collaboration with the University of the Witwatersrand to address acid mine drainage challenges.

PEOPLE

Our organisational culture is built on the foundations of diversity, equality and dignity. We have implemented a holistic transformation strategy and we are proud of the progress we have made in increasing the representation of historically disadvantaged South Africans in management, which is now at 74% (2020: 70%).

The proportion of women in management is now 28% (2020: 25%). We are committed to the development of women, ensuring that they have the required skills for current and potential future roles. There is continued focus on identifying opportunities to improve the appointment and promotion of women in core roles and at senior management level. We are building our pipeline of female talent through our learnerships and professionals in training programme.

COMMUNITY PARTNERSHIPS

Responsible mining offers real and unique opportunities for social and economic advancement. Our communities are experiencing the country's 'triple challenge' of poverty, inequality and unemployment. Understanding this challenge has resulted in us developing a socioeconomic development approach to enhance the social wellbeing and economic growth of host communities through skills development, infrastructure development, education, healthcare and support for local businesses.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

- coal transport networks
- employee safety and health
- commodity price and foreign exchange rate fluctuations
- community relations
- strata and geotechnical failure
- company sustainability
- critical business systems
- legislative compliance
- COVID-19
- stakeholder activism
- event risks, including underground fires, gas, explosion, shaft conveyance and shaft integrity failures.

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

Further detail in relation to the risks and uncertainties faced by the Group, and our mitigation thereof, will be discussed in our Integrated annual report for the year ended 31 December 2021.

COAL RESOURCES AND COAL RESERVES

As at 31 December 2021

INTRODUCTION

For the reporting of Coal Resources and Coal Reserves, Thungela conforms to the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2016 SAMREC Code), adopted by the JSE, and accepted as the minimum standards, recommendations and guidelines for public reporting of Coal Resources and Coal Reserves. The Group also conforms to the JSE Listings Requirements Section 12, Part 1.

The estimates (tonnes and qualities) for individual assets are reported on a 100% basis and the attributable ownership is stipulated in the Coal Resources and Coal Reserves statement. Resources are reported on an exclusive basis.

STATEMENT BY THE LEAD COMPETENT PERSON

By signing this statement, the Lead Competent Person, Bart Jozef Maria Van de Steen, confirms that the information disclosed in this section is compliant with the SAMREC Code and the relevant JSE Listings Requirements Section 12, Part 1. The Coal Resources and Coal Reserves are published in the form and context in which it is intended. The Lead Competent Person has not been unduly influenced by Thungela or any person involved in the compilation of this report and its content. The Lead Competent Person has 34 years relevant experience in the commodity under consideration and is registered as a Professional Engineer with the recognised professional body, the Engineering Council of South Africa.

Bart Jozef Maria Van de Steen
Head of Resource Development and Operational Excellence
PhD
ECSA, Registration No: 20050122

COMPETENCY

Pursuant to the requirements of the JSE Listings Requirements Section 12, Part 1 and clause 8 of the SAMREC Code, a written consent statement by the competent person has been signed in the individual asset competent person's report (which is available on request) declaring the Coal Resources and Coal Reserves, and he/she has consented to the inclusion of his/her estimates in the form and context in which they appear in this extract of the report.

A list of the competent persons, their affiliation and relevant years of experience will be made available in the Integrated annual report.

The full report detailing the Coal Resources and Coal Reserves for Thungela in line with the SAMREC code will be available in the Integrated annual report to be published in April 2022.

RESOURCE AND RESERVE RECONCILIATION
2020 VS 2021

The previous estimation of Coal Resources and Coal Reserves by external, independent competent persons was conducted in 2020 with an effective date of 31 December 2020.

The comparison between the total Coal Reserves (including MRDs) of 31 December 2020 and 31 December 2021 is illustrated in Figure 1.

Production: The actual tonnes mined.

Conversion: Tonnes mined outside the mine plan, the newly declared Goedehoop South MRD and the increase in the Rietvlei reserve base.

Reconciliation: Tonnes attributed to losses due to thinning of seam in sub-crop areas, rounding discrepancies and minor adjustments to 2020 reported figures.

The comparison between the total Coal Resources (excluding projects) of 31 December 2020 and 31 December 2021 is illustrated in Figure 2.

Depletion: Depleted inventory tonnes.

Conversion: Tonnes mined outside the mine plan.

Transfer: Newly reported Goedehoop South MRD and inventory coal transferred to RoMP.

Reconciliation Adjustments: Losses caused by sterilised coal, minor rounding discrepancies and minor adjustments to 2020 reported figures.

The comparison between the total Coal Resources (Projects) of 31 December 2020 and 31 December 2021 is illustrated in Figure 3.

The new information category represents the updated Zondagsfontein West project including changes in cut-off parameters and new exploration information.

FIGURE 1: THUNGELA RESOURCES OPERATIONS YEAR-ON-YEAR CHANGES IN COAL RESERVES
2020 VS 2021

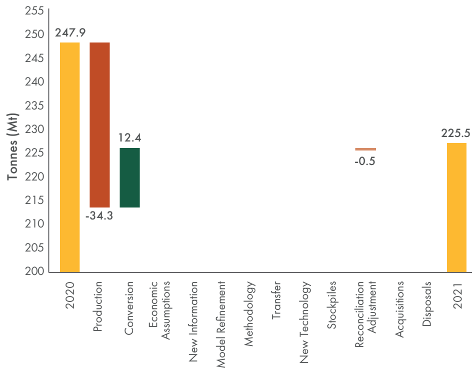


FIGURE 2: THUNGELA RESOURCES OPERATIONS YEAR-ON-YEAR CHANGES IN COAL RESOURCES OUTSIDE MINE PLAN
2020 VS 2021

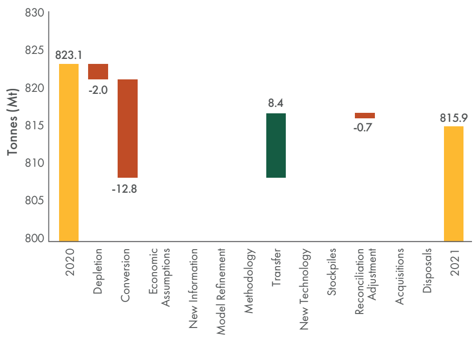
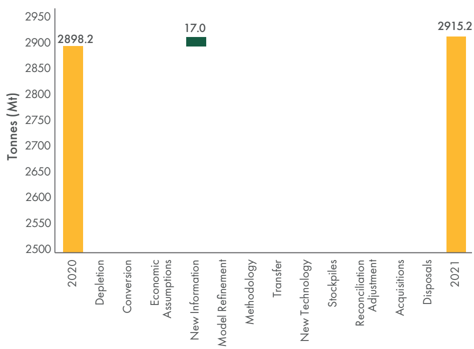


FIGURE 3: THUNGELA RESOURCES PROJECTS YEAR-ON-YEAR CHANGES IN COAL RESOURCES
2020 VS 2021



OUR PERFORMANCE

REVIEW OF FINANCIAL PERFORMANCE

For the year ended 31 December 2021

"Thungela reports a strong set of results and declares maiden dividend..."
Deon Smith, chief financial officer

Net profit for the year	Headline earnings per share	Adjusted EBITDA	Net cash
R6.9 BILLION	**R66.57**	**R10.0 BILLION**	**R8.7 BILLION**
(2020: loss of R362 million)	(2020: headline loss per share of R5.31)	(2020: R286 million)	(2020: net debt R388 million)

Total dividend to shareholders of Thungela	Dividend per share	Inaugural dividend of
R2.5 BILLION	**R18**	**R273 MILLION**
	63% of Adjusted operating free cash flow	to the SACO Employee and the Nkulo Community Partnership Trusts

OVERVIEW

It is with pride that we have released Thungela's first full year results as a listed business. Looking back on the time since our listing on 7 June 2021, we have transitioned to a standalone business and we have delivered a strong set of results, notwithstanding a number of challenges, most notably the rail infrastructure constraints and the impact of COVID-19 on our operations.

After experiencing the negative impact of the second wave of COVID-19 on production and unit costs in the first quarter of 2021, the business regained momentum in the second half. We were, however, impacted by the rail constraints which became more pronounced as the year progressed (including two separate TFR maintenance shutdowns compared to the single shutdown in prior years). As a result, we decided late in the third quarter to curtail lower margin production which had a concomitant impact on the full year saleable production and export equity sales. Our results, however, reflect the benefit of product mix optimisation as well as good management of cost and capital expenditure.

Despite the curtailment of production, the Group recorded export saleable production of 14.5 Mt (Pro forma of 15.0 Mt) at an FOB cost per export tonne of R830 (Pro forma R812). The combination of strong realised export prices coupled with the good cost performance, resulted in an Adjusted EBITDA of R10.0 billion and headline earnings of R7.0 billion.

The Group recognised impairments of R808 million in the period. These were recorded at Khwezela where we have curtailed production as a result of the poor rail performance, and at Isibonelo which is incurring increased unit cost as a result of production challenges. Plans are in place at Isibonelo which are likely to result in a gradual recovery of production and cost.

We initiated a forward coal swap programme in quarter four of 2021, taking advantage of a strong Benchmark coal price forward curve as we recognised the need to secure firm margins for the operations which were curtailed to a lower production run rate. We will continue to evaluate the merits of this programme in the context of TFR's progress to resolve rail constraints and our ability to lock in firm margins to protect these operations should prices deteriorate prior to the recovery in rail performance. The mark-to-market position for the period ended 31 December 2021 resulted in a fair value gain of R348 million on these forward coal swaps, with settlement expected from January 2022.

An assessed loss carried over from prior years, coupled with the utilisation of unredeemed capital deductions within TOPL, resulted in an effective tax rate (ETR) of 7.6% in 2021. We expect the ETR to normalise closer to the statutory tax rate of 28% from 2022.

Our operating activities generated cash flows of R9.3 billion, before adjusting for the impact of the build up of working capital of R3.2 billion, with a further R2.2 billion invested in capex to sustain the business and develop reserves at our key underground operations. The full year capex is lower than our previous guidance mainly due to efforts to optimise capital expenditure applying a Thungela lens, and planned deferral of approximately R200 million of sustaining capex following the decision to pare back production owing to the rail constraints and the associated impact on on-mine stockpiles.

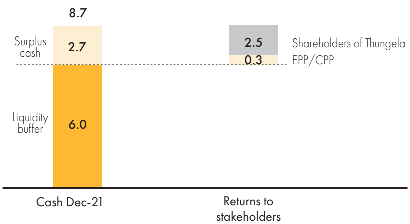
The Group invested R227 million in a new plant through a strategic partnership agreement with the Nasonti Group. This plant is expected to deliver approximately 1.0 Mt of saleable production per annum, with first coal expected in March 2022.

The Group's net working capital increased by R3.2 billion, mainly due to an increase in inventories and higher realised prices, which is reflected in our trade and other receivables.

Net of the working capital movements and sustaining capital expenditure the Group generated Adjusted operating free cash flow of R3.9 billion. We remain confident in the strength of our balance sheet and our continued ability to generate strong cash flows given current market conditions. We are pleased to have declared an ordinary dividend of R18 per share – a return to shareholders of R2.5 billion, representing 63% of Adjusted operating free cash flow. We recognise that our shareholder base is diverse and to balance the interests of shareholders we will also seek authorisation from shareholders at the forthcoming AGM for a potential future share buyback programme, if appropriate.

In addition SACO has funded the EPP and CPP (collectively the Trusts) dividends of R273 million (which represents 10% of the dividend declared by SACO). Net of these payments the Group is able to maintain the liquidity buffer of between R5 billion and R6 billion, with the upper end of this range being appropriate given continued global economic and geopolitical uncertainty.

LIQUIDITY (Rbn)



In line with our capital allocation framework, we continue to evaluate the Group's life extension and production replacement project options to determine the most optimal sequencing and capital intensity, as well as the merits of investing in these options. We have continued studies to progress our understanding of the various project options, including the Elders production replacement, the Zibulo North shaft life extension, the Clydesdale life extension and the Dalyshope projects. The first two projects – the Elders production replacement and Zibulo North shaft life extension projects – will be considered by the board for approval, based on our financial and ESG investment evaluation criteria as well as our view of the optimal sequence for these projects.

The Elders production replacement project, with an estimated R1.9 billion capital expenditure (real), will extend the production footprint in the Goedehoop region by approximately 10 years. The effective utilisation of regional infrastructure coupled with our value focused approach has reduced real capital expenditure by approximately R1.0 billion compared to prior studies. The capital expenditure is expected to be incurred during 2023 and 2024 with a portion of completion spend expected in 2025.

Depending on the outcomes of the value feasibility study at Zibulo, the North shaft life extension project is likely to be considered for investment in early 2023.

FINANCIAL AND OPERATING RESULTS OF THE GROUP

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, as the Group is expected to exist on a forward-looking basis.

Table 1 reflects the financial results as disclosed in the Annual financial statements. The directors consider additional operational and financial measures to assess the results of the operations, referred to as Alternative Performance Measures (APMs). APMs are the responsibility of the Thungela directors and have been presented consistently in each period. Further detail on the APMs is included in Annexure 1 of the Annual financial statements for the year ended 31 December 2021.

The material differences between the current and comparative period for the measures set out in table 1 relate mainly to the Internal restructure as described in note 2A of the Annual financial statements for the year ended 31 December 2021 and pages 42 to 44 of this document.

For a more comprehensive account of the Group's financial position and performance, this review should be read with the Annual financial statements for the year ended 31 December 2021 at www.thungela.com

FINANCIAL OVERVIEW

TABLE 1: IFRS FINANCIAL RESULTS FOR THE GROUP

Rand million (unless otherwise stated)	**2021**	2020
Revenue	**26,282**	3,750
Operating costs	**(17,322)**	(3,872)
Profit/(loss) for the reporting period	**6,938**	(362)
Attributable to non-controlling interests	**509**	(32)
Attributable to equity shareholders of the Group	**6,429**	(330)
Earnings/(losses) per share (cents)	**6,108**	(531)
Headline earnings/(losses) per share (cents)	**6,657**	(531)
WANOS (number of shares)	**105,260,339**	62,110,182
APMs		
Adjusted EBITDA	**9,978**	286
Adjusted EBITDA margin (%)	**38**	7.6
FOB cost per export tonne (Rand/tonne)	**830**	804
Adjusted operating free cash flow	**3,923**	(249)
Net cash/(debt)	**8,663**	(388)
Capital expenditure	**2,323**	604
Environmental liability coverage (%)	**52**	47

PROFIT FOR THE REPORTING PERIOD

Profit for the reporting period was R6.9 billion (2020: loss of R362 million), mainly due to improved prices and various restructuring steps.

R6.4 billion (2020: loss of R330 million) is attributable to equity shareholders of the Group, while R509 million (2020: loss of R32 million) is attributable to non-controlling interests (NCI). Of the total profit attributable to NCI, R463 million (2020: loss of R32 million) relates to the NCI in AAIC (operating the Zibulo colliery). However, due to the nature of the loan structure within AAIC, the cash generated by AAIC is primarily utilised for the repayment of debt owed by AAIC to TOPL. The balance of R46 million (2020: Rnil) is attributable to NCI in Butsanani Energy (owning the Rietvlei colliery).

The Group assesses at each reporting date whether there are any indicators that its assets may be impaired. Operating and economic assumptions are made which could affect the valuation of assets using discounted cash flow models to determine the recoverable amounts. The Group has impaired assets at Khwezela and Isibonelo by R808 million in the year ended 31 December 2021. The impairment of Khwezela results from the reduced production to compensate for poor rail performance while the Isibonelo impairment reflects production challenges and a resultant higher cost per tonne against fixed contractual prices.

Profit for the reporting period was also impacted by the restructuring costs and termination benefits incurred. These costs relate primarily to two matters:

- additional costs incurred in placing the Bokgoni pit at Khwezela on care and maintenance during the first quarter of 2021 amounting to R193 million
- costs relating to the Demerger amounting to R229 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 R91 million related to costs incurred to execute the Demerger.

Profit for the reporting period was further impacted by a fair value loss of R569 million (2020: Rnil) on the derivative asset relating to the Capital support agreement with Anglo American which commenced on 1 June 2021. Given the higher forecasted Benchmark coal prices through to the end of the agreement in December 2022, compared to the trigger price of R1,175/tonne when the agreement was concluded 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 31 December 2021. This agreement has not resulted in any cash inflow or outflow to date for the Group. The Capital support agreement will continue until 31 December 2022 with a further R2.5 billion potentially available for drawdown should prices drop below the trigger price.

The Group entered into a limited level of derivative trading activity consisting of forward coal swap agreements in 2021 which have been accounted for as derivative assets at fair value through profit or loss. For the period ended 31 December 2021, a fair value gain of R348 million has been recognised in the statement of profit or loss and other comprehensive income representing the mark-to-market impact of these agreements.

The Group on Demerger carried over an assessed loss and significant unredeemed capital deductions in TOPL. In the current strong price environment these assessed losses within TOPL have been utilised and will result in the ETR increasing from 7.6% in 2021 closer to the statutory tax rate of 28% from 2022.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

The Group generated earnings attributable to shareholders of the Group of R6.4 billion and R61.08 per share for the period ended 31 December 2021 while in the comparative period the Group incurred a loss of R330 million and R5.31 per share.

The Group issued 136,311,808 shares on 1 June 2021. Of these, 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 31 December 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 31 December 2021, resulting in a WANOS of 105,260,339 for 31 December 2021.

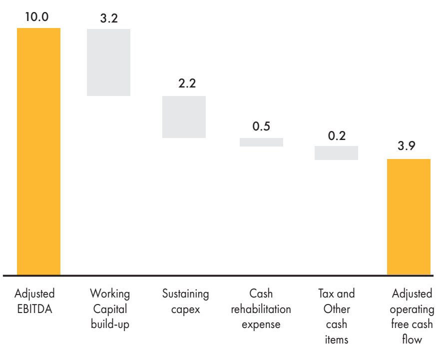
The Group generated headline earnings of R7.0 billion and headline earnings of R66.57 per share for the period ended 31 December 2021. For the comparative period, the Group incurred a headline loss of R330 million and R5.31 per share. The major contributor to the difference between earnings and headline earnings for the period was the impairment of R808 million, net of tax, which was adjusted in the calculation of headline earnings.

ADJUSTED OPERATING FREE CASH FLOW

The Group generated an Adjusted operating free cash flow of R3.9 billion for the period ended 31 December 2021 and it utilised Adjusted operating free cash flow of R249 million in the comparative period.

The difference between the profit generated for the reporting period and the Adjusted operating free cash flow was attributable mainly to the build-up of working capital and sustaining capital expenditure incurred.

ADJUSTED OPERATING FREE CASH FLOW (Rbn)



CASH AND CASH EQUIVALENTS

The Group ended the period with cash and cash equivalents of R8.7 billion. On 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 R2.5 billion from Anglo American, which is not repayable.

Given that Thungela is a single commodity and single geography thermal coal business, coupled with limited access to debt markets, an appropriate level of balance sheet flexibility is important to manage the business through periods of Benchmark coal price volatility. The Thungela board believes it is appropriate to maintain a liquidity buffer of between R5 billion and R6 billion during and following periods of stronger market conditions, and all else being equal, between R2 billion and R3 billion during and following periods of weaker market conditions.

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

CAPITAL EXPENDITURE

The Group incurred capital expenditure of R2.3 billion for the period ended 31 December 2021 (2020: R604 million), comprising the following:

- R1.7 billion invested in stay-in-business activities, mainly for routine machinery overhauls, capital spares, infrastructure upgrades and mining fleet upgrades or replacements as well as an investment in intangibles for the implementation of a new ERP system to enable the Demerger
- R511 million for stripping and development capital to access LOM reserves for the underground Greenside and Zibulo mines and for the opencast Khwezela and Zibulo box cuts
- R130 million expansionary capital expenditure for the final completion activities at Khwezela's Navigation pit.

The Group deferred sustaining capex of approximately R200 million to the first quarter of 2022 as a result of a lower production run rate in quarter four of 2021 due to the ongoing TFR challenges. The 2022 capital guidance provided in the Outlook section of this document includes this deferral of capex from 2021.

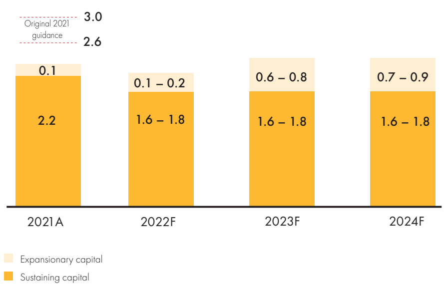
At Demerger the Group provided guidance of between R2.6 billion and R3.0 billion total capital expenditure in 2021, however, further commented that a 'Thungela lens' would be applied to the capital spend for the remainder of 2021, and capital expenditure into the future which has as anticipated, resulted in lower capital intensity across our operations.

The Elders production replacement project is set to deliver approximately 4.0 Mt ROM (2 seam) annually over a period of approximately 10 years.

The revised study which seeks to optimise the resource extraction and achieve a lower capital intensity, now reflects a capital cost of approximately R1.9 billion (real) compared to the pre feasibility study of 2015 which indicated a capital spend of approximately R2.6 billion. The feasibility study is expected to be presented to the board for approval during the first half of 2022.

The Zibulo North shaft project seeks to sink a shaft and associated infrastructure to enable access to the Zondagsfontein West reserves. This project will add approximately 10 years LOM and is likely to cost approximately R2.2 billion (real). The Zibulo North shaft project will ensure that the mine is able to continue to produce approximately 8.0 Mt ROM annually. It is expected that this project will be approved in early 2023 with capital expenditure starting from late 2023.

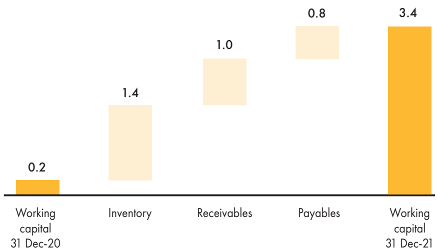
CAPITAL EXPENDITURE (Rbn)



NET WORKING CAPITAL

Net working capital at 31 December 2021 was R3.4 billion (2020: R156 million), reflecting an increase of R3.2 billion during the reporting period. Inventory increased by R1.4 billion due to a build-up of inventory at operations as a result of poor TFR performance while trade receivables increased by R960 million on the back of higher realised export prices and an increase in refunds due from SARS. Payables decreased as historical payables were cleared in preparation for the Demerger.

WORKING CAPITAL MOVEMENT (Rbn)



ENVIRONMENTAL PROVISIONS

The Environmental provisions are comprehensively assessed on an annual basis and determined with assistance from specialist independent environmental consultants. At 31 December 2021 the Environmental provisions recognised amount to R6.8 billion (2020: R6.2 billion).

The movement in Environmental provisions can be explained as follows:

Rand million	
Environmental provisions at 31 December 2020	**6,184**
Mafube inclusion post Internal restructure	**268**
Increase based on independent assessment of current disturbances	**249**
Unwinding of discount	**530**
Less: Cash spent on rehabilitation activities	**(480)**
Environmental provisions at 31 December 2021	**6,751**

The Group has investments ringfenced in environmental rehabilitation trusts and the Green fund of R3.5 billion (2020: R2.9 billion). Environmental liability coverage has improved from 47% at 31 December 2020, to 52% as at 31 December 2021.

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 amounted to R4.1 billion (2020: R4.0 billion), compared to the total Environmental provisions recognised by the Group of R6.8 billion (2020: R6.2 billion). This difference is due to additional costs which the Group believes we are likely to incur through a combination of our interpretation of the NEMA Financial Provisioning Regulations as well as actual costs to be incurred in the period up to and following mine closure, most significantly in relation to water treatment costs.

We have provided for water treatment costs using a combination of active and passive water treatment methods, based on the activities currently being performed at our operations. The 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, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements. Thungela has embarked on a drive to investigate several different technologies to mitigate the impact of water liabilities. Significant progress has also been made on proving passive water treatment on a pilot scale, to demonstrate the passive water treatment process as an integrated system at a larger scale. The construction of a demonstration scale plant to further prove this treatment commenced in August 2021.

The Group is expected to transition to the NEMA Financial Provisioning Regulations on the transition date of 19 June 2022, however, there are several regulatory steps that are required to take place before this transition can be effective. The Group has continued to provide for our interpretation of the increase in costs required as a result of the NEMA Financial Provisioning Regulations.

PERFORMANCE OF THE BUSINESS ON A PRO FORMA BASIS

The Pro forma financial information has been prepared to enhance stakeholders' understanding of the Annual financial statements, based on the timing of the Internal restructure and its impact on the comparability of the financial results as detailed in note 2A of the Annual financial statements for the year ended 31 December 2021 and pages 42 to 44 of this document. The Pro forma information is only prepared for selected operational figures and the statement of profit or loss in each reporting period.

Table 2: Pro forma financial and operational results

Rand million (unless otherwise stated)	**2021**	2020
Revenue	**26,393**	18,254
Operating costs	**(17,377)**	(20,351)
Profit/(loss) for the reporting period	**6,999**	(4,703)
Attributable to non-controlling interests	**509**	(290)
Attributable to equity shareholders of the Group	**6,490**	(4,413)
Earnings/(losses) per share (cents)	**4,774**	(3,237)
Headline earnings/(losses) per share (cents)	**5,199**	(1,860)
WANOS (number of shares)	**135,957,450**	136,311,808
APMs		
Adjusted EBITDA	**10,067**	(1,024)
Adjusted EBITDA margin (%)	**38**	(5.6)
FOB cost per export tonne (Rand/tonne)	**812**	833
Thermal coal price and exchange rate		
Benchmark coal price (USD/tonne)	**124.11**	65.21
Average realised export price (USD/tonne)	**103.82**	48.47
Average realised export price (Rand/tonne)	**1,535**	798
Realised price as a % of Benchmark coal price (%)	**84**	74
ZAR:USD average exchange rate	**14.79**	16.47
kt		
Run of mine	**28,104**	31,410
Export saleable production	**14,957**	16,463
Domestic saleable production	**10,064**	14,015
Total saleable production	**25,021**	30,478
Export equity sales	**13,893**	16,573
Third party export sales	**967**	1,580
Domestic sales	**10,185**	12,369
Total sales	**25,045**	30,522

OPERATIONAL PERFORMANCE

ROM decreased by 11% to 28,104 kt (2020: 31,410 kt) mainly due to higher cost production at the Bokgoni pit at Khwezela being placed on care and maintenance in the first quarter of 2021 and lower than expected train allocation from TFR that resulted in the curtailing of export production towards the latter part of 2021. The decrease of volumes from Bokgoni would have been partially offset by increased volumes from the Navigation pit at Khwezela but its continued ramp-up was significantly hampered by the TFR performance as on-mine stockpiles filled up from September 2021. Furthermore, during January 2021, production was impacted by the second wave of the COVID-19 pandemic in South Africa.

Export saleable production volumes decreased by 9.1% to 14,957 kt (2020: 16,463 kt) as a result of the decrease in ROM production. Export equity sales also declined by 16% to 13,893 kt (2020: 16,573 kt), primarily due to the lower saleable production volumes and lower than planned railings due to the challenges experienced by TFR. The rail performance impacted production in the second half of 2021 as on-mine stockpiles reached capacity levels from September resulting in the curtailment of operations. Khwezela and Zibulo were the most severely impacted by the poor TFR performance – equipment and resources at these mines were deployed to other value adding activities albeit at lower efficiencies. Incremental costs to manage higher than normal on-mine inventory stockpiles were incurred.

Domestic saleable production decreased 28% to 10,064 kt (2020: 14,015 kt) as demand from domestic customers weakened and Isibonelo experienced operational challenges from excessive rainfall in the fourth quarter of 2021. Domestic sales decreased by 18% to 10,185 kt (2020: 12,369 kt) due to the lower production but were offset by the Rietvlei colliery selling down product stockpiles.

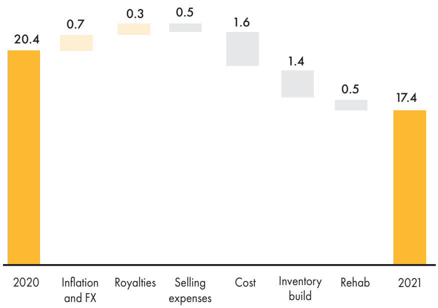
REVENUE

Revenue increased by 45% to R26.4 billion compared to R18.3 billion for 2020, mainly as a result of a 90% increase in Benchmark coal prices as well as higher achieved realised prices, partially offset by a stronger Rand. The Group achieved a realised price of R1,535/tonne compared to the prior period of R798/tonne. The realised price as a percentage of Benchmark coal prices averaged 84% for the year and has improved from 74% in 2020. This is mainly due to market conditions and the optimisation of the Group's export equity sales mix in order to prioritise the railing and sales of higher margin products to mitigate the TFR challenges. The increase in revenue was partially offset by the impact of the stronger average ZAR:USD exchange rate of R14.79 (2020: R16.47).

OPERATING COSTS

Total operating costs decreased by 15% to R17.4 billion (2020: R20.4 billion). FOB cost decreased by 12% to R12.1 billion as we eliminated higher cost production by placing Bokgoni on care and maintenance in the first quarter of 2021 as well as lower selling expenditure as a result of lower railings. FOB cost reductions were partially offset by the mining royalty charge of R396 million (2020: R70 million).

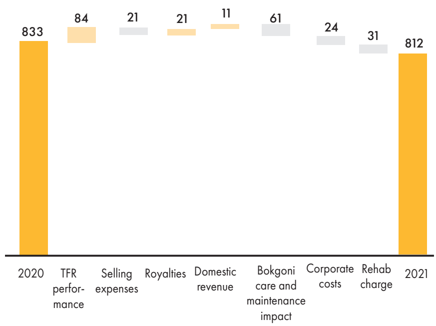
OPERATING COSTS (Rbn)



FOB COST PER EXPORT TONNE

Despite lower export saleable production as a result of the TFR performance (R84/tonne), the FOB cost per export tonne at R812 was lower than the prior period of R833 as the unit cost benefitted from the Bokgoni care and maintenance decision (R61/tonne), reduced rehabilitation charge (R31/tonne) as well as lower corporate costs (R24/tonne) following the Demerger. The Group continues to seek further opportunities to optimise the operating costs to reflect the standalone business, and to offset the expected increase in prices as a result of the global inflation outlook.

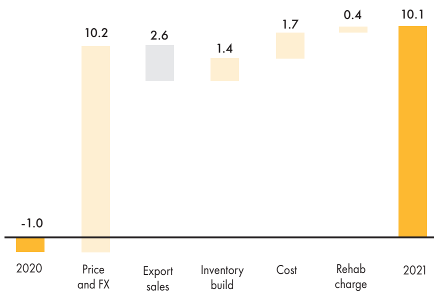
FOB COST PER TONNE (R/tonne)



ADJUSTED EBITDA

The Group delivered an Adjusted EBITDA of R10.1 billion for the period ended 31 December 2021 (2020: loss of R1.0 billion) mainly as a result of an increase of 92% in realised prices offset by the impact of foreign exchange and inflation. The impact on Adjusted EBITDA of lower sales volumes amounting to R2.6 billion was more than offset by an increase in on-mine inventory, overall operating cost savings and a lower rehabilitation charge. The Adjusted EBITDA margin improved to 38%, compared to a negative margin of 5.6% for the comparative period.

ADJUSTED EBITDA (Rbn)



PROFIT FOR THE REPORTING PERIOD

Profit for the reporting period was R7.0 billion, compared to a loss of R4.7 billion in the comparative period. This improvement was driven mainly by the increase in revenue and lower operating costs.

Profit attributable to equity shareholders of the Group improved to R6.5 billion, compared to an attributable loss of R4.4 billion in the comparative period. Net profit attributable to NCI improved to R509 million from the comparative period loss of R290 million.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

The Group generated earnings attributable to equity shareholders of R6.5 billion and R47.74 per share during the period (based on a WANOS for the period of 135,957,450). 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 WANOS is reflective of total shares in issue, adjusted for treasury shares held. In the comparative period the Group incurred a loss attributable to equity shareholders of R4.4 billion and R32.37 per share (based on WANOS for the period of 136,311,808).

The Group generated headline earnings of R7.0 billion and R51.99 per share during the period compared to a loss of R18.60 per share in 2020. The difference between the EPS and HEPS mainly relates to the impairment losses, which were excluded from headline earnings.

INVESTOR RELATIONS ACTIVITY AND SHARE PRICE

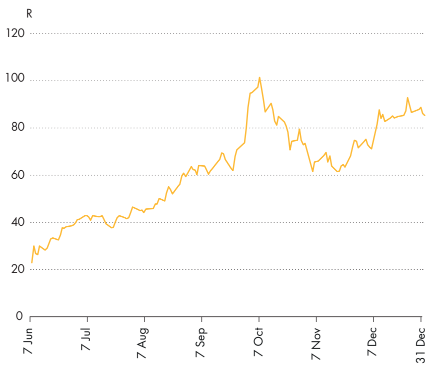
Since our listing on 7 June 2021 Thungela has positioned itself as a leading thermal coal company in terms of generating value for shareholders.

The investor relations function was set up at the onset of the announcement of the Demerger in April 2021. The investor relations function engages regularly with the market to ensure effective communication of the Group's financial and operating performance, ESG matters and corporate strategy. Engagement with the market includes regular interactions with buy-side and sell-side analysts, existing institutional and retail investors, as well as potential investors. Engagements with the market have been important to ensure an understanding of our business, recognising our very recent listing.

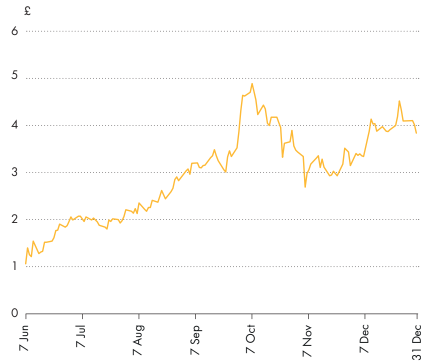
Thungela was admitted to trading on the JSE and LSE under the ticker 'TGA'. We have communicated and engaged with the market through the hosting of a Capital markets day (6 May 2021), the release of interim results (13 August 2021), the release of a CFO Pre-close and Trading statement (6 December 2021), analyst and investor calls accompanying the aforementioned releases, as well as the release of material information through the JSE SENS and LSE RNS platforms.

TGA closed at R21.90 per share on the JSE on its first day of trading but has subsequently increased to R84.54 per share at close on 31 December 2021, representing an increase of 286%.

TGA CLOSING SHARE PRICE ON JSE (ZAR)



TGA CLOSING SHARE PRICE ON LSE (GBP)



CORPORATE ACTIONS

Thungela continues to evaluate opportunities to enhance our business and optimise resource extraction, whether through value accretive acquisitions or through strategic partnerships. We concluded a strategic partnership agreement with the Nasonti Group, a partner with whom we have had a long and successful working relationship, to establish a company through which we will enable increased saleable production. Through the agreement a beneficiation plant will be re-established at Goedehoop South to commercially exploit the mineral residue material at the site.

Thungela paid R227 million into the structure, of which R120 million is in the form of a loan. The commercial arrangement has resulted in the creation of a joint operation, Pamish, which has been reflected in the Annual financial statements for the year ended 31 December 2021. It is estimated that our effective share of steady state production will be up to 1.0 Mt of low-cost saleable product per annum for the next four years. First coal is planned for March 2022.

DIVIDENDS

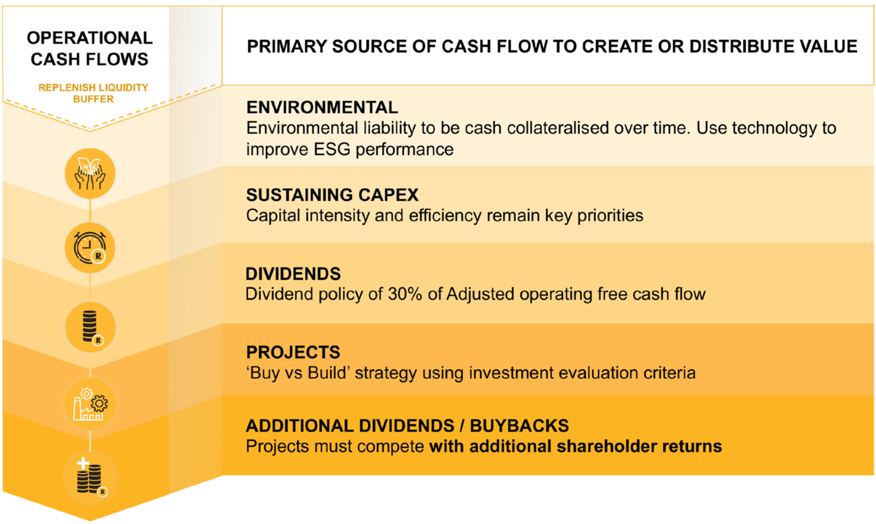
The Group's dividend policy targets a minimum return to shareholders of 30% of Adjusted operating free cash flow. The board declared an ordinary dividend of R18 per share for the year ended 31 December 2021, which results in R2.5 billion cash dividends to shareholders of Thungela.

The EPP and the CPP were both established on 2 June 2021 to participate in the success of the business. The EPP and CPP are each eligible for 5% of the dividends declared by SACO on its ordinary shares and will receive a dividend of R273 million which represents 10% of the SACO dividend declared.

The aggregate total returns to shareholders of Thungela amount to R2.5 billion which represents 63% of Adjusted operating free cash flow well above our policy of 30%.

This is in line with our capital allocation framework which seeks to prioritise returns to shareholders during periods of strong performance. The board remains focused on and committed to delivering attractive shareholder returns, while maintaining disciplined capital allocation.

CAPITAL ALLOCATION



OUTLOOK

	2022	2023	2024
Export saleable production (Mt)	14 – 15	>16	>16
FOB cost per export tonne (Rand/tonne)*	870 – 890	870	870
Capital – sustaining (Rand billion)*	1.6 – 1.8	1.6 – 1.8	1.6 – 1.8
Capital – expansionary (Rand billion)*	0.1 – 0.2	0.6 – 0.8	0.7 – 0.9

* Rand amounts in real money terms.

Based on the operational and financial performance achieved in 2021, the Group is updating the operational outlook.

The range for export saleable production is revised to between 14 Mt and 15 Mt for 2022, taking into account a gradual rather than immediate recovery in TFR performance. In 2022 export sales are expected to more closely align with export saleable production because the Group has largely utilised available on-mine stockpile capacity. Export saleable production, subject to TFR's performance, is expected to recover and exceed 16 Mt from 2023.

Inflationary pressures are currently increasing across various commodities and consumables. These, coupled with a lower production denominator in 2022 due to the constrained rail availability, are likely to weigh on the Group's unit cost. The Group expects the 2022 FOB cost per export tonne to range between R870 and R890 per export tonne – the bottom end of the unit cost range assumes the achievement of the upper end of the production guidance. The unit cost includes a mining royalty amount of R20/tonne payable to the South African government. The royalty could increase materially if current Benchmark coal prices, which are higher than the Group's working assumptions, were to prevail for the remainder of the year.

FOB cost per export tonne guidance for 2023 and 2024 is expected to moderate as a result of higher export saleable production and continuous productivity improvements offsetting geological inflation.

Taking into account the capital deferrals from 2021, sustaining capital for 2022 is expected to be between R1.6 billion and R1.8 billion. Future sustaining capital has been reset to this range as a result of reviewing capital expenditure through a 'Thungela lens'.

In addition, the Group sets guidance for expansionary capital expenditure aimed at supporting the execution of its strategy. The range is set between R100 million and R200 million in 2022, increasing to between R700 million and R900 million by 2024; it includes the Elders production replacement and Zibulo North shaft life extension projects that are currently scheduled to commence in late 2022 and 2023 respectively.

The Group will maintain disciplined capital allocation as it seeks further opportunities to achieve a fit-for-purpose capital expenditure profile while lowering capital intensity.

At the time of writing, geopolitical unrest in Europe is resulting in an unprecedented escalation in prices across the energy complex and commodity prices. This escalation is expected to have a pronounced impact on cost inflation into the future. The above guidance is accordingly set in this context and will be reviewed as the impact of the current situation becomes clearer.

We have a proven ability to deliver on our promises in a challenging environment and intend to further demonstrate the resilience of our operations.

SIGNIFICANT ACCOUNTING MATTERS

Environmental provisions

Environmental provisions have been recognised based on the current environmental disturbances caused at the reporting date and for our current assessment of the risk of latent or residual environmental impacts that may become known in the future. Assessments are annually updated for changes in the environmental footprints across our operations, rates used to determine the costs required for closure, regulations, technology and approaches to conduct rehabilitation. The Environmental provisions are determined per operating site, with the assistance of specialist independent environmental consultants. An amount of R306 million (2020: credit of R15 million) has been recognised in the statement of profit or loss and other comprehensive income and a credit to the decommissioning assets of R57 million (2020: debit of R8 million) has been recognised related to the annual assessment.

The Group has provided for water treatment costs using a combination of active and passive water treatment methods, based on the 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, based on the evidence that the technology to be implemented is able to consistently achieve the discharge requirements. Thungela has embarked on an exercise to investigate several different technologies to mitigate the impact of water liabilities.

The Group is expected to transition to the NEMA Financial Provisioning Regulations on the transition date of 19 June 2022, however, there are several regulatory steps that are required to take place before this transition can be effective. The Environmental provisions have been determined based on the legal obligations under the existing MPRDA Regulations, as well as the Group's interpretation of the potential increase in costs required to meet certain of the NEMA Financial Provisioning Regulations, for example water treatment costs.

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 to be made available to fund the closure of operations should the Group not be able to do so. The financial provisioning as required by the current MPRDA Regulations amounts to R4.1 billion (2020: R4.0 billion), compared to the total Environmental provisions recognised by the Group of R6.8 billion (2020: R6.2 billion).

Deferred tax assets

The Group has a significant amount of unredeemed capital deductions (and previously assessed losses – collectively the 'available tax losses') available in TOPL, based on historical loss-making operations within this entity. Given the strong financial performance of the Group, including TOPL, the assessed losses within TOPL have been fully utilised in the year ended 31 December 2021.

However, due to specific requirements in the tax legislation applicable to mining companies in South Africa, a large portion of the unredeemed capital deductions is ring-fenced to specific mines and specific activities.

Based on the ring-fencing criteria, it is unlikely that all of the available unredeemed capital deductions will be utilised in relation to the higher cost, and older operations of TOPL. As a result, the Group did not recognise deferred tax assets of R1.2 billion (2020: R1.6 billion) related to the available tax losses.

Deon Smith
Chief financial officer

22 March 2022

OPERATIONAL PERFORMANCE

UNDERGROUND OPERATIONS

GOEDEHOOP COLLIERY

	2021	2020
Fatalities	1	–
TRCFR	2.38	1.12
Total saleable production (kt)	5,281	6,124
Export saleable production (kt)	2,191	2,191
Domestic production (kt)	3,090	3,933
FOB cost per export tonne (Rand/tonne)	1,001	918
Capex (Rand million)	257	274

Safety

Regrettably Goedehoop colliery had a tragic incident on 23 June 2021 in which Moeketsi Mabatla lost his life. Goedehoop recorded a TRCFR of 2.38 in 2021 (2020: 1.12).

Performance

Export saleable production at 2,191 kt in 2021 was in line with the prior year despite a reduction in the number of sections from six to five and the transition of two sections to mine a new area and seam during 2021. The new area, named Brown 2, will deliver 7.0 Mt ROM over the next three years. Goedehoop successfully implemented a high productivity section which resulted in the mine operating the country's top producing section. Two of the five sections mined more than 1 Mt of ROM despite the impact of COVID-19.

Domestic saleable production at 3,090 kt reduced by 21% year on year (2020: 3,933 kt) due to lower demand from domestic customers. Domestic production from Goedehoop remains an opportunistic activity that does not generate significant margin in the short term but will result in a rehabilitation benefit at the end of LOM.

FOB cost per export tonne of R1,001/tonne was 9.0% higher year on year (2020: R918/tonne). Costs were mainly impacted by one-off maintenance related cost as well as a higher mining royalty charge due to the higher realised export prices.

GREENSIDE COLLIERY

	2021	2020
Fatalities	–	–
TRCFR	0.79	1.76
Total saleable production (kt)	3,456	4,494
Export saleable production (kt)	3,454	3,604
Domestic production (kt)	2	890
FOB cost per export tonne (Rand/tonne)	845	644
Capex (Rand million)	355	381

Safety

Greenside recorded a TRCFR of 0.79 in 2021 (2020: 1.76) and has operated more than 8,500 fatality free production shifts.

Performance

Export saleable production of 3,454 kt was 4.2% lower than in the prior year (2020: 3,604 kt), however, was in line with expectation as more underground sections are deployed into remnant areas and into the geologically more challenging East Block reserves. Production was further impacted by the lower TFR performance as on-mine stockpiles reached capacity in the second half of 2021.

Domestic saleable production reduced to 2 kt (2020: 890 kt) due to lower demand from domestic customers.

FOB cost per export tonne of R845/tonne rose 31% (2020: R644/tonne) mainly due to lower production, higher roof support costs as the mine moves into more challenging areas and higher mining royalty charges as a result of the higher realised export prices.

ZIBULO COLLIERY

	2021	2020
Fatalities	–	1
TRCFR	0.98	1.26
Total saleable production (kt)	5,553	5,153
Export saleable production (kt)	5,553	5,153
Domestic production (kt)	–	–
FOB cost per export tonne (Rand/tonne)	715	652
Capex (Rand million)	704	470

Safety

Zibulo recorded a TRCFR of 0.98 in 2021 (2020: 1.26).

Performance

Export saleable production increased by 7.8% to 5,553 kt (2020: 5,153 kt) as productivity improvement initiatives materialised. Production was significantly impacted by the lower TFR performance as on-mine stockpiles reached capacity. The Zibulo opencast pit was materially curtailed in the fourth quarter of 2021 as a result of the TFR challenges and is expected to ramp up production to capacity levels only once the TFR performance improves. Zibulo mined more than 1 Mt of ROM in two of the eight underground sections in 2021.

FOB cost per export tonne at R715/tonne rose 9.7% (2020: R652/tonne) as higher realised prices impacted mining royalty costs. On mine unit costs (excluding royalties) remained flat year on year as the mine countered inflation with productivity improvements and various cost savings implemented over a two-year period.

OPENCAST OPERATIONS

KHWEZELA COLLIERY

	2021	2020
Fatalities	–	–
TRCFR	1.10	2.71
Total saleable production (kt)	3,207	6,182
Export saleable production (kt)	1,963	3,697
Domestic production (kt)	1,244	2,485
FOB cost per export tonne (Rand/tonne)	1,240	1,118
Capex (Rand million)	302	1,271

Safety

Khwezela recorded a TRCFR of 1.10 in 2021 (2020: 2.71). Khwezela colliery has operated in excess of 11,000 fatality free production shifts.

Performance

Export saleable production decreased by 47% to 1,963 kt (2020: 3,697 kt) due to the Bokgoni pit being placed on care and maintenance in quarter one of 2021 and the Umlalazi pit reaching the end of life during 2021. Although the Navigation pit is ramping up production, it was significantly impacted by the lower TFR performance as on-mine stockpiles reached capacity at the end of September 2021. The ramp up will be delayed until the TFR performance improves.

Equipment and resources are currently being redeployed to rehabilitation and other activities to alleviate the pressure on on-mine stockpiles while maintaining the optionality to ramp up production to required levels when the TFR performance improves. Domestic saleable production at 1,244 kt reduced by 50% (2020: 2,485 kt) due to the depletion of reserves from the Umlalazi pit and lower demand from domestic customers.

Despite the operating cost reduction following the decision to place the Bokgoni pit on care and maintenance, the FOB cost per export tonne at R1,240/tonne was up 11% (2020: R1,118/tonne) due to the production curtailment as a result of the full stockpiles.

MAFUBE COLLIERY (ATTRIBUTABLE)

	2021	2020
Fatalities	–	–
TRCFR	1.09	1.07
Total saleable production (kt)	1,796	1,818
Export saleable production (kt)	1,796	1,818
Domestic production (kt)	–	–
FOB cost per export tonne (Rand/tonne)	786	652
Capex (Rand million)	218	222

Safety

Mafube recorded a TRCFR of 1.09 in 2021 (2020: 1.07). Mafube colliery has operated in excess of 12,000 fatality free production shifts.

Performance

Export saleable production at 1,796 kt was similar to the prior year (2020: 1,818 kt) despite an approximate 33% increase in the waste volume as the strip ratio increased. Production was also impacted by the lower TFR performance as on-mine stockpiles reached capacity during quarter four of 2021.

FOB cost per export tonne at R786/tonne rose 21% (2020: R652/tonne) due to the higher waste volumes moved compared to ROM coal mined and higher than inflation price increases on petroleum products and explosives.

ISIBONELO COLLIERY

	2021	2020
Fatalities	–	–
TRCFR	2.99	2.48
Total saleable production (kt) (incl. coal purchases)	4,153	4,277
Export saleable production (kt)	–	–
Domestic production (kt) (incl. coal purchases)	4,153	4,277
FOR cost per tonne (Rand/tonne)	380	369
Capex (Rand million)	173	119

Safety

Isibonelo recorded a TRCFR of 2.99 in 2021 (2020: 2.48) and has operated more than 12,000 fatality free production shifts.

Performance

Saleable production was 2.9% lower at 4,153 kt (2020: 4,277 kt). Both years were characterised by higher than expected rainfall. The improved pit dewatering infrastructure was able to mitigate some of the effects of the high rainfall, but further improvements are required to manage the thick soft-burden material.

The FOR cost per tonne at R380/tonne rose 3.0% (2020: R369/tonne) mainly due to higher than inflation price increases on petroleum products and explosives and the coal purchases required to meet the contractual obligations.

DECLARATION OF DIVIDEND

The Thungela board of directors ('Board') approved the declaration of a final gross ordinary cash dividend of 1 800.00000 cents per share (South African Rand). The dividend has been declared from retained earnings accrued during the year ended 31 December 2021.

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

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

	JSE	LSE
Declaration of ordinary cash dividend and currency conversion rate announced	Tuesday, 22 March 2022	Tuesday, 22 March 2022
Last day for trading to qualify and participate in the dividend	Tuesday, 3 May 2022	Wednesday, 4 May 2022
Trading ex-dividend commences	Wednesday, 4 May 2022	Thursday, 5 May 2022
Record date	Friday, 6 May 2022	Friday, 6 May 2022
Payment date to shareholders	Monday, 9 May 2022	Monday, 23 May 2022

No transfers of shareholdings to and from South Africa or the United Kingdom will be permitted between Tuesday, 3 May 2022 and Friday, 6 May 2022 (both dates inclusive). Share certificates may not be dematerialised or rematerialised between Wednesday, 4 May 2022 and Friday, 6 May 2022, both dates inclusive. Any changes to the dividend instructions and timetable will be announced on the Johannesburg Stock Exchange News Service and on the London Stock Exchange Regulatory News Service.

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

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

Shareholders on the United Kingdom register of members will be paid in Pound sterling. The Pound sterling cash equivalent will be calculated using the following exchange rate: GBP1: ZAR19.66602, being the 5-day average GBP:ZAR exchange rate (Bloomberg) on Friday, 18 March 2022 at 12:00pm GMT.

TAX TREATMENT FOR SHAREHOLDERS ON THE SOUTH AFRICAN REGISTER

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

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 1 440.00000 cents per share (South African Rand) – 1 800.00000 cents gross dividend per share less 360.00000 cents dividend withholding tax per share.

TAX TREATMENT FOR SHAREHOLDERS ON THE UK REGISTER

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

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

- a reduced rate of 5% if the shareholder is a company that holds at least 10% of the capital of Thungela
- a reduced rate of 10% in all other cases.

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

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

Shareholders on the UK register will be sent the required documentation for completion and return to Computershare UK. Qualifying shareholders on the UK register are advised to arrange for the abovementioned documents to be submitted to Computershare UK by Friday, 6 May 2022.

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 73.22275 pence per share (Pound sterling) (91.52843 pence gross dividend per share less 18.30568 pence dividend withholding tax per share).

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

Rand million	Notes	2021	2020
Revenue	3	**26,282**	3,750
Operating costs	4	**(17,322)**	(3,872)
Impairment losses	5	**(808)**	–
Fair value gains on derivative assets	17	**348**	–
Fair value loss on derivative asset – capital support	17	**(569)**	–
Restructuring costs and termination benefits	6	**(422)**	(2)
Profit/(loss) before net finance costs and tax[1]	4	**7,509**	(124)
Net finance costs		**–**	(314)
Investment income	7	**503**	3
Interest expense	7	**(680)**	(312)
Other financing gains/(losses)	7	**177**	(5)
Profit/(loss) before tax		**7,509**	(438)
Income tax (expense)/credit	8	**(571)**	76
Profit/(loss) for the reporting period		**6,938**	(362)
Attributable to:			
Non-controlling interests		**509**	(32)
Equity shareholders of the Group		**6,429**	(330)
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations		**27**	–
Fair value losses on financial asset investments		**(63)**	(10)
Related tax	8	**(6)**	2
Net items that will not be reclassified to profit or loss		**(42)**	(8)
Total comprehensive income/(loss) for the reporting period		**6,896**	(370)
Attributable to:			
Non-controlling interests		**508**	(34)
Equity shareholders of the Group		**6,388**	(336)
Earnings/(losses) per share			
Basic (cents)	9	**6,108**	(531)
Diluted (cents)	9	**6,087**	(531)

[1] The subtotal for operating profit/(loss) shown previously has been removed to simplify the presentation of the statement of profit or loss and other comprehensive income.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

Rand million	Notes	2021	2020
ASSETS			
Non-current assets			
Intangible assets		**118**	158
Property, plant and equipment	10	**10,568**	8,436
Environmental rehabilitation trusts	19	**3,288**	2,880
Investment in associate		**63**	89
Deferred tax assets	20	**378**	*
Financial asset investments		**323**	361
Trade and other receivables	14	**64**	44
Other non-current assets		**109**	111
Total non-current assets		**14,911**	12,079
Current assets			
Inventories	13	**2,546**	1,149
Trade and other receivables	14	**4,320**	3,351
Current tax assets	8	**46**	123
Financial asset investments		**31**	–
Derivative asset – capital support	17	**347**	–
Derivative assets	17	**348**	–
Cash and cash equivalents	15	**8,736**	194
Total current assets		**16,374**	4,817
Total assets		**31,285**	16,896
EQUITY			
Stated capital		**10,041**	–
Contributed capital		**965**	–
Merger reserve		**2,606**	7,179
Treasury shares		**(183)**	–
Share-based payment reserve		**16**	65
Other reserves		**89**	411
Retained earnings/(losses)		**3,039**	(4,894)
Equity attributable to the shareholders of the Group		**16,573**	2,761
Non-controlling interests		**1,901**	1,395
Total equity		**18,474**	4,156
LIABILITIES			
Non-current liabilities			
Loans from Anglo American		**–**	361
Lease liabilities		**92**	127
Retirement benefit obligations		**449**	455
Deferred tax liabilities	20	**1,400**	581
Environmental and other provisions	19	**6,609**	5,519
Total non-current liabilities		**8,550**	7,043
Current liabilities			
Trade and other payables	16	**3,499**	4,344
Loans and borrowings		**63**	221
Lease liabilities		**29**	24
Environmental and other provisions	19	**392**	1,107
Current tax liabilities	8	**278**	1
Total current liabilities		**4,261**	5,697
Total liabilities		**12,811**	12,740
Total equity and liabilities		**31,285**	16,896

* Represents an amount less than R1 million.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Rand million	Notes	Stated capital	Contributed capital	Merger reserve
Balance at 1 January 2020		–	–	2,591
Acquired through Internal restructure	11	–	–	4,588
Total comprehensive loss for the reporting period		–	–	–
Movements in share-based payment reserve[2]		–	–	–
Balance at 31 December 2020		**–**	**–**	**7,179**
Issue of shares for assumed fair value of SACO	21	**4,575**	**–**	**(4,575)**
Issue of shares for cash	21	**5,466**	**–**	**–**
Purchase of shares by Group companies	21	**–**	**–**	**–**
Acquired through Internal restructure	11	**–**	**–**	**2**
Total comprehensive (loss)/income for the reporting period		**–**	**–**	**–**
Movements in share-based payment reserve[2]		**–**	**–**	**–**
Transfer of financial asset revaluation reserve on sale of investments[3]		**–**	**–**	**–**
Reclassifications		**–**	**–**	**–**
Contributed capital – Capital support agreement	17	**–**	**916**	**–**
Contributed capital – Anglo American Retention awards		**–**	**49**	**–**
Balance at 31 December 2021		**10,041**	**965**	**2,606**

1 Includes the financial asset revaluation reserve of R3 million (2020: R352 million) and retirement benefit obligation reserve of R86 million (2020: R59 million).

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

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

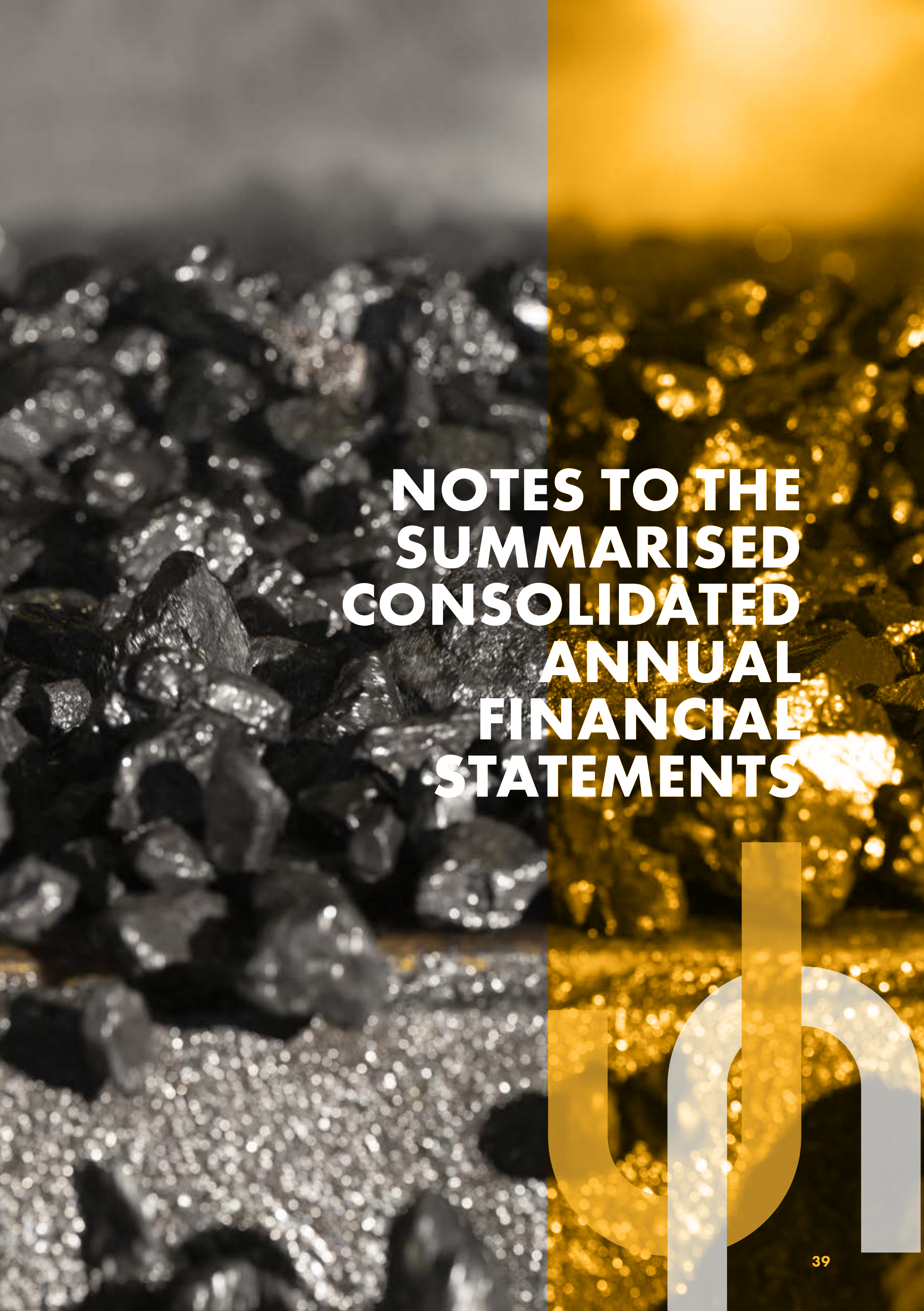
Treasury shares	Share-based payment reserve	Other reserves[1]	Retained (losses)/ earnings	Total equity attributable to share-holders of the Group	Non-controlling interests	Total equity
–	7	9	(2,247)	360	1,559	1,919
–	60	408	(2,311)	2,745	(127)	2,618
–	–	(6)	(330)	(336)	(34)	(370)
–	(2)	–	(6)	(8)	(3)	(11)
–	**65**	**411**	**(4,894)**	**2,761**	**1,395**	**4,156**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**5,466**	**–**	**5,466**
(183)	**–**	**–**	**–**	**(183)**	**–**	**(183)**
–	**–**	**–**	**1,299**	**1,301**	**–**	**1,301**
–	**–**	**(41)**	**6,429**	**6,388**	**508**	**6,896**
–	**(49)**	**–**	**(76)**	**(125)**	**(2)**	**(127)**
–	**–**	**(290)**	**290**	**–**	**–**	**–**
–	**–**	**9**	**(9)**	**–**	**–**	**–**
–	**–**	**–**	**–**	**916**	**–**	**916**
–	**–**	**–**	**–**	**49**	**–**	**49**
(183)	**16**	**89**	**3,039**	**16,573**	**1,901**	**18,474**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

Rand million	Notes	2021	2020
Cash flows from operating activities			
Profit/(loss) before tax		**7,509**	(438)
Net finance costs	7	**–**	314
Profit/(loss) before net finance costs and tax		**7,509**	(124)
Impairment losses	5	**808**	–
Restructuring costs and termination benefits[1]	6	**174**	–
Fair value loss on derivative asset – capital support	17	**569**	–
Fair value gains on derivative assets	17	**(348)**	–
Depreciation and amortisation	3	**1,018**	408
Share-based payment charges		**87**	2
Increase in provisions		**127**	34
Profit on sale of property, plant and equipment	4	**(8)**	–
Other adjustments		**33**	15
Movements in working capital		**(3,154)**	(109)
Increase in inventories		**(1,352)**	(70)
Increase in trade and other receivables		**(960)**	(201)
(Decrease)/increase in trade and other payables		**(842)**	162
Cash flows from operations		**6,815**	226
Amounts applied to reduce Environmental and other provisions[2]	19	**(502)**	–
Income tax paid	8	**(197)**	(66)
Net cash generated from operating activities		**6,116**	160
Cash flows from investing activities			
Expenditure on property, plant and equipment	3	**(2,312)**	(604)
Proceeds on sale of property, plant and equipment		**9**	–
Expenditure on intangible assets		**(11)**	–
Purchase of financial asset investments[3]		**(302)**	(4)
Repayment of loans granted to investees		**6**	–
Loans granted to investees		**(69)**	–
Repayment of quasi-equity loans to associate		**26**	–
Investment income received		**108**	3
Acquired through Internal restructure	11	**158**	195
Acquisition of joint operation	12	**8**	–
Net cash utilised in investing activities		**(2,379)**	(410)
Cash flows from financing activities			
Shares issued for cash	21	**5,466**	–
Interest expense paid		**(58)**	(1)
Capital repayment of lease liabilities		**(32)**	–
Repayment of loans and borrowings		**(3,135)**	–
Proceeds on loans from Anglo American		**2,570**	430
Purchase of shares by Group companies	21	**(183)**	–
Net cash generated from financing activities		**4,628**	429
Net increase in cash and cash equivalents		**8,365**	179
Cash and cash equivalents at the start of the reporting period		**194**	15
Net increase in cash and cash equivalents		**8,365**	179
Effects of changes in foreign exchange rates	7	**177**	–
Cash and cash equivalents at the end of the reporting period[4]	15	**8,736**	194

1 Restructuring costs and termination benefits of R174 million include the accelerated vesting of the Anglo American shares on Demerger of R138 million and represents the non-cash portion of the expense.
2 Amounts applied to reduce Environmental and other provisions represents cash paid to settle these obligations which is not recognised through the statement of profit or loss and other comprehensive income.
3 Purchase of financial asset investments relates to the initial investment in the other environmental investments, through the Green fund, as detailed in note 19, as well as the purchase of Anglo American shares related to the employee share awards.
4 Cash and cash equivalents at the end of the reporting period include cash held in Trusts of R10 million. Refer to note 15 for further detail.



NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. BASIS OF PREPARATION

A. Basis of preparation

The summarised consolidated annual financial statements for the year ended 31 December 2021 have been prepared in accordance with the requirements of IAS 34, the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the JSE Listings Requirements, as well as with the UK Listing Rules, MAR and the UK Disclosure Guidance and Transparency Rules.

The summarised consolidated annual financial statements have been derived from the Annual financial statements for the year ended 31 December 2021. A copy of this document, and the independent external auditor's report on the Annual financial statements, including key audit matters is available for inspection at the Company's registered office and on the Group's website at www.thungela.com/investors/results, together with the Annual financial statements, and may be requested by contacting Thungela Investor Relations by email at ryan.africa@thungela.com and are also available for inspection at Thungela's registered office and at the offices of Thungela's sponsor, to investors and/or shareholders at no charge, on any business day between the hours of 08h00 – 17h00.

The summarised consolidated annual financial statements should be read in conjunction with the Annual financial statements for the year ended 31 December 2021, as well as 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 summarised consolidated annual financial statements are in accordance with IFRS, as disclosed in the Annual financial statements. These accounting policies are consistent with the accounting policies applied in the preparation of the Reviewed condensed consolidated interim financial statements for the six months ended 30 June 2021 and the HFI as included in the PLS.

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

B. Going concern

The financial position of Thungela, its cash flows, liquidity position and net cash position are set out in the Annual financial statements. The Group's net cash at 31 December 2021 was R8,663 million (2020: net debt of R388 million), inclusive of funding received from Anglo American to fund the operations of the business up to the Demerger, and the cash injection received of R2,500 million. The Group's net current asset position of R12,113 million (2020: net current liability position of R880 million) is strong, bolstered by the strong Benchmark coal price environment experienced in the year, and operational efficiencies realised by the Group, despite the poor rail performance from TFR impacting our ability to rail product to the Richards Bay Coal Terminal for export. The Group has no significant external debt at 31 December 2021.

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

The directors are satisfied that the Group's forecasts, taking into account reasonably possible changes in performance, show that Thungela will 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 summarised consolidated annual financial statements.

C. Judgements and estimates

Thungela has made judgements, estimates and assumptions that may affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The critical accounting judgements and key sources of estimation uncertainty are similar to those applied in preparing the Reviewed condensed consolidated interim financial statements for the six months ended 30 June 2021, and the HFI as included in Annexe 2C of the PLS.

The critical accounting judgements and key sources of estimation uncertainty used in the preparation of the Annual financial statements are as follows:

- Internal restructure of the Thungela Group before Demerger
- impairment of assets
- estimation of Environmental provisions
- recognition of deferred tax assets.

Refer to note 2 of the Annual financial statements for the year ended 31 December 2021 for further details of the judgements and estimates used by the Group.

D. 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 summarised consolidated annual financial statements.

E. Independent auditor's opinion

The summarised consolidated annual financial statements have been derived from the Annual financial statements for the year ended 31 December 2021, which have been audited by our independent external auditor PricewaterhouseCoopers Inc., who has expressed an unqualified opinion thereon. A copy of the independent external auditor's report on the Annual financial statements, including key audit matters is available for inspection at the Company's registered office and on the Group's website at www.thungela.com/investors/results, together with the Annual financial statements. These summarised consolidated annual financial statements have not been audited, and the independent external auditor's report on the Annual financial statements does not necessarily report on all of the information contained in this document. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the independent external auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from the Company's registered office or on the Group's website at www.thungela.com/investors/results. Any forward-looking statements have not been audited or reported on by the Group's independent external auditor.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

2. INTERNAL RESTRUCTURE OF THE THUNGELA GROUP BEFORE DEMERGER

An internal restructuring process was undertaken to separate the SA Thermal coal operations and the various non-thermal coal operations within Anglo American in order to prepare the Group for the Demerger. 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, among others:

- certain categories of assets and liabilities that were not exclusively or predominantly related to TOPL's coal business were transferred from 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 from ASA to SACO, also a wholly owned subsidiary of ASA, with effect from 31 December 2020. TOPL owns 33% of the ordinary shares in Butsanani Energy and, in combination with SACO's existing 33% holding in Butsanani Energy, SACO also obtained control of this entity with effect from 31 December 2020
- Thungela was incorporated on 5 January 2021 as a wholly owned subsidiary of ASA to act as the holding company of the Group
- Anglo American's 50% interest in Mafube Coal Mining was transferred from ASAC, also a wholly owned subsidiary of ASA, to SACO with effect from 31 March 2021
- 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
- the EPP and CPP came into effect and each purchased from Thungela 5.0% 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 issued by SACO 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 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 summarised consolidated annual 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.

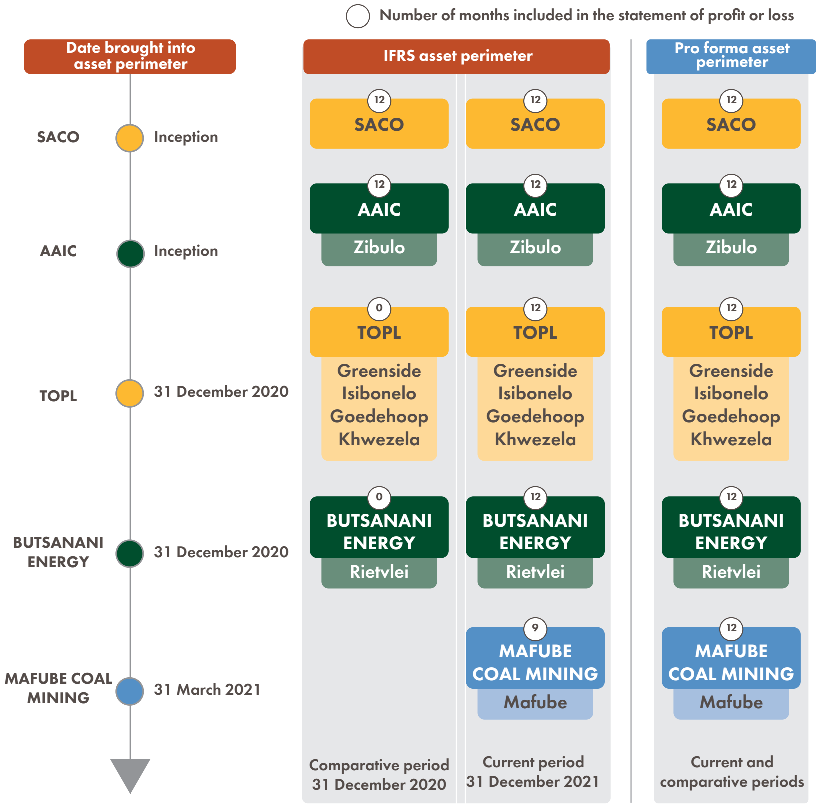
The acquisitions of TOPL, including Butsanani Energy, and Mafube Coal Mining on 31 December 2020 and 31 March 2021 respectively, are business combinations under common control. The Group has elected to account for both acquisitions by applying the predecessor accounting approach using the book values 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 summarised consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 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 year of performance)
- the results of the operations of Butsanani Energy (owning the independently managed Rietvlei colliery) with effect from 1 January 2021 (representing a full year of performance)
- the proportionate share of the results of the operations of Mafube Coal Mining (owning and operating the Mafube colliery) for nine 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 summarised consolidated annual financial statements reflect only the operations of AAIC before the Internal restructure was implemented.

The impact of these steps, and on the comparatives included in the summarised consolidated annual financial statements, can be illustrated using the diagram below:



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) reflects 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 calculated to reflect the issue of these shares as if it occurred at the start of the earliest comparative period presented.

2. INTERNAL RESTRUCTURE OF THE THUNGELA GROUP BEFORE DEMERGER 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 summarised consolidated annual financial statements are therefore not fully reflective of the operations of the Group as it is likely to exist on a forward-looking basis over the comparative period. On this basis, the Group has presented a Pro forma consolidated statement of profit or loss for the years ended 31 December 2021 and 31 December 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 presented using the same basis of preparation as reflected in the HFI as included in the PLS. The Pro forma financial information has been reported on by the Group's independent external auditor, and their report on this information appears on pages 144 and 145 the Annual financial statements.

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 Plan Trust (collectively the 'Trusts'). The Trusts were founded in June 2021, and each purchased 5.0% of the issued ordinary share capital of SACO from Thungela immediately before the Demerger. The purchase of the shares was funded by Thungela, with no repayment required of the contributed capital, meaning that the Trusts are debt free from their inception.

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 that ordinarily reside in the communities surrounding the mines operated by the Group.

The SACO Employee Partnership Plan Trust also subscribed for an E preference share in SACO for a nominal amount, which entitles the Trust to a fixed minimum payment over the first three years of the plan and a potential lump-sum payment at the end of the LOM of the current asset portfolio, at which point it will likely be closed.

The SACO Employee Partnership Plan Trust is entitled to dividends on the E preference share it holds in SACO, amounting to R4,000 per eligible employee of the Group per annum up to 2024, to be paid to the employee three years after grant date.

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

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

3. SEGMENTAL INFORMATION

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

Accounting policy

Reportable segments

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 the processing of thermal coal in South Africa. The reportable segments are aggregated by the nature of the technology applied by the operations either as an opencast or underground mine, and similar economic characteristics as it relates to the capital and operating structure thereof.

The following summary describes each reportable segment.

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

Revenue

Revenue is recognised in a manner that depicts the pattern of the transfer of thermal coal to customers. The amount recognised reflects the amount to which the Group is entitled in exchange for the sale of thermal coal. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transaction price is the amount of consideration due in exchange for transferring thermal coal to the customer and is recognised at a specific point in time.

Revenue is comprised of export sales, being sales made to AAML in terms of the Offtake agreement, and domestic sales made to various customers in the areas in which the Group mines. Revenue is measured at the fair value of consideration received or receivable, after deducting discounts and VAT. The Group has applied the practical expedient available in IFRS 15, and determined that no significant financing component is included in the consideration received. A sale is recognised when control has been transferred, which is usually when title and significant risks have passed to the customer and the thermal coal has been delivered.

Export sales

Revenue derived from export sales is recognised when the thermal coal is loaded onto the ship at the Richards Bay Coal Terminal, and the Group is not directly involved in the delivery of thermal coal to its final destination. The transaction price is determined with reference to the average Benchmark coal price in the month of loading, with various adjustments for quality, grade and calorific value, as well as a fee payable to AAML in terms of the Offtake agreement. Revenue is not impacted by changes in the Benchmark coal price subsequent to the month of loading during which control transfers.

Domestic sales

Domestic sales are made to various customers in the areas in which the Group operates and revenue from these sales is recognised when the thermal coal is delivered to a contractually agreed location, either at the customers premises, or at the collection point at the operation. The transaction price is contractually agreed based on various inputs and is not directly impacted by changes in the Benchmark coal price.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2021

3. SEGMENTAL INFORMATION CONTINUED

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

Rand million	Revenue	Adjusted EBITDA[1]	Depreciation and amortisation	Fair value gains on derivative assets
Opencast	9,780	2,568	(261)	–
Underground	16,502	7,743	(733)	–
Corporate and other	–	(333)	(24)	348
Total	**26,282**	**9,978**	**(1,018)**	**348**
Profit for the reporting period				

1 This is considered an APM – refer to Annexure 1 for detail.

Rand million	Revenue	Adjusted EBITDA[1]	Depreciation and amortisation	Fair value gains on derivative assets
Opencast	–	–	–	–
Underground	3,750	282	(408)	–
Corporate and other	–	4	–	–
Total	3,750	286	(408)	–
Loss for the reporting period				

1 This is considered an APM – refer to Annexure 1 for detail.

2 Interest expense and other financing losses for the Corporate and other segment includes interest on the RCF between AAIC, AASAF and TOPL prior to the Internal restructure. From the date of the acquisition of TOPL through the Internal restructure, this interest is considered intercompany.

2021

Fair value loss on derivative asset – capital support	**Restructuring costs and termination benefits**	**Impairment losses**	**Investment income and other financing gains**	**Interest expense and other financing losses**	**Income tax expense**	**Profit/(loss) after tax**
–	**(137)**	**(757)**	**221**	**(412)**	**(163)**	**1,059**
–	**(51)**	**–**	**153**	**(168)**	**(391)**	**6,553**
(569)	**(234)**	**(51)**	**306**	**(100)**	**(17)**	**(674)**
(569)	**(422)**	**(808)**	**680**	**(680)**	**(571)**	**6,938**
						6,938

2020

Fair value loss on derivative asset – capital support	Restructuring costs and termination benefits	Impairment losses	Investment income and other financing gains	Interest expense and other financing losses[2]	Income tax credit/(expense)	Loss after tax
–	–	–	–	–	–	–
–	(2)	–	3	(27)	127	(25)
–	–	–	–	(290)	(51)	(337)
–	(2)	–	3	(317)	76	(362)
						(362)

3. SEGMENTAL INFORMATION CONTINUED

Capital expenditure

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

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

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

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

2020 Rand million	Expansionary	Stay-in-business	Stripping and development	Total capital expenditure
Property, plant and equipment	195	389	101	685
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 creditors	–	(81)	–	(81)
Capital expenditure	195	308	101	604

Revenue

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

Revenue by product and segment

			2021
Rand million	**Opencast**	**Underground**	**Total**
Thermal export[1]	**6,490**	**16,323**	**22,813**
Industrial and domestic	**3,290**	**179**	**3,469**
Total revenue	**9,780**	**16,502**	**26,282**

			2020
Rand million	Opencast	Underground	Total
Thermal export[1]	–	2,943	2,943
Industrial and domestic[2]	–	807	807
Total revenue	–	3,750	3,750

1 Thermal export revenue consists of revenue generated from sales to AAML.
2 Industrial and domestic revenue represents product sold to TOPL for export to AAML in the ordinary course of business prior to the Internal restructure.

Revenue by destination

Rand million	**2021**	2020
United Kingdom	**22,813**	2,943
South Africa[1]	**3,469**	807
Total revenue	**26,282**	3,750

1 Revenue in South Africa for the year ended 31 December 2020 represents product sold to TOPL for export to AAML in the ordinary course of business prior to the Internal restructure.

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

Revenue by customer

Sales to AAML	**22,813**	2,943
Other – domestic sales[1, 2]	**3,469**	807
Total revenue	**26,282**	3,750

1 No individual domestic customer contributes more than 10% to the total revenue generated by the Group for the year ended 31 December 2021.
2 Domestic sales for the year ended 31 December 2020 represents product sold to TOPL for export to AAML in the ordinary course of business prior to the Internal restructure.

4. PROFIT/(LOSS) BEFORE NET FINANCE COSTS AND TAX

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

Accounting policy

Operating costs incurred in the ongoing operations of the Group are recognised in the statement of profit or loss and other comprehensive income as incurred.

Exploration expenditure is the cost of exploring Coal Resources other than that occurring at existing operations and projects and comprises of various studies, drilling and developments. Evaluation expenditure includes the cost of conceptual and pre-feasibility studies and evaluation of Coal Resources at existing operations. Exploration and evaluation expenditure is expensed in the year in which it is incurred. Upon the studies proving that the projects are feasible and commercially viable, subsequent and directly attributable expenditures are capitalised within property, plant and equipment.

4. PROFIT/(LOSS) BEFORE NET FINANCE COSTS AND TAX CONTINUED

Profit/(loss) before net finance costs and tax can be analysed as follows:

Rand million	Notes	2021	2020
Revenue	3	**26,282**	3,750
Employee costs		**(4,112)**	(827)
Depreciation	10	**(989)**	(406)
Amortisation		**(29)**	(2)
Third party commodity purchases		**(1,380)**	–
Commodity purchases from Mafube Coal Mining[1]		**(137)**	–
Consumables used in production[2]		**(1,646)**	(284)
Maintenance expenditure[2]		**(2,716)**	(648)
Production input costs[2]		**(2,583)**	(238)
Inventory production movement		**1,222**	48
Logistics costs		**(3,235)**	(806)
Demurrage and other expenses		**(204)**	(78)
Increase in expected credit loss provision	14	**(67)**	*
Royalties		**(394)**	(14)
Exploration and evaluation[3]		**(124)**	(64)
Exploration expenditure		**(27)**	–
Evaluation expenditure		**(97)**	(64)
Foreign exchange gains		**214**	4
Profit on sale of property, plant and equipment		**8**	–
Audit fees		**(9)**	(2)
Audit services		**(9)**	(2)
Non audit services[4]		*****	–
Professional fees		**(84)**	(10)
Learnership and development expenses		**(169)**	(26)
Temporary staff		**(138)**	(6)
Recharged costs from Anglo American		**(605)**	(57)
Administration expenses		**(331)**	(9)
Operating expenses		**(274)**	(48)
Other administration expenses		**(49)**	(65)
Other operating expenses[5]		**(96)**	(391)
Operating costs		**(17,322)**	(3,872)
Impairment losses	5	**(808)**	–
Fair value gains on derivative assets	17	**348**	–
Fair value loss on derivative asset – capital support	17	**(569)**	–
Restructuring costs and termination benefits	6	**(422)**	(2)
Profit/(loss) before net finance costs and tax		**7,509**	(124)

* Represents amounts less than R1 million.
1 Commodity purchases from Mafube Coal Mining relate to purchases by TOPL in the ordinary course of business prior to the acquisition of Mafube Coal Mining through the Internal restructure on 31 March 2021.
2 Consumables used in production, maintenance expenditure and production input costs have been re-presented so as to provide a more detailed level of disaggregation of the expenses in line with the underlying nature thereof.
3 Exploration and evaluation expenditure exclude associated employee costs, which are considered immaterial.
4 Included in restructuring costs and termination benefits are fees from the independent external auditor of R20 million in relation to the Demerger. Refer to note 6 for further detail.
5 Other operating expenses for the year ended 31 December 2020 include costs payable to TOPL prior to the Internal restructure.

5. IMPAIRMENT LOSSES

The Group is required to assess whether assets may be impaired, or an impairment previously recognised may need to be reversed, at each reporting date. The impairment losses recognised are determined based on the Group's judgements around the recoverable amount of each identified CGU.

Accounting policy

Any impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Goodwill arising on business combinations is allocated to the CGUs that are expected to benefit from synergies of the combination and represents the lowest level at which goodwill is monitored by the Group's leadership team for internal management purposes. The recoverable amount of the CGUs to which goodwill has been allocated is tested for impairment annually, or when events or changes in circumstances indicate that it may be impaired. An impairment of goodwill is not subsequently reversed.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of those assets is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. The CGUs are determined as the individual operating mines and impairment is assessed at that level. In addition, when assessing assets for impairment, management allocates corporate and other assets, which do not generate independent cash flows to the CGUs on an appropriate basis.

The recoverable amount is the higher of the fair value less costs of disposal and the VIU assessed using discounted cash flow models. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

Subsequent changes to the CGU allocation, timing of the forecasted cash flows or to the assumptions used to determine these forecasted cash flows could impact the recoverable amounts of the respective assets. There have been no changes in the CGU allocation for the year ended 31 December 2021, with the exception of the Mafube colliery being identified as a CGU after the Group's acquisition of Mafube Coal Mining through the Internal restructure.

Impairment losses recognised

Impairment losses comprise an impairment in relation to the Khwezela and Isibonelo operations, as well as an appropriate allocation of corporate and other assets. No impairment losses were recognised for the year ended 31 December 2020.

Impairment losses recognised in the year can be analysed as follows:

Rand million	Notes	**2021**	2020
Property, plant and equipment	10	**786**	–
Intangible assets		**22**	–
Impairment losses		**808**	–
Tax impact	20	**(224)**	–
Net impairment losses		**584**	–

Goodwill impairment testing

Goodwill is tested at least annually for impairment by assessing the recoverable amounts of the related CGUs. The recoverable amounts of the CGUs have been determined based on their fair value less costs of disposal using discounted cash flow models. The recoverable amount of Greenside, which is the only operation with a remaining goodwill balance, is determined on the same basis as CGUs where an indicator of impairment has been identified.

5. IMPAIRMENT LOSSES CONTINUED

Assessing impairment indicators for CGUs without goodwill

Export operations

The mining operations carried out at Goedehoop, Khwezela, Greenside, Mafube and Zibulo represent the export operations of the Group. All export sales are made to AAML as per the Offtake agreement. The price realised on export sales is determined using the Benchmark coal price as a base, with specific adjustments made for quality, grade, volume and content. These CGUs do supply limited quantities into the domestic market, but domestic sales are not a key value contributor to the CGUs.

Domestic operations

The mining operations carried out at Isibonelo and Rietvlei represent the domestic operations of the Group. These operations sell to domestic customers under fixed-term offtake agreements. Contractual prices are escalated annually with reference to various input cost indices. Changes in the Benchmark coal price therefore do not directly impact the LOM revenue assumptions at these operations.

Capital projects

The viability of ongoing capital projects is assessed when there are indicators that the projects might not be recoverable. A project can be deemed as not viable due to a variety of reasons, eg a decision to adopt different technology, a decrease in the recoverable amount of the mines that the projects were intended for or indicators that the project did not achieve the initially deemed probable outcomes. When deemed not viable the project is impaired.

Corporate and other assets

Assets that are held centrally are allocated to the CGUs on an appropriate basis. The corporate and other assets allocated to CGUs which have been impaired are allocated a proportionate share of that impairment loss.

Determining recoverable amounts

The recoverable amounts are determined on a fair value less costs of disposal basis with reference to the LOM forecasted cash flows and where relevant a valuation of in-situ Coal Resources beyond the current LOM plan.

Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Coal Resources and Coal Reserves and production volumes, together with economic factors such as the forecasted Benchmark coal price, forecasted exchange rates, discount rates, estimates of production costs and future capital expenditure. Where discounted cash flow models based on management assumptions are used, the resulting fair value measurements are at level 3 in the fair value hierarchy as defined in IFRS 13, as they depend to a significant extent on unobservable valuation inputs.

Where in-situ Coal Resources beyond the LOM plan are included in the cash flow models, an appropriate risk adjustment is made, or alternatively, the fair value is determined on a comparable transaction basis and added to the recoverable amount.

The discounted cash flow models are based on approved financial budgets and LOM plans incorporating key assumptions which can be analysed as follows:

Coal prices

The estimated coal prices used are based on the latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available external forecasts. The estimated realised price for export operations is calculated using the forecasted Benchmark coal price, with adjustments to reflect the quality and calorific value of the product, to reflect the estimated realised price at each CGU. The forecasted Benchmark coal prices in real terms used in the estimation of cash inflows over the forecast period range from $85/tonne to $94/tonne (2020: $61/tonne to $73/tonne).

In estimating the forecasted cash flows, the Group also considers the expected realised prices from existing contractual arrangements for the domestic operations where relevant, ranging from R380/tonne to R540/tonne over the forecast period.

Foreign exchange rates

Foreign exchange rates are based on the latest internal forecasts, benchmarked with external sources of information. Given the volatility experienced in foreign exchange rates for the year ended 31 December 2021, the estimated foreign exchange rates were kept flat in real terms at R14.75:1 USD over the forecast period, in line with the approved budget assumptions. For the year ended 31 December 2020, the estimated foreign exchange rates utilised were also based on internal forecasts and were included in the impairment assessment at a range of R15.01:1 USD to R17.11:1 USD. Operations supplying solely into the domestic market are not directly exposed to fluctuations in the foreign exchange rate.

Discount rate

The discounted cash flow models used to determine the recoverable amounts are discounted based on a real post-tax discount rate, assessed annually, of 9.5% (2020: 9.5%). Adjustments to the discount rate are made for any risks that are not reflected in the underlying cash flows, including the risk profile of the CGU. The cost of capital of comparable producers was considered in determining the discount rate.

Operating costs, capital expenditure and other operating factors

Operating costs and capital expenditure are based on the approved financial budgets covering a five-year period. Forecasted cash flows beyond five years are based on approved LOM plans and internal forecasts. Cost assumptions incorporate the Group's experience and expectations, as well as the nature and location of the operation and the risks associated therewith (for example, due to varying geological conditions over time and unforeseen operational issues).

Climate change

The Group has carefully considered the potential impact of climate related risks in the estimation of the recoverable amounts. The risks considered include the global trends of decreasing demand for coal, the impact on the cost of capital, the impact on Benchmark coal prices and the increased cost of adhering to applicable regulatory requirements in addition to physical risks caused by climate change.

The LOM models are based on the assumption that there will be a market for thermal coal over the expected LOM after assessing local and global demand forecasts. The prices and other key assumptions represent the Group's best estimate of key market factors, including climate change related scenarios.

The cost of carbon related emissions has been considered and incorporated into the discounted cash flow models, based on enacted legislation and expectations for carbon prices based on the latest internal forecasts benchmarked with external sources.

The DFFE declaration of greenhouse gases as priority air pollutants in 2017 has been followed by the imposition of a regulatory framework for greenhouse gas emission reporting. This forms the basis and input for the imposition of the Carbon Tax Act on 1 June 2019, which introduces a carbon tax on identified affected sectors on the basis of their greenhouse gas emission concentrations as a controlled climate change mitigation measure.

The relevant regulations include:

- the Carbon Tax Act. The South African government introduced a carbon tax under the Carbon Tax Act. The first phase of the Carbon Tax Act applies to scope 1 or direct emissions from 1 June 2019 to 31 December 2022. Under the first phase, the introduction of the carbon tax is not expected to have an immediate impact on the price of electricity. The Group has expensed a total of R3 million (2020: R2 million) in relation to carbon tax
- declaration of greenhouse gases as priority pollutants under the National Environmental Management: Air Quality Act
- national Pollution Prevention Plans Regulations (Government Notice 712 in Government Gazette 40996 of 2019)
- simultaneously with the introduction of the Carbon Tax Act, a carbon fuel levy was introduced under the Customs and Excise Act, as part of the current South African fuel levy regime. The carbon fuel levy now includes a carbon levy, which applies to stationary and non-stationary mobile emissions resulting from the use of liquid fuels, mostly petrol and diesel. The carbon fuel levy on diesel and petrol, which came into effect on 5 June 2019, is 10c per litre and 9c per litre, respectively. In addition, a notice published in the South African Government Gazette on 31 May 2019 provided that the carbon fuel levy was excluded from the diesel refund regime. As such, a person who becomes liable for the carbon fuel levy will not be able to claim a refund on the 10c per litre of diesel paid in respect of the carbon fuel levy on diesel.

5. IMPAIRMENT LOSSES CONTINUED

Determining recoverable amounts continued

Impact of COVID-19 on the discounted cash flow models

The Group has considered the impact of COVID-19 on each of its significant accounting judgements and key sources of estimation uncertainty. The Group's principal source of estimation uncertainty which may be impacted by the ongoing pandemic continues to be in relation to the assumptions used to determine the recoverable amounts. No further significant estimates have been identified as a result of COVID-19, although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts.

The coal price and foreign exchange rate assumptions used in the discounted cash flow models used to determine the recoverable amounts have been updated to consider production implications and both the short-term observable impact of COVID-19 and the forecast medium and longer-term impact on the world economy and commodity prices. Production assumptions are based on the latest approved budgets and LOM plans. These plans assume that the mines will continue to operate with appropriate safety measures in place.

Impairment loss assessments

Export operations

The mining operations carried out at Goedehoop, Khwezela, Greenside, Mafube and Zibulo represent the export operations of the Group. These CGUs do supply the domestic market as well, but to a lesser extent, and domestic sales are not the key value contributor to the CGUs. The export operations are largely dependent on the ability to rail coal to the Richards Bay Coal Terminal in order to realise the sales forecast for each of the CGUs, and this has a concomitant impact on the forecasted production of the CGUs.

Throughout 2021 the export operations have encountered severe problems in railing coal to the Richards Bay Coal Terminal due to the continued underperformance of TFR. The rail operator's performance challenges are attributable to theft of infrastructure (eg overhead power cables, signalling and tracks) and equipment failures mainly related to locomotives. This has led to some of our operations becoming stock bound, and impacting forecasted production to manage stockpile capacity.

Khwezela has historically been a higher-cost operation based on the accessibility of the reserves at the colliery. The Bokgoni pit at Khwezela has been placed on care and maintenance effective from the first quarter of 2021, which further increases the cost burden on the remaining pits of this operation. Given that it is a higher-cost operation, Khwezela's forecasted production for 2022 has been curtailed, to allow for available trains to be sent to other mines, based on our assessment of the potential available rail capacity in the near-term. On this basis, despite the significantly stronger Benchmark coal price environment experienced, an impairment loss of R317 million (2020: Rnil) has been recognised on the Khwezela CGU. This has resulted in the CGU being fully impaired.

Greenside, Mafube, Goedehoop and Zibulo are also export operations, however, our continued efficient management of the available rail capacity has ensured continued strong performance for these operations. As a result, the recoverable amounts of these CGUs are estimated to be higher than the carrying amounts of the non-current assets. The significantly improved Benchmark coal price environment has not led to impairment reversals at other previously impaired operations held within TOPL on the basis of the rail constrained environment, and the impact on the Group's forecasted production.

The carrying amounts of the CGUs that are not impaired can be analysed as follows:

		2021	
Rand million	Reporting segment	Goodwill	Carrying amounts other than goodwill[1]
Zibulo	Underground	–	4,999
Greenside	Underground	9	2,132
Goedehoop	Underground	–	271
Mafube	Opencast	–	1,919
Total		9	9,321

[1] Carrying amounts other than goodwill comprise other intangible assets and property, plant and equipment.

Rand million	Reporting segment	Goodwill	2020 Carrying amounts other than goodwill[1]
Zibulo	Underground	–	4,770
Total		–	4,770

[1] Carrying amounts other than goodwill comprise other intangible assets and property, plant and equipment.

Sensitivities

The recoverable amounts, based on the discounted cash flow models, are sensitive to changes in input assumptions, particularly in relation to forecasted Benchmark coal prices and foreign exchange rates over the LOM of the CGUs. In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in key assumptions. The most significant inputs to the discounted cash flow models are the short to medium-term forecasted Benchmark coal price used to calculate the estimated realised prices across the CGUs and the discount rates applied.

The impact on the estimated recoverable amounts, for reasonably possible changes to the key assumptions used, keeping other assumptions constant, can be analysed as follows:

		2021		2020	
Rand million	**5.0% increase in estimated prices**	**5.0% decrease in estimated prices**	**0.5% increase in discount rate**	5.0% decrease in estimated prices	0.5% increase in discount rate
Zibulo	**1,050**	**(1,053)**	**(65)**	(1,354)	(85)
Greenside	**518**	**(535)**	**(20)**	–	–
Goedehoop	**190**	**(216)**	*	–	–
Khwezela	**558**	**(581)**	**(10)**	–	–
Mafube	**357**	**(344)**	**(33)**	–	–
Total	**2,673**	**(2,729)**	**(128)**	(1,354)	(85)

* Represents an amount less than R1 million based on the short LOM of the operation.

For the year ended 31 December 2020, the movements in the recoverable amounts shown above did not indicate that an impairment was required.

For the year ended 31 December 2021, the impact of the sensitivities shown above is as follows:
- increase in estimated prices of 5.0%: this sensitivity would result in no impairment being recognised at Khwezela
- decrease in estimated prices of 5.0%: this sensitivity would result in an impairment possibly being recognised at Greenside, and a reduction of headroom at the remaining CGUs. No additional impairment would be recognised at Khwezela as the CGU has already been fully impaired
- increase in discount rate of 0.5%: this sensitivity would not result in an impairment at any of the CGUs.

The recoverable amounts are the most sensitive to changes in the estimated prices used over the forecast period. The Group has effectively managed our operations in the current year to ensure that higher margin products are railed to the Richards Bay Coal Terminal which has impacted the on-mine stockpiles of lower margin products. Should the rail constrained environment not improve, production may need to be further curtailed, which may impact the recoverable amounts of the CGUs. The rail constrained environment, coupled with a number of ongoing geopolitical tensions in thermal coal producing regions, have led to significant volatility being experienced in the Benchmark coal price throughout the year ended 31 December 2021. On this basis we have determined that the estimated prices used in the determination of the recoverable amounts are appropriate, although the sensitivities show a potential reversal of impairments based on utilising increased prices.

5. IMPAIRMENT LOSSES CONTINUED

Impairment loss assessments continued

Domestic operations

The mining operations carried out at Isibonelo and Rietvlei represent the domestic operations of the Group.

The mining operations carried out at Rietvlei reached commercial production in October 2019 and the ramp up of production to meet the existing coal supply agreement occurred after this date. During 2021 the operation was able to produce as expected and showed no indication of production challenges. Rietvlei has a fixed-term coal supply agreement in place with its customer, and throughout 2021 it delivered in excess of its contractual commitment. There was no impairment indicator identified in relation to the Rietvlei CGU.

Isibonelo's sales are made under a fixed-term offtake agreement with committed production per year. Prices are contractually agreed and impacted by mining inflation and other inputs. During 2021, the operation experienced an increase in production costs and a decrease in saleable tonnes produced, as a result of difficult geological conditions as well as significant rainfall experienced in quarter four of 2021, which impacted the overall profitability of the contract in place. This resulted in an impairment loss of R440 million being recognised on the Isibonelo CGU (2020: Rnil).

The carrying amounts of the CGU that is not impaired can be analysed as follows:

Rand million	Reporting segment	Goodwill	2021 Carrying amounts other than goodwill[1]
Rietvlei	Opencast	–	315
Total		–	315

[1] Carrying amounts other than goodwill comprise other intangible assets and property, plant and equipment.

Sensitivities

As domestic sales prices are largely fixed with annual input cost inflation adjustments, recoverable amounts are the most sensitive to production volumes and cost increases not catered for in the annual sales price adjustment.

The impact on the estimated recoverable amounts, for reasonably possible changes to the key assumptions used, keeping other assumptions constant, can be analysed as follows:

Rand million	2021 5.0% increase in operating expenditure	 5.0% decrease in saleable production
Isibonelo	(114)	(297)
Rietvlei	(154)	(179)
Total	(268)	(476)

For Isibonelo, any movements in the sensitivities indicates an additional impairment, as the CGU is currently recognised at its recoverable amount. The sensitivities provided for Rietvlei would not result in an impairment.

Capital projects

No impairment has been recognised on capital projects in the year (2020: Rnil).

Corporate and other assets

The assets held centrally by the Group are allocated to all CGUs on an appropriate proportionate basis. Due to the impairments recognised at Khwezela and Isibonelo, an impairment of R51 million (2020: Rnil) has been recognised on these corporate and other assets.

6. RESTRUCTURING COSTS AND TERMINATION BENEFITS

The Group incurs various costs in relation to restructuring costs and termination benefits, based on changes in the underlying structure of the Group.

Accounting policy

Restructuring costs are recognised as an expense at the earlier of the date the costs are incurred or when the Group is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed restructuring plan. Benefits that are expected to be wholly settled more than one year after the end of the reporting period are discounted to their present value.

Termination benefits are recognised as an expense when the employment of an employee or group of employees is terminated before their normal retirement date or as a result of an offer made to encourage voluntary redundancy. In the case of an offer to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Expenses related to the Demerger were incurred directly in relation to the creation of the Group, and are recognised as an expense as incurred.

The restructuring costs and termination benefits can be analysed as follows:

			2021			2020
Rand million	**Before tax**	**Tax**	**Net**	Before tax	Tax	Net
Bokgoni care and maintenance and other termination benefits	**193**	**(54)**	**139**	2	(1)	1
Accelerated vesting of Anglo American share awards	**138**	**(39)**	**99**	–	–	–
Other Demerger related costs	**91**	**–**	**91**	–	–	–
Total restructuring costs and termination benefits	**422**	**(93)**	**329**	2	(1)	1

The Bokgoni care and maintenance costs relate to the costs incurred to place the Bokgoni pit at the Khwezela colliery on care and maintenance in 2021.

The accelerated vesting of the Anglo American share awards was completed based on the Demerger becoming effective.

Other Demerger related costs include fees of R20 million for audit services provided by the Group's independent external auditor as the independent reporting accountant of the Group in relation to the PLS, as well as other costs directly related to the Demerger.

7. NET FINANCE COSTS

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

Accounting policy

Interest income is recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method.

Growth on the environmental rehabilitation trusts' assets and other environmental investments represents the growth on unit trust and other investments held in order to mitigate the Group's exposure to Environmental provisions, and is recognised in the statement of profit or loss and other comprehensive income as it is earned.

Interest expenses, other than the unwinding of discount on environmental and other provisions, are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred. The unwinding of the discount on environmental and other provisions is recognised in the statement of profit or loss and other comprehensive income over the life of the relevant provision, based on the expected outflow of economic benefits in future periods.

7. NET FINANCE COSTS CONTINUED

Accounting policy continued

Foreign exchange gains and losses relate to the translation of cash and cash equivalents held by the Group denominated in USD from the receipt of export revenue, which are presented within net finance costs.

Net finance costs can be analysed as follows:

Rand million	Notes	2021	2020
Investment income			
Interest income on cash and cash equivalents		**114**	1
Growth on environmental rehabilitation trusts' assets	19	**385**	2
Growth on other environmental investments	19	**4**	–
Total investment income		**503**	3
Interest expense			
Interest and other finance expenses		**(65)**	(6)
Net interest costs on retirement benefit obligations		**(43)**	–
Interest expense on loans from Anglo American		**(35)**	(277)
Unwinding of discount on environmental and other provisions	19	**(537)**	(29)
Total interest expense		**(680)**	(312)
Other financing gains/(losses)			
Foreign exchange gains/(losses)		**177**	(5)
Total other financing gains/(losses)		**177**	(5)
Net finance costs		**–**	(314)

8. INCOME TAX (EXPENSE)/CREDIT

Accounting policy

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

Current tax and deferred tax is recognised in OCI or equity if the taxation relates to items that are recognised, in the same or a different period, in OCI or in equity.

The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Analysis of (expense)/credit for the reporting period

Rand million	Notes	2021	2020
Current tax expense		**(521)**	–
Charged in respect of the current reporting period		**(504)**	–
Charged in respect of prior reporting periods		**(17)**	–
Deferred tax (expense)/credit	20	**(50)**	76
Credited in respect of deferred tax asset	20	**384**	–
(Charged)/credited in respect of deferred tax liability	20	**(434)**	76
Total income tax (expense)/credit for the reporting period		**(571)**	76

Factors affecting income tax (expense)/credit for the reporting period

The income tax (expense)/credit for the reporting period has been impacted by various transactions and can be analysed as follows:

Rand million	2021	2020
Profit/(loss) before tax	7,509	(438)
Tax at the applicable rate (South African corporation tax rate) of 28%	(2,103)	123
Adjusted for the tax effects of:		
Items non-deductible for tax purposes	(226)	(1)
Depreciation of mineral rights	(4)	(1)
Impairment on mineral rights and land	(2)	–
Legal and professional fees	(3)	–
SARS penalties and interest	(3)	–
Fair value loss on biological assets	(1)	–
Fair value loss on derivative asset – capital support	(159)	–
Non-deductible items considered capital in nature	(38)	–
Expenses not incurred in the production of income	(4)	–
Acquisition of joint operation	(12)	–
Items non-taxable for tax purposes	23	7
Contribution to other environmental investments	1	–
Reversal of expenses previously not deductible	–	7
Royalty and carbon tax prior year adjustment	22	–
Other items	1 594	–
Donations	30	–
Other	(5)	–
Net deferred tax asset previously not recognised	1,569	–
Prior year adjustments	141	(53)
Current tax	(17)	–
Deferred tax	158	(53)
Income tax (expense)/credit	(571)	76

The effective tax rate for the year of 7.6% (2020: 17%) is lower than the applicable statutory rate of corporation tax in South Africa of 28%.

The prior year tax adjustments relate to adjustments required to align with the final tax return as submitted to SARS.

Tax amounts included in other comprehensive loss

The tax impact of the individual items presented in other comprehensive loss can be analysed as follows:

Rand million	2021	2020
Tax (expense)/credit on items that will not be reclassified to profit or loss		
Remeasurement of retirement benefit obligations	(7)	–
Fair value losses on financial asset investments	1	2
Total income tax (expense)/credit recognised in other comprehensive loss	(6)	2

8. INCOME TAX (EXPENSE)/CREDIT CONTINUED

Current tax (liabilities)/assets

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

Rand million	**2021**	2020
Current tax assets	**46**	123
Current tax liabilities	**(278)**	(1)
Net current tax (liabilities)/assets	**(232)**	122

Income tax paid

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

Rand million	**2021**	2020
Balance at the start of the reporting period	**122**	(56)
Income tax – current tax charge	**(521)**	–
Acquired through Internal restructure	**(19)**	112
Non-cash movements	**(11)**	–
Balance at the end of the reporting period	**232**	(122)
Income tax paid	**(197)**	(66)

9. EARNINGS/(LOSSES) PER SHARE AND HEADLINE EARNINGS/(LOSSES) PER SHARE

Earnings/(losses) per share has been calculated based on the WANOS, given the timing of the Internal restructure and issue of shares by Thungela. Headline earnings/(losses) has been determined in line with SAICA Circular 1/2021 and the JSE Listings Requirements, and reconciled to profit/(loss) attributable to the equity shareholders of the Group in each reporting period.

Accounting policy

The Group calculates and presents basic and diluted EPS and basic and diluted HEPS for its ordinary shares.

HEPS is calculated by adjusting the profit/(loss) attributable to the equity shareholders of the Group for all separately identifiable remeasurements as defined in SAICA Circular 1/2021, net of related tax (both current and deferred) and related non-controlling interests, other than remeasurements specifically included in headline earnings/(losses) which is then divided by the WANOS. Disclosure of headline earnings/(losses) is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa that is more closely aligned to the operating activities of an entity.

Diluted EPS and HEPS are determined by adjusting the basic and headline earnings/(losses) attributable to the equity shareholders of the Group and the WANOS for the effects of all dilutive potential ordinary shares, which comprise share awards granted to employees.

Number of shares

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

Number of shares	2021	2020
WANOS at the start of the reporting period	**62,110,182**	62,110,182
Adjusted for the weighted average impact of shares:		
Issued during the year	**43,504,515**	–
Acquired during the year	**(354,358)**	–
WANOS at the end of the reporting period	**105,260,339**	62,110,182
Adjusted for dilutive potential ordinary shares relating to:		
Conditional share awards	**171,790**	–
Forfeitable share awards	**184,861**	–
Diluted WANOS at the end of the reporting period	**105,616,990**	62,110,182
Number of shares in issue[1]	**136,311,808**	–
Treasury shares held by Group companies	**(2,712,606)**	–
WANOS[1]	**105,260,339**	62,110,182
Diluted WANOS	**105,616,990**	62,110,182

[1] Refer to note 21 for details of the stated capital issued, and judgement applied to the calculation of WANOS.

Earnings/(losses) per share

Earnings/(losses) per share can be analysed as follows:

Rand million	2021	2020
Profit/(loss) attributable to the equity shareholders of the Group	**6,429**	(330)
Profit/(loss) used in the calculation of diluted earnings per share[1]	**6,429**	(330)
Earnings/(losses) per share		
Basic (cents)	**6,108**	(531)
Diluted (cents)	**6,087**	(531)

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

9. EARNINGS/(LOSSES) PER SHARE AND HEADLINE EARNINGS/(LOSSES) PER SHARE CONTINUED

Headline earnings/(losses) per share

Profit/(loss) attributable to the equity shareholders of the Group has been reconciled to headline earnings/(losses) as follows:

Rand million	Notes	**2021**	2020
Profit/(loss) attributable to equity shareholders of the Group		**6,429**	(330)
Adjusted for:			
Excluded remeasurements		**800**	–
Impairment of property, plant and equipment	5	**786**	–
Impairment of intangible assets	5	**22**	–
Profit on sale of property, plant and equipment	4	**(8)**	–
Tax effects of excluded remeasurements		**(222)**	–
Impairment of property, plant and equipment	5	**(218)**	–
Impairment of intangible assets	5	**(6)**	–
Profit on sale of property, plant and equipment		**2**	–
Headline earnings/(losses)[1]		**7,007**	(330)
Headline earnings/(losses) used in the calculation of diluted headline earnings/(losses) per share[2]		**7,007**	(330)
Headline earnings/(losses) per share			
Basic (cents)		**6,657**	(531)
Diluted (cents)		**6,634**	(531)

1 There we no adjustments to headline earnings/(losses) that had an impact for the non-controlling interests.

2 There were no adjustments to headline earnings/(losses) used in the calculation of diluted headline earnings/(losses) per share relating to potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

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

Accounting policy

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost is the fair value of consideration required to acquire and develop the asset and includes the purchase price, acquisition of mineral rights, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of any decommissioning provisions.

Gains or losses on the disposal of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of the asset disposed. The gains or losses are recognised in the statement of profit or loss and other comprehensive income.

Deferred stripping

The removal of rock or soil overlying a mineral deposit, overburden, and other waste materials is often necessary during the initial development of a mine site, in order to access the orebody. The process of removing overburden and other mine waste materials is referred to as stripping. The directly attributable cost of this activity is capitalised in full within mining properties, if the stripped area will only commence production in more than one year after the stripping costs are incurred. All amounts capitalised in respect of waste removal are depreciated using the unit of production method for the component of the orebody to which they relate, consistent with depreciation of property, plant and equipment.

The removal of waste material after the point at which mining properties are available for use is referred to as production stripping. When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the statement of profit or loss and other comprehensive income as operating costs in accordance with the principles of IAS 2.

Right-of-use assets
Right-of-use assets are included within property, plant and equipment, and on commencement of the lease are recognised at the amount of the corresponding lease liability, adjusted for any lease payments made on or before the lease commencement date, plus any direct costs incurred, an estimate of costs for dismantling, removing, or restoring the underlying asset and less any lease incentives received.

Depreciation
Mining properties and items of plant and equipment for which the consumption of economic benefits is linked to production are depreciated to their residual values using the unit of production method based on Proved and Probable Coal Reserves and, in certain limited circumstances, other Coal Resources included in the LOM plan. These other Coal Resources are included in depreciation calculations where, considering historical rates of conversion to Coal Reserves, there is a high degree of confidence that they will be extracted in an economic manner.

Land is not depreciated. Buildings and items of plant and equipment for which the consumption of economic benefits is linked primarily to utilisation or to throughput rather than production, are depreciated to their residual values at varying rates on a straight-line basis over their estimated useful lives, or the reserve life, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings. Under limited circumstances, items of plant and equipment may be depreciated over a period that exceeds the reserve life by taking into account additional Coal Resources other than Proved and Probable Coal Reserves included in the LOM plan, after making allowance for expected production losses based on historical rates of Coal Resource to Coal Reserve conversion.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease, or, if shorter, the useful life of the asset.

Capital work-in-progress is measured at cost less any impairment losses. Depreciation commences when the assets can operate in the manner intended by management, at which point they are transferred to the appropriate asset class.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Impairment
Refer to note 5 for details related to the impairment of property, plant and equipment.

10. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

							2021
		Land and buildings		Plant and equipment			
Rand million	Mining properties	Owned	Right-of-use	Owned	Right-of-use	Capital work-in-progress	Total
Cost							
Balance at the start of the reporting period	6,831	1,315	55	22,519	107	5,485	36,312
Acquired through Internal restructure	730	57	–	1,445	–	480	2,712
Acquisition of joint operation	–	–	–	–	–	81	81
Additions	–	–	–	–	–	2,203	2,203
Disposals	(913)	(34)	–	(1,007)	–	–	(1,954)
Transfers of capital work-in-progress	190	–	–	2,386	–	(2,576)	–
Reclassifications	25	(33)	–	291	–	(67)	216
Adjustments to decommissioning assets	–	–	–	(57)	–	–	(57)
Other	–	–	3	–	–	–	3
Balance at the end of the reporting period	6,863	1,305	58	25,577	107	5,606	39,516
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(5,129)	(831)	(23)	(18,313)	(21)	(3,559)	(27,876)
Acquired through Internal restructure	(317)	(26)	–	(692)	–	–	(1,035)
Depreciation charge	(236)	(18)	(5)	(727)	(3)	–	(989)
Impairment losses	(62)	(12)	(3)	(709)	–	–	(786)
Disposals	913	34	–	1,007	–	–	1,954
Reclassifications	(25)	33	–	(291)	–	67	(216)
Balance at the end of the reporting period	(4,856)	(820)	(31)	(19,725)	(24)	(3,492)	(28,948)
Carrying amount							
Balance at the start of the reporting period	1,702	484	32	4,206	86	1,926	8,436
Balance at the end of the reporting period	2,007	485	27	5,852	83	2,114	10,568

							2020
		Land and buildings		Plant and equipment			
Rand million	Mining properties	Owned	Right-of-use	Owned	Right-of-use	Capital work-in-progress	Total
Cost							
Balance at the start of the reporting period	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	–
Adjustments to decommissioning assets	–	–	–	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

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11. ACCOUNTING FOR THE INTERNAL RESTRUCTURE

As described in note 2, TOPL, including Butsanani Energy, and Mafube Coal Mining were acquired by the Group on 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. The transactions are considered to be business combinations under common control and the Group has applied predecessor accounting to the acquisitions.

Accounting policy

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 summarised consolidated annual 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 comparatives included in the financial statements have not been restated to reflect the impact of the Internal restructure. Pro forma financial information has been presented in Annexure 3 to show the impact on the Group had the Internal restructure taken place at the start of the reporting period.

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

Rand million	**2021**	2020
Total non-current assets	**1,700**	7,342
Total current assets[1]	**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 the net assets acquired[2]	**1,299**	4,087

[1] Current assets include cash and cash equivalents of R158 million (2020: R195 million).

[2] The difference between the consideration settled by SACO to ASA and the book value of the net assets acquired is included in the merger reserve, and has been adjusted for the impact of that stated capital in the underlying entities.

12. ACQUISITION OF JOINT OPERATION

On 30 November 2021, the Group, through its wholly owned subsidiary TOPL, acquired a 49% interest in Pamish, which is classified as a joint operation. The acquisition of Pamish does not constitute a business combination as defined in IFRS 3, as Pamish was not considered to be a business as defined at the time of the acquisition.

Accounting policy

The Group's share of the results of joint operations acquired during the year are included in the summarised consolidated statement of profit or loss and other comprehensive income from the effective date of the acquisition. The Group's share of the assets and liabilities of Pamish have been recognised in the summarised consolidated annual financial statements at their fair values on the date that joint control was obtained.

TOPL has entered into various agreements with the Nasonti Group, which is the joint operator of Pamish. Pamish owns a plant, which will be used to beneficiate existing discard coal at our Goedehoop South site, which is part of the Goedehoop colliery. The structure of the contractual agreements is such that TOPL and the Nasonti Group have joint control of Pamish, and it is considered to be a joint operation.

The contractual agreements result in the Nasonti Group, through Pamish, beneficiating pre-existing discard product at the Goedehoop South site, for a pre-determined fixed fee, along with their variable production and other costs incurred. TOPL has the right to a minimum of 85% of the saleable product beneficiated through Pamish over the life of the agreements. The fair value of the net assets acquired on obtaining joint control of Pamish is considered to be zero.

In order to establish Pamish, and to increase the capacity of the plant to meet the contractually agreed throughput, TOPL has funded a total of R227 million into Pamish through various mechanisms, including an investment in equity. Of this total funding, only R120 million is repayable to TOPL over 18 months, which bears interest at prime plus 3.0%. The portion of this loan that is deemed to be held by the other joint operator of Pamish is included in financial asset investments. The contractual agreements result in the Group obtaining 85% of the economic benefits of the operations of Pamish, and so the assets and liabilities of Pamish are accounted for to reflect the economic benefits obtained rather than the legal ownership of 49%.

The plant is being established and first coal is expected in March 2022.

The acquisition date fair values of the Group's share of the assets and liabilities of Pamish can be analysed as follows:

Rand million	2021
Total non-current assets	98
Total current assets[1]	125
Total assets	**223**
Total non-current liabilities	(142)
Total current liabilities	(81)
Total liabilities	**(223)**
Total fair value of the net assets acquired	**–**

[1] Current assets include cash and cash equivalents of R8 million.

13. INVENTORIES

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

Accounting policy

Inventory is measured at the lower of cost and NRV. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following basis:

- consumables are measured at cost on a FIFO basis
- finished products, being coal stock held at the mine or awaiting export at the Richards Bay Coal Terminal, are measured at production costs and transport costs where relevant, on a weighted average cost basis
- inventory is not valued until it has been processed, and so ROM stockpiles are not included in the inventory value. This is due to the fact that the costs required to convert the ROM into finished products are significant, and the product is not saleable until these are incurred.

Inventory is recognised as a current asset as it is consumed within the normal business cycle.

The estimation of volumes of stock on hand, and the measurement of production costs are calculated by engineers using available industry, engineering and scientific data based on average costs in line with the production period. These are periodically reassessed considering ongoing technical analysis and historical performance.

The NRV per product is estimated using actual realised prices for the month, based on the quality, grade and calorific value of the finished products, 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.

Inventories can be analysed as follows:

Rand million	2021	2020
Consumables	593	477
Finished products	1,953	672
Total inventories	**2,546**	1,149

The cost of inventories recognised as an expense and included in operating costs amounted to R12,635 million (2020: R2,904 million).

The write-down of inventories to NRV recognised throughout the year amounted to R60 million (2020: R70 million).

The Group's ability to rail coal to the Richards Bay Coal Terminal continues to be severely hampered by the underperformance of TFR throughout the year. The rail operator's performance challenges are attributable to the theft of infrastructure (eg overhead power cables, signalling and tracks) and equipment failures mainly related to locomotives. Throughout 2021 the South African coal industry has engaged TFR in an effort to improve performance, however, the availability of rail capacity remains constrained. Thungela will continue working closely with TFR in order to resolve these challenges.

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

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14. TRADE AND OTHER RECEIVABLES

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

Accounting policy

Trade and other receivables

Trade and other receivables are initially recognised at fair value. The Group's trade receivables are measured at amortised cost as they are held within a business model whose objective is to collect the contractual cash flows and the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest.

Expected credit losses

The Group assesses on a forward-looking basis the expected credit losses, being the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in the credit risk of the asset. For trade receivables only, the simplified approach included in IFRS 9 is applied, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. Expected credit losses are in general recognised where there is a failure to make contractual payments for a period of greater than 60 days, along with an appropriate assessment of forward-looking information. Increases in the expected credit loss provision are recognised in the statement of profit or loss and other comprehensive income. When a subsequent event causes the amount of the expected credit loss provision to decrease, the decrease is reversed in the same way.

The Group will write-off trade and other receivables where there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery of the asset, for example, when the customer has been placed under liquidation or entered into bankruptcy proceedings. Trade receivables are written off at the earlier of management receiving legal confirmation that the outstanding amount is irrecoverable, or when a partial settlement has been reached with the customer, or where the cost of recovery procedures outweighs the benefit of recovering the outstanding amount.

Trade and other receivables can be analysed as follows:

Rand million	**2021**	2020
Net trade receivables	**2,982**	2,374
Trade receivables	**3,081**	2,465
Expected credit loss provision	**(99)**	(91)
Other tax receivables[1]	**966**	699
Prepayments[2]	**325**	118
Net other receivables	**111**	204
Other receivables	**170**	204
Expected credit loss provision	**(59)**	–
Total trade and other receivables	**4,384**	3,395
Classified as:		
Current	**4,320**	3,351
Non-current	**64**	44

1 Other tax receivables include VAT receivables and diesel rebates receivable from SARS. A provision of R191 million was recognised in TOPL before the Internal restructure in relation to ongoing audits by SARS.

2 Prepayments include, among other items, insurance premiums of R114 million (2020: R117 million), ordinary course deposits to secure supply of critical consumables of R47 million (2020: Rnil) and a payment made in relation to educational development activities in host communities of R61 million (2020: Rnil).

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

Trade receivables include R2,569 million (2020: R1,693 million) due from AAML. As per the contractual terms with AAML, all trade balances should be settled within 15 days of invoicing. There have historically been no defaults on payments from AAML, hence it is assessed that the credit risk of the AAML trade receivable is low.

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

Other receivables include various amounts receivable by the Group which are not related to the sale of thermal coal. No items included in other receivables are considered individually material, however, agreements with relevant counterparties are made in relation to repayment terms. In the year ended 31 December 2021 a number of these counterparties experienced financial difficulty, or ceased operations which would effect the repayment of these amounts in line with agreed terms. An expected credit loss provision has been recognised on these receivables as considered appropriate in relation to the specific circumstances applicable to each counterparty.

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.

The expected credit loss provision can be analysed as follows:

			2021
Rand million	**Gross carrying amount – trade receivables**	**Expected credit loss provision (%)**	**Expected credit loss provision**
Current	**2,897**	**0.3**	**(10)**
Between 1 – 2 months	**85**	**13**	**(11)**
Between 3 – 4 months	**1**	**100**	**(1)**
Between 5 – 12 months	**54**	**61**	**(33)**
Greater than 12 months[1]	**44**	**100**	**(44)**
Total trade receivables	**3,081**	**3.2**	**(99)**

[1] The increase in the expected loss rate on receivables greater than 12 months is on the basis of one customer being placed into business rescue in the year ended 31 December 2021.

			2020
Rand million	Gross carrying amount – trade receivables	Expected credit loss provision (%)	Expected credit loss provision
Current	2,200	1.1	(25)
Between 1 – 2 months	185	18	(34)
Between 3 – 4 months	9	89	(8)
Between 5 – 12 months	27	89	(24)
Greater than 12 months	44	–	–
Total trade receivables	2,465	3.7	(91)

The movement in the expected credit loss provision can be analysed as follows:

Rand million	**2021**	2020
Balance at the start of the reporting period	**(91)**	(1)
Increase in expected credit loss provision	**(67)**	*
Trade receivables	**(8)**	*
Other receivables	**(59)**	–
Acquired through Internal restructure	**–**	(90)
Balance at the end of the reporting period	**(158)**	(91)

* Represents an amount less than R1 million.

15. CASH AND CASH EQUIVALENTS

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

Accounting policy

Cash and cash equivalents comprise cash held in bank and short-term investments. Cash and cash equivalents are measured at amortised cost.

Cash and cash equivalents can be analysed as follows:

Rand million	**2021**	2020
Short-term investments	**7,082**	–
Cash held in bank	**1,644**	194
Cash held in Trusts	**10**	–
Total cash and cash equivalents	**8,736**	194

Short-term investments

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

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

The investments are held in low-risk interest bearing instruments, across three of the five largest South African banks with an appropriate liquidity spread to support the Group's requirements. The spread of funds between banks was done in order to partially mitigate counterparty risk, and the global credit ratings for these investments range between AA- and AA+.
The investments earn interest at rates of between 3.9% – 4.5% (2020: nil).

Cash held in bank

Included in cash held in bank is R1,247 million (2020: Rnil) held in USD, related to proceeds on export revenue which is settled in USD. The cash is held with one of the major South African banks and is available to support the Group's ongoing liquidity requirements.

Cash held in Trusts

Cash held in Trusts relates to cash held by the CPP and EPP which is not available for the general use of the Group. These cash balances are to be used at the discretion of the trustees of the relevant Trust, as specified in the underlying Trust deeds, for the benefit of the relevant beneficiaries.

16. TRADE AND OTHER PAYABLES

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

Accounting policy

Trade and other payables are initially measured at fair value. Trade and other payables are not interest bearing, are subsequently measured at nominal value, and are derecognised when the associated obligation has been discharged, cancelled or has expired.

Trade and other payables can be analysed as follows:

Rand million	**2021**	2020
Trade payables	**1,713**	2,314
Accruals	**867**	1,111
Other tax and employee related payables	**749**	723
Other payables[1]	**170**	196
Total trade and other payables	**3,499**	4,344

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

Included within other payables is deferred income of R25 million (2020: R24 million), which represents monies received from customers but for which the associated performance obligation has not yet been satisfied. These amounts are recognised as revenue when the performance obligation is satisfied.

17. DERIVATIVE FINANCIAL ASSETS

Derivative financial assets consist of the Capital support agreement with ASA and forward coal swap transactions entered into with the intention for settlement net in cash.

Accounting policy

Derivative financial assets are classified as at FVPL. The fair value gains and losses on subsequent measurement are recognised in profit or loss at each reporting date. All derivatives are held in the statement of financial position and they are classified as current or non-current depending on the contractual maturity of the derivative.

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 1 June 2021 until 31 December 2022, up to a maximum amount of R1,500 million in 2021 and R2,500 million in 2022. The Group will only be required to repay any capital support received should the price recover, and thus is not limited in the benefits to be received from the sustained recovery of the Benchmark coal price.

The 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 6 March 2021, the derivative asset was recognised at that 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 group 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), the assumed Benchmark coal price volatility and the ZAR discount factor assumed for purposes of determining the fair value of the derivative as well as the realised price in South African Rand over the duration of the Capital support agreement. The fair value is determined by independent experts using external sources of information with reference to the forecasted quoted Benchmark coal prices and exchange rates.

A fair value loss of R569 million (2020: Rnil) on the derivative asset was recognised in profit or loss for the year ended 31 December 2021 on the basis of the sustained recovery in the Benchmark coal price to 31 December 2021. No amount of the available capital support in 2021 has been utilised by the Group on the basis of the strong pricing environment experienced throughout the year.

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

	At 31 December 2021		At initial recognition	
	2021	2022	2021	2022
Benchmark coal price forwards (Rand/tonne)	2,174	1,512	1,238	1,253
Benchmark coal price volatility (%)	47	47	24	24
ZAR discount factor	1.00	0.95	0.98	0.92

Derivative assets – forward coal swap transactions

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

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

17. DERIVATIVE FINANCIAL ASSETS CONTINUED

Derivative assets – forward coal swap transactions continued

A fair value gain of R348 million (2020: Rnil) has been recognised on the forward coal swap transactions based on fluctuations in the Benchmark coal price forward curve from the date the transactions were entered into and the reporting date. No forward coal swap transactions have been settled at the reporting date.

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

		2021
	Benchmark coal price swaps	Secondary index price swaps
Volume committed (kt)	194	725
Average price (USD/tonne)	125.70	131.46
Settlement dates (2022)	January – June	January – June
Benchmark coal price forward curve at the reporting date (USD/tonne)	102.73	106.35
Fair value gains on derivative assets (Rand million)	73	275

18. FINANCIAL INSTRUMENTS

Financial instruments held by the Group have been disclosed in notes 14, 15, 16, 17 and 19 as well as in the note below.

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

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

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

						2021
			Financial assets			
Rand million	Notes	Amortised cost[1]	FVPL	FVOCI	Financial liabilities amortised cost	Total
Financial assets						
Environmental rehabilitation trusts	19	–	3,288	–	–	3,288
Financial asset investments		122	199	33	–	354
Derivative asset – capital support	17	–	347	–	–	347
Derivative assets	17	–	348	–	–	348
Trade and other receivables[2]	14	3,093	–	–	–	3,093
Cash and cash equivalents	15	8,736	–	–	–	8,736
Total financial assets		11 951	4,182	33	–	16,166
Financial liabilities						
Lease liabilities		–	–	–	(121)	(121)
Loans and borrowings		–	–	–	(63)	(63)
Trade and other payables[3]	16	–	–	–	(2,725)	(2,725)
Total financial liabilities		–	–	–	(2,909)	(2,909)
Net financial assets/(liabilities)		11,951	4,182	33	(2,909)	13,257

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

Rand million	Notes	Financial assets Amortised cost[1]	FVPL	FVOCI	Financial liabilities amortised cost	2020 Total
Financial assets						
Environmental rehabilitation trusts	19	–	2,880	–	–	2,880
Financial asset investments		71	3	287	–	361
Trade and other receivables[2]	14	2,578	–	–	–	2,578
Cash and cash equivalents	15	194	–	–	–	194
Total financial assets		2,843	2,883	287	–	6,013
Financial liabilities						
Lease liabilities		–	–	–	(151)	(151)
Loans and borrowings		–	–	–	(582)	(582)
Trade and other payables[3]	16	–	–	–	(3,597)	(3,597)
Total financial liabilities		–	–	–	(4,330)	(4,330)
Net financial assets/(liabilities)		2,843	2,883	287	(4,330)	1,683

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

Fair value hierarchy

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

Rand million	Level 1	Level 2	Level 3	2021 Total	Level 1	Level 2	Level 3	2020 Total
Financial assets								
Financial asset investments at FVOCI	–	–	33	33	254	–	33	287
Financial asset investments at FVPL[1]	–	199	–	199	–	3	–	3
Derivative asset – capital support	–	347	–	347	–	–	–	–
Derivative assets	–	348	–	348	–	–	–	–
Environmental rehabilitation trusts[1]	–	3,288	–	3,288	–	2,880	–	2,880
Total assets carried at fair value	–	4,182	33	4,215	254	2,883	33	3,170

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

There were no transfers between level 2 and level 3 in the year ended 31 December 2021 (2020: none).

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

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

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18. FINANCIAL INSTRUMENTS CONTINUED

The movements in the fair value of the level 3 financial assets can be analysed as follows:

Rand million	**2021**	2020
Balance at the start of the reporting period	**33**	5
Acquired through Internal restructure	**–**	33
Reclassifications	**–**	(5)
Balance at the end of the reporting period	**33**	33

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

19. ENVIRONMENTAL AND OTHER PROVISIONS

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

Accounting policy

Environmental provisions

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when environmental disturbances are caused by the development or ongoing production of a mining asset. Costs for the restoration of site disturbances, rehabilitation, remediation and environmental monitoring costs, including water treatment costs, are estimated using either the work of external consultants or internal experts. Such costs arising from the decommissioning of infrastructure and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises.

These costs are recognised in the statement of profit or loss and other comprehensive income over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site disturbances which are created on an ongoing basis during production are provided for at their net present values and recognised in the statement of profit or loss and other comprehensive income as extraction progresses.

The amount recognised as a provision represents the Group's best estimate of the costs required to complete the restoration and rehabilitation activity, the application of the relevant regulatory framework and timing of expenditure. These estimates are inherently uncertain and could materially change over time. Changes in the measurement of a provision relating to the decommissioning of infrastructure or other site preparation work are added to or deducted from the cost of the related asset in the current period. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of profit or loss and other comprehensive income. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed on the asset.

Restructuring provisions

Restructuring costs are recognised as a liability at the earlier of the date the costs are incurred or when the Group is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed restructuring plan to either terminate employment before normal retirement date, or as a result of an offer made to encourage voluntary redundancy. In the case of an offer to encourage voluntary redundancy, the restructuring costs are measured based on the number of employees expected to accept the offer. Restructuring costs that are expected to be wholly settled more than one year after the end of the reporting period are discounted to their present value.

Other provisions

Other provisions in relation to contractual obligations are recognised when the Group has an obligation as a result of past events. Other provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date taking into account the time value of money where relevant.

Environmental rehabilitation trusts

Contributions have historically been made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation and restoration activities for premature closure and end of life closure of the relevant mine and as required thereafter. The Group exercises full control of these trusts and therefore the trusts are consolidated. The trusts' assets are disclosed separately on the statement of financial position as non-current assets.

The trusts' assets are held through unit trusts through a reputable investment manager, and are classified as at FVPL. Fair value gains and losses are recognised in the statement of profit or loss and other comprehensive income within net finance costs.

Other environmental investments

The Group entered into agreements with financial institutions to provide financial guarantees dedicated to funding the costs of rehabilitation and restoration activities. A portion of the premium contributions made under these agreements is invested by the financial institutions on our behalf, and held as collateral against the financial guarantees. These contributions are largely invested in money market funds and are classified as at FVPL.

The other environmental investments are recognised in the statement of financial position within financial asset investments, and fair value gains and losses are recognised in the statement of profit or loss and other comprehensive income within net finance costs.

Nkulo Community Partnership Trust

The Group founded the Nkulo Community Partnership Trust in June 2021 as disclosed in note 2, which subscribed for a C preference share in SACO for a nominal amount. The C preference share 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. The Group recognises a provision for the constructive obligation it has to the beneficiaries of the Trust at the point that the preference dividends are declared on the C preference share by SACO. This provision is recognised within other provisions.

Environmental and other provisions can be analysed as follows:

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

1 The restructuring provision at 31 December 2020 relates to a decision taken to place the Bokgoni pit at the Khwezela colliery on care and maintenance effective from the first quarter of 2021. The restructuring process has been completed and no further costs are expected.
2 Other provisions primarily relate to a provision raised for contractual obligations, and the Zibulo colliery servitude.
3 Amounts charged to provisions relates to amounts recognised through the statement of profit or loss and other comprehensive income in relation to changes in the provisions in the reporting period.
4 Amounts applied to provisions relates to cash paid to settle these obligations which reduces the provision, but is not charged through the statement of profit or loss and other comprehensive income.

19. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental and other provisions can be analysed as follows continued:

	Environmental provisions				2020
Rand million	Environmental restoration	Decommissioning	Restructuring[1]	Other[2]	Total
Balance at the start of the reporting period	196	98	–	62	356
Acquired through Internal restructure	5,187	683	208	172	6,250
Amounts charged[3]	(15)	–	–	–	(15)
Adjustments to decommissioning assets	–	8	–	–	8
Unwinding of discount	18	9	–	2	29
Other movements	–	–	–	(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 relates to a decision taken to place the Bokgoni pit at the Khwezela colliery on care and maintenance effective from the first quarter of 2021 due to the sustained low-price environment and following in depth consultation.

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

3 Amounts charged to provisions relates to amounts recognised through the statement of profit or loss and other comprehensive income in relation to changes in the provisions in the reporting period.

Environmental provisions

Thungela is obliged to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental disturbances are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on the operating sites. A provision is recognised for the present value of such costs, based on the Group's best estimate of the legal and constructive obligations existing at the reporting date. It is anticipated that most of these costs will be incurred over a period of up to 20 years, with water treatment costs incurred up to 50 years, post closure of the mines. These provisions are collectively referred to as the 'Environmental provisions'. The Environmental provisions are determined per operating site, with the assistance of specialist independent environmental consultants and taking account of the current land disturbances and the expected costs of rehabilitation. The disturbed areas and expected costs are reassessed each year and any required change in the Environmental provisions is recognised on the completion of the assessment. An amount of R306 million (2020: credit of R15 million) has been recognised in the statement of profit or loss and other comprehensive income, and a credit to the decommissioning assets of R57 million (2020: R8 million debit) has been recognised related to the annual assessment performed by the independent consultants, and other factors influencing the provision.

The Environmental provisions have been determined based on the legal obligations under the existing MPRDA Regulations, as well as the Group's interpretation of the 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. The 2015 NEMA Financial Provisioning Regulations have been subject to numerous updates, and drafts of the replacement regulations were published in November 2017, in May 2019, and again in August 2021, but are yet to be finalised. The August 2021 draft of the NEMA Financial Provisioning Regulations again received significant feedback from the industry. No further communication has been received to date in response to the comments submitted. As currently drafted, the NEMA Financial Provisioning Regulations will alter the way companies calculate financial provisioning required 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 to be 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 Group is currently expected to transition to the NEMA Financial Provisioning Regulations on the transition date of 19 June 2022. There is currently no indication as to whether this transition date will again be deferred.

It is important to note that financial provisioning as specified in the NEMA Financial Provisioning Regulations, as well as the existing MPRDA Regulations, does not translate into the Environmental provisions as recognised by the Group, but rather the level of cash or other funding required to be made available to fund the closure of operations should the Group not be able to do so. The Environmental provisions are calculated using the MPRDA Regulations 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 R4,108 million (2020: R4,048 million), compared to the total Environmental provisions recognised by the Group of R6,751 million (2020: R6,184 million). This difference is due to additional costs which 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 of currently available technologies which the DMRE has approved, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements. Thungela has embarked on an exercise to investigate several different technologies to mitigate the impact of the future water treatment costs. Research and development is being conducted with various other parties, investigating passive treatment with Mintek as the research institute. In addition, technologies are being trialled which have the potential to treat highly impacted acidic water with the benefit of recovering value add products as well as the use of less impacted neutral mine water for irrigation of crops. Other mitigation measures include the use of phytoremediation to address acid mine drainage challenges. Significant progress has been made in proving passive water treatment on a pilot scale, with a co-operation agreement signed with a number of research partners, with Thungela as the industry partner, to demonstrate the passive water treatment process as an integrated system at a larger scale and determine the suitability of the treated water for various applications including the irrigation of crops. The construction of a demonstration scale plant to further prove this treatment commenced in August 2021.

The NEMA Financial Provisioning Regulations, as well as the MPRDA Regulations, require the Group to make financial provisioning available which is set aside purely to fund the rehabilitation and restoration activities required, should the Group not be able to perform these activities. This financial provisioning can be put aside through a number of vehicles, and cannot be accessed for the general use of the Group. The Group currently maintains the required financial provisioning through two mechanisms, being environmental rehabilitation trusts, as well as holding financial guarantees with financial institutions for the benefit of the DMRE.

Environmental rehabilitation trusts

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

Rand million	**2021**	2020
Investments in unit trusts	**3,288**	2,880
	3,288	2,880
Balance at the start of the reporting period	**2,880**	34
Acquired through Internal restructure	**23**	2,844
Growth on assets	**385**	2
Balance at the end of the reporting period	**3,288**	2,880

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

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

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

19. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

Other environmental investments

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

The other environmental investments can be analysed as follows:

Rand million	**2021**	2020
Balance at the start of the reporting period	**3**	–
Acquired through Internal restructure	**–**	3
Contributions during the reporting period	**192**	–
Growth on assets	**4**	–
Balance at the end of the reporting period	**199**	3

The Group invested R188 million (2020: Rnil) in long-term investments, referred to as the Green fund, through two financial institutions to secure the guarantees required to further fund the financial provisioning as required by the MPRDA Regulations and replace guarantees previously held where AASA had provided surety. These investments are ceded to the financial institutions as collateral for the guarantees provided to the Group. The Green fund requires an investment of 5.8% and 6.7% of the guarantee amounts annually into the respective funds to reduce the value of the unfunded guarantees over the LOM. Of the annual investment amount required, 0.8% and 0.7% respectively is related to fees which are not considered part of the investment. The annual requirement for funding is expected to decrease as the investment value increases, however, the Group is able to contribute to these funds in excess of the required annual investment amount in order to increase our financial provisioning held, and to maximise our return on these investments.

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

The other environmental investments are included in financial asset investments.

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

Rand million	**2021**	2020
Environmental provisions	**(6,751)**	(6,184)
Environmental rehabilitation trusts	**3,288**	2,880
Other environmental investments	**199**	3
Guarantees	**3,153**	2,890
Total financial provisioning available	**6,640**	5,773
Real pre-tax discount rate (%)	**3.6 – 4.3**	4.3 – 4.8

The guarantees of R3,153 million (2020: R2,890 million) are primarily in place to meet any immediate closure obligations under the existing MPRDA Regulations, and are issued in favour of the DMRE. If Thungela has to comply with the NEMA Financial Provisioning Regulations by 19 June 2022 (ie the transition date is not further deferred), it is likely that the level of guarantees required to be held as financial provisioning will increase, which if required, may be sourced from the existing providers on the market at similar terms to the Group's current guarantees.

Sensitivity analysis

The Group has determined that the expected cash flows and the discount rates used to value the Environmental provisions have a significant impact on the amounts recognised in the statement of financial position and the statement of profit or loss and other comprehensive income.

The impact that reasonably possible changes in these inputs would have on the statement of profit or loss and other comprehensive income can be analysed as follows:

Rand million	2021	2020
5.0% increase in expected cash flows	**468**	279
0.5% increase in discount rate	**(256)**	(286)

Contingent liabilities

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

Total financial guarantees amounting to R3,268 million (2020: R3,051 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 31 December 2021 and 31 December 2020.

20. DEFERRED TAX

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

Accounting policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to OCI or to equity, in which case the deferred tax is recognised in the same way.

Deferred tax assets and liabilities are offset by legal entity and the Group intends to settle its current tax assets and liabilities on a net basis by legal entity.

Deferred tax assets

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

Rand million	Notes	2021	2020
Balance at the start of the reporting period		*	–
Credited to profit or loss	8	**384**	*
Charged to other comprehensive loss	8	**(6)**	–
Balance at the end of the reporting period		**378**	*

* Represents amounts less than R1 million.

20. DEFERRED TAX CONTINUED

Deferred tax assets continued

The Group has a significant amount of unredeemed capital deductions (and previously assessed losses – collectively the 'available tax losses') available in TOPL, based on historical loss-making operations within this entity. No deferred tax asset has previously been raised on these available tax losses based on the expected future taxable income that would have been available to utilise these losses against in TOPL.

For the year ended 31 December 2021, TOPL has returned to profitability on the back of a stronger Benchmark coal price environment, as well as an optimised sales mix to ensure that higher margin products were sold where possible to mitigate the impact of the continued poor rail performance. The assessed losses within TOPL have been fully utilised in the year ended 31 December 2021.

As a result of the significant improvement in the Benchmark coal price throughout 2021 and key operational efficiencies realised by the Group, there has been a significant improvement in the operating results of TOPL for the year ended 31 December 2021. However, due to specific requirements in the tax legislation applicable to mining companies in South Africa, a large portion of the unredeemed capital deductions is ring-fenced to specific mines and specific activities. Unredeemed capital deductions on old order mines can only be utilised against taxable mining income generated by these mines and is not available for use against newer mines developed by the Group. As the old order mines are generally reaching the end of their lives, they are also our higher-cost operations, and are impacted by our decision to curtail production in relation to the rail constrained environment as detailed in note 5.

On this basis, although TOPL is now forecasted to generate healthy future taxable income, it is unlikely that all of the available unredeemed capital deductions will be utilised in relation to the higher-cost and older operations of TOPL. The portion of these unredeemed capital deductions which the Group expects to utilise was assessed using the approved budget data and LOM cash flow models utilised for the impairment of assets as a starting point, adjusted for specific known factors as appropriate. As a result, the Group did not recognise deferred tax assets of R1,177 million (2020: R1,588 million) relating to the available tax losses.

The deferred tax assets recognised in the statement of financial position can be analysed as follows:

Rand million	2021	2020
Provisions	1,829	1,894
Retirement benefit obligations	127	127
Tax losses	1	–
Other temporary differences	(1)	77
Share-based payments	(1)	(18)
Fair value adjustments	(98)	(56)
Capital allowances in excess of depreciation	(577)	(1,228)
Environmental rehabilitation trusts	(902)	(796)
Total deferred tax assets	**378**	*

* Represents amounts less than R1 million.

The deferred tax credited to the statement of profit or loss and other comprehensive income can be analysed as follows:

Rand million	2021	2020
Provisions	**(65)**	–
Retirement benefit obligations	**7**	–
Tax losses	**1**	–
Other temporary differences	**(78)**	–
Share-based payments	**17**	–
Fair value adjustments	**(43)**	–
Capital allowances in excess of depreciation	**427**	–
Environmental rehabilitation trusts	**(106)**	–
Impairment losses	**224**	–
Deferred tax credited to profit or loss	**384**	–
Deferred tax charged to other comprehensive loss	**(6)**	–
Deferred tax credited to total comprehensive income	**378**	–

Deferred tax liabilities

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

Rand million	Notes	2021	2020
Balance at the start of the reporting period		**(581)**	(660)
Acquired through Internal restructure		**(385)**	1
(Charged)/credited to profit or loss	8	**(434)**	76
Credited to other comprehensive loss	8	**–**	2
Balance at the end of the reporting period		**(1,400)**	(581)

The deferred tax liabilities recognised in the statement of financial position can be analysed as follows:

Rand million	2021	2020
Capital allowances in excess of depreciation	**(1,788)**	(757)
Other temporary differences	**(68)**	(6)
Environmental rehabilitation trusts	**(19)**	(10)
Tax losses	**240**	303
Provisions	**235**	141
Fair value adjustments	**–**	(254)
Share-based payments	**–**	2
Total deferred tax liabilities	**(1,400)**	(581)

The deferred tax (charged)/credited to the statement of profit or loss and other comprehensive income can be analysed as follows:

Rand million	2021	2020
Capital allowances in excess of depreciation	**(610)**	54
Other temporary differences	**(60)**	(7)
Environmental rehabilitation trusts	**(3)**	–
Tax losses	**(63)**	–
Provisions	**2**	24
Fair value adjustments	**302**	3
Share-based payments	**(2)**	2
Deferred tax (charged)/credited to profit or loss	**(434)**	76
Deferred tax credited to other comprehensive loss	**–**	2
Deferred tax (charged)/credited to total comprehensive income	**(434)**	78

21. STATED CAPITAL

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

Accounting policy

Ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases Thungela's issued shares, reflected as treasury shares for the Group, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the shareholders of the Group, until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the shareholders of the Group.

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

Number of shares	**2021**	2020
Authorised		
Ordinary no par value shares	**10,000,000,000**	–
Issued		
Ordinary no par value shares	**136,311,808**	–
Reconciliation of shares in issue		
Shares in issue at the start of the reporting period	**–**	–
Issue of ordinary no par value shares	**136,311,808**	–
Shares in issue at the end of the reporting period	**136,311,808**	–
Adjusted for:		
Treasury shares held by Group companies	**(2,712,606)**	–
Net shares in issue at the end of the reporting period	**133,599,202**	–

Rand million		
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**	–
Adjusted for:		
Treasury shares held by Group companies	**(183)**	–
Net balance at the end of the reporting period	**9,858**	–

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 for the Group 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 calculated to reflect the issue of these shares as if it occurred at the start of the earliest comparative period presented.

In the year ended 31 December 2021 2,712,606 treasury shares were purchased by subsidiaries of the Group at an average price of R67.42 per share in relation to share awards granted. The purchase was made in terms of Thungela's MOI and the shares are held in separate broker accounts of the Group for employees in terms of the rules of the Thungela share plan until vesting date.

The shareholder approved at the AGM held prior to the Demerger and listing of Thungela, that the unissued shares be placed under the control of the board at their discretion. The approval is subject to compliance with the MOI, the Companies Act of South Africa and the JSE Listings Requirements, and this authority is valid for the shorter of 15 months or until the next AGM. For the year ended 31 December 2021, no shares have been issued in terms of this authority.

22. DIVIDENDS

The Group has not paid dividends to shareholders in the reporting period.

Accounting policy

Dividends are recognised in the period in which the dividends are declared directly in the statement of changes in equity. Dividends proposed or declared subsequent to the reporting date are not recognised as dividends paid in the reporting period.

Treasury shares held are held by subsidiaries in respect of awards granted in terms of the Thungela share plan. Dividends declared on shares held in relation to the Forfeitable share awards are paid to the employees on payment date. Dividends declared on shares held in relation to the Conditional share awards will be paid to the subsidiary holding the share in line with the rules of the Thungela share plan.

Dividend policy

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

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

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

Dividend declaration

The board declared a final gross dividend of R18 per share from retained earnings, which will be paid in May 2022.

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For the year ended 31 December 2021

23. RELATED PARTY TRANSACTIONS

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

Direct subsidiaries

South Africa Coal Operations Proprietary Limited

Indirect subsidiaries

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

Indirect joint operations

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

Indirect associates

Richards Bay Coal Terminal Proprietary Limited
Colliery Training College Proprietary Limited

Indirect trusts

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

Other related parties

Anglo American Group

Directors

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

Independent non-executive
* Non-executive

Prescribed officers

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

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

Rand million	Notes	**2021**	2020
Loans to related parties			
Zimele[1]		**29**	30
Pamish[2]		**18**	–
RBCT[3]		**43**	68
Loans from related parties			
Anglo American[4]		**–**	(361)
Derivative asset – capital support			
Anglo American[5]	17	**347**	–
Trading balances			
Trade and other receivables[6]	14	**2,569**	1,877
Trade and other payables[7]		**(55)**	(318)
Transactions recognised in the statement of profit or loss and other comprehensive income			
Anglo American			
Export revenue	3	**22,813**	2,943
Expenses for services provided	4	**(605)**	(57)
Fair value loss on derivative asset – capital support		**(569)**	–
RBCT			
Expenses for services provided[8]		**(391)**	–

1 The loan to Zimele is granted for purposes of funding small business enterprises. The loan is non-interest bearing and has no fixed repayment terms.
2 The loan to Pamish earns interest at prime plus 3.0% and has a repayment term of 18 months commencing from January 2022.
3 The loan to RBCT is deemed part of the equity investment in RBCT.
4 The loan from Anglo American was settled in full as part of the Demerger. The loan was interest bearing, accrued interest at rates between 5.2% – 5.6% (2020 5.4%) and had no fixed repayment terms.
5 Derivative asset – Capital support represents the value of the Capital support agreement entered into with ASA. Refer to note 17 for further detail.
6 Trade and other receivables include trade receivables for export sales to AAML and insurance prepayments at 31 December 2020. The payment terms relating to trade receivables from AAML is 15 days from the date of the invoice.
7 Trade and other payables are due within one year, consistent with the external trade and other payables.
8 The services are rendered from RBCT to Mainstreet 1756 and TOPL, and are consistent with services rendered to these entities prior to the Internal restructure.

Transactions with key management are disclosed in note 39 of the Annual financial statements. No transactions have been entered into with key management, other than as disclosed in that note.

24. EVENTS AFTER THE REPORTING PERIOD

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

Accounting policy

The Group assesses relevant events, that occur between the end of the reporting period until the consolidated and separate annual financial statements are authorised for issue. An assessment will be performed to determine if the event is an adjusting or non-adjusting event, and adjustments or disclosure may be made if required.

Kromdraai environmental incident

On 14 February 2022, an uncontrolled release occurred at Khwezela's Kromdraai site which resulted in the discharge of mine-impacted water into the Kromdraaispruit. This water source feeds into the Wilge River and the Upper Olifants River catchment. This event has been classified as a level 4 environmental incident. The first phase of corrective measures to mitigate the impacts of the environmental incident has been successfully completed. Thungela will continue with water monitoring requirements, screening for possible residual waste and will work with the Mpumalanga Tourism and Park Agency should further clean-up operations be required. The next phase of the remediation is underway with a risk assessment being performed to define all impacts of the incident. This incident has to date had a minimal impact on the ongoing operations of the Group, as the site in question was previously closed and the ongoing treatment of water on the site has been included in the Environmental provisions detailed in note 19. However, the situation will continue to be closely monitored.

Change in corporate tax rate

On 23 February 2022, the South African corporate tax rate was reduced from 28% to 27% with effect from 1 January 2023, which will impact the amount of tax paid by the Group in future.

Dividend declaration

The board declared a final gross dividend of R18 per share from retained earnings. This represents a total dividend payment of R2,454 million to shareholders, amounting to 63% of the Adjusted operating free cash flow generated in the reporting period.

The dividend will be paid in May 2022.

ANNEXURES

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES

For the year ended 31 December 2021

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 summarised consolidated annual financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the summarised consolidated annual 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 summarised consolidated annual financial statements.

Purpose

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

Their use is driven by characteristics particularly visible in the mining sector, being earnings volatility. The market is characterised by significant volatility in earnings driven by movements in macroeconomic factors, primarily the Benchmark coal price and foreign exchange rate. This volatility is outside the control of the Group and can mask underlying changes in performance. As such, when comparing year-on-year performance, Thungela excludes certain items (such as impairments and restructuring costs) to aid comparability.

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

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.

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[1], impairment losses, restructuring costs and termination benefits, depreciation and amortisation and fair value gains/(losses) on derivative assets	• Impairment losses • Restructuring costs and termination benefits • Fair value gains/(losses) on derivative assets[2] • Fair value loss on derivative asset – capital support[3] • Depreciation and amortisation	• Exclude the effect of non-recurring transactions and remeasurements 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 cash held in Trusts and loans and borrowings	• None	• None

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

[2] Fair value gains/(losses) on derivative assets have been included in the determination of Adjusted EBITDA for the year ended 31 December 2021, as the derivative activity commenced only in the current year.

[3] Fair value loss on derivative asset – capital support has been included in the determination of Adjusted EBITDA for the year ended 31 December 2021, as the derivative was initially recognised in equity.

APM	Definition	Adjustments to reconcile to primary statements	Rationale for adjustments
Statement of cash flows			
Capex (note 3)	Cash expenditure on property, plant and equipment and intangible assets[1], including the movement on capital creditors in the reporting period	• None	• None
Sustaining capex (note D)	Stay-in-business capex, stripping and development capex and capex on intangible assets[1]	• None	• None
Adjusted operating free cash flow (note E)	Net cash flows from operating activities less sustaining capex	• None	• None
Other APMs			
FOB cost (note F)	Direct cash cost incurred in producing one unit of saleable export product and delivering the product to the vessel for export[2]	• 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 investments held to fund future rehabilitation, decommissioning and water treatment expenditure	• None	• None

[1] Expenditure on intangible assets was not previously included in Capex and Sustaining capex, but is considered part of the capital expenditure incurred to sustain the operations of the Group. There was no expenditure on intangible assets in the year ended 31 December 2020.

[2] The definition of FOB cost has been simplified from the previous definition presented, however, this has had no impact on the calculation of FOB cost.

The APMs used in the summarised consolidated annual financial statements have been reconciled as below:

	Rand million (unless otherwise stated)	Notes	**2021**	2020
A.	**Adjusted EBITDA**			
	Profit/(loss) before net finance costs and tax per the statement of profit or loss and other comprehensive income	4	**7,509**	(124)
	Less – fair value gains on derivative assets	17	**(348)**	–
	Add – fair value loss on derivative asset – capital support	17	**569**	–
	Add – depreciation	10	**989**	406
	Add – amortisation		**29**	2
	Add – impairment losses	5	**808**	–
	Add – restructuring costs and termination benefits	6	**422**	2
	Adjusted EBITDA		**9,978**	286
B.	**Adjusted EBITDA margin**			
	Adjusted EBITDA	A	**9,978**	286
	Revenue	3	**26,282**	3,750
	Adjusted EBITDA margin (%)		**38**	7.6

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

For the year ended 31 December 2021

	Rand million (unless otherwise stated)	Notes	2021	2020
C.	**Net cash/(debt)**			
	Cash and cash equivalents	15	**8,736**	194
	Less – cash held in Trusts	15	**(10)**	–
	Less – loans and borrowings		**(63)**	(582)
	Net cash/(debt)		**8,663**	(388)
D.	**Sustaining capex**			
	Stay-in-business capex		**1,682**	308
	Property, plant and equipment	3	**1,671**	308
	Intangible assets	3	**11**	–
	Stripping and development capex	3	**511**	101
	Sustaining capex		**2,193**	409
E.	**Adjusted operating free cash flow**			
	Cash generated from operating activities		**6,116**	160
	Sustaining capex	D	**(2,193)**	(409)
	Adjusted operating free cash flow		**3,923**	(249)
F.	**FOB cost**			
	Operating costs	4	**17,322**	3,872
	Less – industrial and domestic revenue	3	**(3,469)**	(807)
	Less – depreciation	4	**(989)**	(406)
	Less – amortisation	4	**(29)**	(2)
	Less – third party commodity purchases	4	**(1,380)**	–
	Less – commodity purchases from Mafube Coal Mining	4	**(137)**	–
	Add – inventory production movement	4	**1,222**	48
	Less – demurrage and other expenses	4	**(204)**	(78)
	Less – exploration and evaluation	4	**(124)**	(64)
	Less – foreign exchange gains	4	**214**	4
	Add – profit on sale of property, plant and equipment	4	**8**	–
	Less – recharged costs from Anglo American – administration expenses	4	**(331)**	(9)
	Less – fair value loss on biological assets[1]		**(3)**	–
	Less – other administration expenses	4	**(49)**	(65)
	FOB cost		**12,051**	2,493
	[1] The fair value loss on biological assets is included in other operating expenses.			
G.	**FOB cost per export tonne**			
	FOB cost	F	**12,051**	2,493
	Export saleable production (kt)		**14,511**	3,101
	FOB cost per export tonne (Rand/tonne)		**830**	804
H.	**Environmental liability coverage**			
	Environmental provisions	19	**6,751**	6,184
	Investments held to fund closure activities		**3,487**	2,883
	Assets held in the environmental rehabilitation trusts	19	**3,288**	2,880
	Other environmental investments	19	**199**	3
	Environmental liability coverage (%)		**52**	47

ANNEXURE 2

GLOSSARY

For the year ended 31 December 2021

A number of terms have been used in the summarised consolidated annual 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
AGM	Annual general meeting
Anglo American	The Anglo American plc Group, and its subsidiaries
AOPL	Anglo Operations Proprietary Limited, also referred to as TOPL
APM	Alternative performance measure
ART	Antiretroviral Treatment
ASA	Anglo South Africa Proprietary Limited
ASAC	Anglo South Africa Capital Proprietary Limited
Benchmark coal price	Benchmark price reference for 6,000kcal/kg thermal coal exported from the Richards Bay Coal Terminal
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
Carbon Tax Act	Carbon Tax Act 15 of 2019
CA(SA)	Chartered Accountant South Africa
CEO	Chief executive officer
CFO	Chief financial officer
CGU	Cash generating unit
Circular 1/2021	Circular 1/2021: Headline earnings issued by SAICA detailing the requirements for determining headline earnings
Coal Reserves	Modified indicated and measured Coal Resources, including consideration of modifying factors that affect extraction. This represents the economically extractable material
Coal Resources	The in-situ coal for which there are reasonable prospects for eventual economic extraction
CO_2	Carbon Dioxide
CO_2e	Carbon Dioxide equivalent
CODM	Chief operating decision maker
Conditional shares	Shares or share awards granted to participants under the Thungela share plan which are subject to certain Performance conditions and Employment conditions
CPP	The Nkulo Community Partnership Trust, also referred to as the Community Partnership Plan
CPR	Competent Persons Report
Customs and Excise Act	Customs and Excise Act 91 of 1964
DFFE	Department of Forestry, Fisheries and Environment
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
EIA	Environmental impact assessment

GLOSSARY CONTINUED

For the year ended 31 December 2021

Term used	Definition
Environmental provisions	The Group's obligations to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental disturbances are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on the operating sites
EPP	The SACO Employee Partnership Plan Trust, also referred to as the Employee Partnership Plan
EPS	Earnings per share
ERP	Enterprise resource planning
ESG	Environmental, social and governance
ETR	Effective tax rate
FCA	The Financial Conduct Authority of the UK or its successor from time to time
FIFO	First in, first out
FOB	Free on board
FOR	Free on rail
Forfeitable shares	Shares or share awards granted to participants pursuant to the Thungela share plan, the vesting of which is subject to the fulfilment of an Employment condition over the Employment period
FSMA	The UK Financial Services and Markets Act 2000 (as amended from time to time)
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
GBP	British pound sterling
GHG	Greenhouse gas(es)
GJ	Gigajoule
GRI	Global reporting initiative
Group	Thungela and its subsidiaries, joint arrangements and associates
HDSA	Historically disadvantaged South African
HEPS	Headline earnings per share
HFI	Combined carve-out historical financial information of the SA Thermal coal operations
HIV	Human immunodeficiency virus
IAS	International Accounting Standard, referencing a specific standard to be applied
IAS 2	Inventories
IAS 27	Separate Financial Statements
IAS 34	Interim Financial Reporting
IASB	International Accounting Standards Board
ICMM	The International Council on Mining and Metals
IFRS	International Financial Reporting Standards as issued by the IASB and the IFRS interpretations committee (previously known as the IFRIC). When used before a number this references a specific standard to be applied
IFRS 3	Business Combinations
IFRS 9	Financial Instruments
IFRS 13	Fair Value Measurement
IFRS 15	Revenue from Contracts with Customers
Internal restructure	The internal restructuring of the Group undertaken in preparation for the Demerger, as fully described in note 2
Invested equity	Amounts which reflect the carrying value of investments by Anglo American in the SA Thermal coal operations combined entities are disclosed as 'invested equity', as fully described in the PLS published on 8 April 2021

Term used	Definition
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	The listings requirements issued by the JSE under the FMA to be observed by issuers of equity securities listed on the JSE
Kcal/kg	kilocalories per kilogram
King IV	The King IV Report on Corporate Governance™ for South Africa, 2016 (Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.)
KPI	Key performance indicator
kt	A measure representing 1,000 tonnes
LOM	Life of mine
LOM plan	A design and financial/economic study of an existing operation in which appropriate assessments have been made of existing geological, mining, social, governmental, engineering, operational, and all other modifying factors, which are considered in sufficient detail to demonstrate that continued extraction is reasonably justified
LSE	London Stock Exchange
Mafube Coal Mining	Mafube Coal Mining Proprietary Limited
Mainstreet 1756	Main Street 1756 (RF) Proprietary Limited
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and the delegated acts, implementing acts, technical standards and guidelines thereunder as modified and as such legislation forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and as modified by UK domestic law from time to time
Mintek	Mintek is South Africa's national mineral research organisation and is one of the world's leading technology organisations specialising in mineral processing, extractive metallurgy and related areas
MOI	Memorandum of Incorporation
MPRDA	The South African Mineral and Petroleum Resources Development Act 28 of 2002
MRD	Mineral residue deposit
Ml	Million liters
Mt	Million tonnes
Mtpa	Mt per annum
Nasonti Coal	Nasonti Coal Proprietary Limited
Nasonti Group	Nasonti Trust including wholly owned subsidiaries Nasonti Technical and Nasonti Coal
Nasonti Technical	Nasonti Technical Services Proprietary Limited
National Environmental Management: Air Quality Act	National Environmental Management: Air Quality Act 39 of 2004
NCI	Non-controlling interest
NEMA	The South African National Environmental Management Act 107 of 1998 (as amended from time to time)
NRV	Net realisable value
OCI	Other comprehensive income
Offtake agreement	The offtake agreement between the Company, TOPL and AAML, dated 6 March 2021
Pamish	Pamish Investments No. 66 Proprietary Limited
Performance condition	A performance condition to be satisfied in order for Conditional awards to vest under the Thungela share plan
Phola	Phola Processing Plant Proprietary Limited
PLS	Combined prospectus and pre-listing statement of Thungela, published on 8 April 2021

GLOSSARY CONTINUED

For the year ended 31 December 2021

Term used	Definition
Pro forma financial information	The Pro forma consolidated statements of profit or loss for the years ended 31 December 2021 and 31 December 2020, along with supporting Pro forma analyses of profit/(loss) before net finance costs and tax and Pro forma APMs
Proved and Probable Coal Reserves	Proved Coal Reserves are modified measured Coal Resources, including consideration of modifying factors that affect extraction. It is the economically extractable material. Probable Coal Reserves are modified indicated or measured Coal Resources, including consideration of modifying factors that affect extraction
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
RNS	Regulatory news service
ROM	Run of mine, representing the product extracted from mining operations before it is processed into saleable product
RoMP	Resources outside of Mine Plan
SACO	South Africa Coal Operations Proprietary Limited
SACO Group	SACO and its subsidiaries, joint arrangements and associates
SAICA	South African Institute of Chartered Accountants
SAMREC Code	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 Edition
SARS	The South African Revenue Service
SA Thermal coal operations	Anglo American's South African thermal coal operations which were the subject of the Demerger, as defined in the PLS
Secondary index price	Benchmark price reference for 6 000kcal/kg thermal coal at point of discharge in Northwest Europe
SENS	Stock Exchange News Service
TFR	Transnet Freight Rail, a division of Transnet SOC Limited
The Companies Act of South Africa	The Companies Act 71 of 2008 (as amended)
Thungela or the Company	Thungela Resources Limited
Thungela share plan	The long-term share incentive plan adopted by Thungela to attract, retain, incentivise and reward high-calibre employees
TOPL	Thungela Operations Proprietary Limited (known as AOPL until the name was formally changed on 1 March 2022)
TRCFR	Total recordable case frequency rate
Trusts	The EPP and CPP collectively
UK	The United Kingdom of Great Britain and Northern Ireland
UK Disclosure Guidance and Transparency Rules	The rules relating to the disclosure of information made in accordance with section 73A(3) of FSMA
UK Listing Rules	The listing rules relating to admission to the UK Official List made under section 73A(2) of FSMA
UK Officials List	The official list of the FCA
USD	United States Dollar
VAT	Value added tax
VIU	Value in use
WAF	Water Accounting Framework (for the Mineral Industry)
WANOS	Weighted average number of shares outstanding
ZAR	South African Rand
Zimele	Anglo American Zimele Loan Fund Proprietary Limited

ANNEXURE 3
PRO FORMA FINANCIAL INFORMATION

For the year ended 31 December 2021

PURPOSE OF THE PRO FORMA FINANCIAL INFORMATION

The Pro forma financial information has been presented to demonstrate what impact the Internal restructure would have had on the Group had it taken place at the start of the reporting period to achieve comparability of the financial results as detailed in note 2 of the summarised consolidated annual financial statements. The Pro forma financial information excludes any Pro forma impacts arising as a consequence of the Demerger, the Post-balance sheet transactions (as defined in Annexe 6A and 6B of the PLS) and any related agreements as contemplated in the PLS.

The Pro forma financial information is prepared for illustrative purposes only and is the responsibility of the directors of Thungela. Due to the nature of this information, it may not fairly present the Group's results of operations. The Pro forma financial effects have been prepared in accordance with the JSE Listings Requirements, IFRS, the accounting policies adopted by the Group and the revised SAICA guide on Pro forma financial information. The Pro forma financial information has been reported on by the Group's independent external auditor, and their assurance report on the Pro forma financial information is set out on pages 144 and 145 of the Annual financial statements. The Pro forma financial information for the year ended 31 December 2020 agrees to the combined carve-out historical financial information of the SA Thermal coal operations which was reported on as per Annexe 3A of the PLS.

BASIS OF PREPARATION OF THE PRO FORMA FINANCIAL INFORMATION

The Pro forma financial information has been prepared using accounting policies which are consistent with the accounting policies applied in the preparation of the HFI, as fully described in Annexe 2A and 2B of the PLS, along with the additional accounting policies set out in the Annual financial statements for the year ended 31 December 2021, in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the notes and assumptions supporting the Pro forma financial information as detailed below.

The Pro forma consolidated statement of profit or loss presented represents the Pro forma effects of the Internal restructure on the consolidated results from operations for the years ended 31 December 2021 and 31 December 2020 respectively, as if the Internal restructure had been effected 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 Group's proportionate share of the income and expenses of Mafube Coal Mining.

PRO FORMA FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2021

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

The Pro forma consolidated statement of profit or loss below presents the Pro forma effects of the Internal restructure on the consolidated statement of profit or loss for the year ended 31 December 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
Rand million	Thungela	Inclusion of Mafube Coal Mining	Intercompany eliminations	Reversal of interest on loans with Anglo American	Pro forma after the Internal restructure
Revenue	26,282	248	(137)	–	26,393
Operating costs	(17,322)	(192)	137	–	(17,377)
Impairment losses	(808)	–	–	–	(808)
Fair value gains on derivative assets	348	–	–	–	348
Fair value loss on derivative asset – capital support	(569)	–	–	–	(569)
Restructuring costs and termination benefits	(422)	–	–	–	(422)
Profit before net finance costs and tax[1]	7,509	56	–	–	7,565
Net finance costs	–	(4)	–	35	31
Investment income	503	1	–	–	504
Interest expense	(680)	(5)	–	35	(650)
Other financing gains	177	–	–	–	177
Profit before tax	7,509	52	–	35	7,596
Income tax expense	(571)	(16)	–	(10)	(597)
Profit for the reporting period	6,938	36	–	25	6,999
Attributable to:					
Non-controlling interests	509	–	–	–	509
Equity shareholders of the Group	6,429	36	–	25	6,490
Earnings per share					
Earnings per share (cents)					4,774
Headline earnings per share (cents)					5,199
Weighted average number of shares					135,957,450

1 Refer to the Pro forma profit before net finance costs and tax analysis for a detailed analysis of the profit before net finance costs and tax generated by the Group.

Notes and assumptions to the Pro forma consolidated statement of profit or loss for the year ended 31 December 2021

Note 1

Column 1 represents the consolidated statement of profit or loss as reported for Thungela for the year ended 31 December 2021, which has been extracted from the Annual financial statements for the year ended 31 December 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 the start of the reporting period. These adjustments have been extracted without adjustment from the accounting records maintained by Thungela, through Mafube Coal Mining, 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 accounting records.

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 accounting records maintained by Thungela, through Mafube Coal Mining. The directors are satisfied with the quality of the accounting records.

Note 4

Column 4 represents the interest accrued on the loan account in TOPL with AASAF for the reporting 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 consolidated statement of profit or loss for the year ended 31 December 2021. These adjustments have been extracted without adjustment from the accounting records maintained by Thungela for the year ended 31 December 2021. TOPL has utilised its available assessed losses for the year ended 31 December 2021, and thus tax has been calculated on the full amount of the interest reversed.

Note 5

Column 5 represents the cumulative effect of columns 1 to 4 and represents the Pro forma consolidated statement of profit or loss of Thungela for the year ended 31 December 2021.

Note 6

Pro forma headline earnings per share has been calculated using the same remeasurements as detailed in note 9 of the summarised consolidated annual financial statements. The adjustments in column 1 to 4 do not contain any transactions which would be considered remeasurements to be adjusted for in the calculation of headline earnings in line with Circular 1/2021.

Note 7

As referred to in note 2 of the summarised consolidated annual financial statements for the year ended 31 December 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 21 of the summarised consolidated annual financial statements for the year ended 31 December 2021 regarding the treatment of the shares issued by Thungela for the purpose of determining the WANOS for the reporting period. 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 all of the 136,311,808 issued shares have been issued at the start of the reporting period rather than applying a time proportionate weighting to the issue of these shares. For the year ended 31 December 2021, a total of 2,712,606 shares were bought by subsidiaries of the Group in relation to share awards made in line with the Thungela share plan. The weighted impact of the purchase of the treasury shares, amounting to 354,358 shares has been deducted from the number of shares assumed to be in issue from the start of the reporting period. The WANOS is thus considered to be 135,957,450.

PRO FORMA FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2021

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

The Pro forma consolidated statement of profit or loss presents the Pro forma effects of the Internal restructure on the consolidated statement of profit or loss for the year ended 31 December 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. The Pro forma consolidated statement of profit or loss has been prepared using the basis of preparation fully described in Annexe 2A and 2B of the PLS published on 8 April 2021 and does not reflect the impact of the Post-balance sheet events defined in Annexe 6A and 6B of that document. The Pro forma consolidated statement of profit or loss presented below agrees to the combined carve-out statement of profit or loss for the year ended 31 December 2020 as presented in the PLS.

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Rand million	Thungela	Inclusion of TOPL	Inclusion of Mafube Coal Mining	Intercompany eliminations	Reversal of interest on loans with Anglo American	Pro forma after Internal restructure
Revenue	3,750	15,651	1,063	(2,210)	–	18,254
Operating costs	(3,872)	(17,784)	(905)	2,210	–	(20,351)
Impairment losses	–	(2,160)	–	–	–	(2,160)
Restructuring costs and termination benefits	(2)	(155)	–	–	–	(157)
(Loss)/profit before net finance costs and tax[1]	(124)	(4,448)	158	–	–	(4,414)
Net finance costs	(314)	(536)	(27)	–	467	(410)
Investment income	3	242	3	(75)	(6)	167
Interest expense	(312)	(773)	(30)	75	473	(567)
Other financing losses	(5)	(5)	–	–	–	(10)
(Loss)/profit before tax	(438)	(4,984)	131	–	467	(4,824)
Income tax credit/(expense)	76	137	(39)	–	(53)	121
(Loss)/profit for the reporting period	(362)	(4,847)	92	–	414	(4,703)
Attributable to:						
Non-controlling interests	(32)	(296)	–	–	38	(290)
Equity shareholders of the Group	(330)	(4,551)	92	–	376	(4,413)
Losses per share						
Losses per share (cents)						(3,237)
Headline losses per share (cents)						(1,860)
Weighted average number of shares						136,311,808

[1] Refer to the Pro forma (loss)/profit before net finance costs and tax analysis for a detailed analysis of the (loss)/profit before net finance costs and tax (incurred)/generated by the Group.

Notes and assumptions to the Pro forma consolidated statement of profit or loss for the year ended 31 December 2020

Note 1

Column 1 represents the consolidated statement of profit or loss as reported for Thungela for the year ended 31 December 2020, which has been extracted from the Annual financial statements for the year ended 31 December 2021 without adjustment.

Note 2

Column 2 represents the Pro forma statement of profit or loss of TOPL from 1 January 2020 to 31 December 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 shareholding that the Group holds in Butsanani Energy, which was obtained when combining the 33% held in Butsanani Energy by TOPL, with the 33% held in the entity by SACO. These adjustments have been extracted without adjustment from the accounting records maintained by Thungela and RMC, and represent the financial results of TOPL and Butsanani Energy from 1 January 2020 to 31 December 2020. The directors are satisfied with the quality of the accounting records.

Note 3

Column 3 represents the statement of profit or loss for Mafube Coal Mining from 1 January 2020 to 31 December 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 accounting records maintained by Thungela, through Mafube Coal Mining, and represent the financial results of Mafube Coal Mining from 1 January 2020 to 31 December 2020. The directors are satisfied with the quality of the accounting records.

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 31 December 2020. These adjustments have been extracted without adjustment from the accounting records maintained by Thungela. The directors are satisfied with the quality of the accounting records.

Note 5

Column 5 represents the interest accrued on the loan accounts in both TOPL and AAIC with AASAF for the year, 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 consolidated statement of profit or loss for the year ended 31 December 2020. These adjustments have been extracted without adjustment from the accounting records maintained by Thungela. The directors are satisfied with the quality of the accounting records. The tax adjustment has been determined based on the interest reversed in AAIC only, as TOPL had sufficient available assessed tax losses to absorb the potential tax impact of the adjustment in that entity.

Note 6

Column 6 represents the cumulative effect of columns 1 to 5 and represents the Pro forma consolidated statement of profit or loss of Thungela for the year ended 31 December 2020. This Pro forma consolidated statement of profit or loss agrees to the combined carve-out statement of profit or loss of the SA Thermal coal operations for the year ended 31 December 2020 as included in the HFI in Annexe 2C of the PLS.

Note 7

In order to determine the Pro forma headline losses in terms of Circular 1/2021, the impact of the impairment losses, and the related tax and non-controlling interest impact, have been added back to the losses attributable to equity shareholders of the Group, as these are remeasurements excluded from headline losses. This results in Pro forma headline losses of R2,535 million, and headline losses per share of 1,860 cents.

Note 8

As referred to in note 2 of the summarised consolidated annual financial statements for the year ended 31 December 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 21 of the summarised consolidated annual financial statements for the year ended 31 December 2021 regarding the treatment of the shares issued by Thungela for the purpose of determining the WANOS for the reporting period. 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 FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2021

PRO FORMA CONSOLIDATED PROFIT BEFORE NET FINANCE COSTS AND TAX ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

The Pro forma consolidated profit before net finance costs and tax analysis presents the Pro forma effects of the Internal restructure on the consolidated profit before net finance costs and tax analysis for the year ended 31 December 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
Rand million	Thungela	Inclusion of Mafube Coal Mining	Intercompany eliminations	Pro forma after Internal restructure
Revenue	26,282	248	(137)	26,393
Employee costs	(4,112)	(42)	–	(4,154)
Depreciation	(989)	(33)	–	(1,022)
Amortisation	(29)	–	–	(29)
Third party commodity purchases	(1,380)	–	–	(1,380)
Commodity purchases from Mafube Coal Mining[1]	(137)	–	137	–
Consumables used in production[2]	(1,646)	(41)	–	(1,687)
Maintenance expenditure[2]	(2,716)	(46)	–	(2,762)
Production input costs[2]	(2,583)	(31)	–	(2,614)
Inventory production movement	1,222	35	–	1,257
Logistics costs	(3,235)	–	–	(3,235)
Demurrage and other expenses	(204)	–	–	(204)
Increase in expected credit loss provision	(67)	–	–	(67)
Royalties	(394)	(2)	–	(396)
Exploration and evaluation[3]	(124)	–	–	(124)
Exploration expenditure	(27)	–	–	(27)
Evaluation expenditure	(97)	–	–	(97)
Foreign exchange gains	214	–	–	214
Profit on sale of property, plant and equipment	8	–	–	8
Audit fees	(9)	–	–	(9)
Professional fees	(84)	(4)	–	(88)
Learnership and development expenses	(169)	(2)	–	(171)
Temporary staff	(138)	(7)	–	(145)
Recharged costs from Anglo American	(605)	(3)	–	(608)
Administration expenses	(331)	–	–	(331)
Operating expenses	(274)	(3)	–	(277)
Other administration (expenses)/income	(49)	5	–	(44)
Other operating expenses	(96)	(21)	–	(117)
Operating costs	(17,322)	(192)	137	(17,377)
Impairment losses	(808)	–	–	(808)
Fair value gains on derivative assets	348	–	–	348
Fair value loss on derivative asset – capital support	(569)	–	–	(569)
Restructuring costs and termination benefits	(422)	–	–	(422)
Profit before net finance costs and tax	7,509	56	–	7,565

1 Commodity purchases from Mafube Coal Mining relate to purchases by TOPL in the ordinary course of business prior to the acquisition of Mafube Coal Mining through the Internal restructure on 31 March 2021.

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

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

Notes and adjustments to the Pro forma consolidated profit before net finance costs and tax analysis for the year ended 31 December 2021

Note 1

Column 1 represents the consolidated profit before net finance costs and tax analysis as reported for Thungela, which has been extracted from the Annual financial statements for the year ended 31 December 2021 without adjustment.

Note 2

Column 2 represents the profit before net finance costs and tax 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 accounting records maintained by Thungela, through Mafube Coal Mining, 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 accounting records.

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 accounting records maintained by Thungela. The directors are satisfied with the quality of the accounting records.

Note 4

Column 4 represents the cumulative effect of columns 1 to 3 and represents the Pro forma consolidated profit before net finance costs and tax analysis of Thungela for the year ended 31 December 2021.

PRO FORMA CONSOLIDATED (LOSS)/PROFIT BEFORE NET FINANCE COSTS AND TAX ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2020

The Pro forma consolidated (loss)/profit before net finance costs and tax analysis presents the Pro forma effects of the Internal restructure on the consolidated (loss)/profit before net finance costs and tax analysis for the year ended 31 December 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. The Pro forma consolidated (loss)/profit before net finance costs and tax analysis has been prepared using the basis of preparation fully described in Annexe 2A and 2B of the PLS published on 8 April 2021 and does not reflect the impact of the Post-balance sheet events as defined in Annexure 6A and 6B of that document. The Pro forma analysis presented below agrees to the combined carve-out information presented in the PLS, other than certain lines which have been re-presented in line with the disclosure in the Annual financial statements of Thungela.

	Column 1	Column 2	Column 3	Column 4	Column 5
Rand million	Thungela	Inclusion of TOPL	Inclusion of Mafube Coal Mining	Intercompany eliminations	Pro forma after the Internal restructure
Revenue	3,750	15,651	1,063	(2,210)	18,254
Employee costs	(827)	(3,386)	(166)	–	(4,379)
Depreciation	(406)	(539)	(113)	–	(1,058)
Amortisation	(2)	(13)	–	–	(15)
Third party commodity purchases	–	(1,287)	–	–	(1,287)
Commodity purchases from Mafube Coal Mining and AAIC[1]	–	(2,210)	–	2,210	–
Consumables used in production[2]	(284)	(1,156)	(148)	–	(1,588)
Maintenance expenditure[2]	(648)	(2,504)	(236)	–	(3,388)
Production input costs[2]	(238)	(2,988)	(120)	–	(3,346)
Inventory production movement	48	(169)	(10)	–	(131)
Logistics costs	(806)	(2,858)	–	–	(3,664)
Demurrage and other expenses	(78)	(152)	–	–	(230)
Royalties	(14)	(45)	(11)	–	(70)
Exploration and evaluation[3]	(64)	(122)	–	–	(186)
Exploration expenditure	–	(29)	–	–	(29)
Evaluation expenditure	(64)	(93)	–	–	(157)
Foreign exchange gains	4	109	–	–	113
Audit fees	(2)	(3)	(1)	–	(6)
Professional fees	(10)	(57)	(6)	–	(73)
Learnership and development expenses	(26)	(129)	(6)	–	(161)
Temporary staff	(6)	(88)	(16)	–	(110)
Recharged costs from Anglo American	(57)	(732)	(13)	–	(802)
Administration expenses	(9)	(440)	(2)	–	(451)
Operating expenses	(48)	(292)	(11)	–	(351)
Other administration (expenses)/income	(65)	282	17	–	234
Other operating expenses	(391)	263	(76)	–	(204)
Operating costs	(3,872)	(17,784)	(905)	2,210	(20,351)
Impairment losses	–	(2,160)	–	–	(2,160)
Restructuring costs and termination benefits	(2)	(155)	–	–	(157)
(Loss)/profit before net finance costs and tax	(124)	(4,448)	158	–	(4,414)

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 Consumables used in production, maintenance expenditure and production input costs have been re-presented so as to provide a more detailed level of disaggregation of the expenses in line with the underlying nature thereof.
3 Exploration and evaluation expenditure exclude associated employee costs, which are considered immaterial.

Notes and adjustments to the Pro forma consolidated (loss)/profit before net finance costs and tax analysis for the year ended 31 December 2020

Note 1

Column 1 represents the consolidated loss before net finance costs and tax analysis as reported for Thungela for the year ended 31 December 2020, which has been extracted from the Annual financial statements for the year ended 31 December 2021 without adjustment.

Note 2

Column 2 represents the loss before net finance costs and tax of TOPL from 1 January 2020 to 31 December 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 shareholding that the Group holds in Butsanani Energy, which was obtained when combining the 33% held in Butsanani Energy by TOPL, with the 33% held in the entity by SACO. These adjustments have been extracted without adjustment from the accounting records maintained by Thungela and RMC, and represent the financial results of TOPL and Butsanani Energy from 1 January 2020 to 31 December 2020. The directors are satisfied with the quality of the accounting records.

Note 3

Column 3 represents the profit before net finance costs and tax of Mafube Coal Mining from 1 January 2020 to 31 December 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 accounting records maintained by Thungela, through Mafube Coal Mining, and represent the financial results of Mafube Coal Mining from 1 January 2020 to 31 December 2020. The directors are satisfied with the quality of the accounting records.

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 31 December 2020. These adjustments have been extracted without adjustment from the accounting records maintained by Thungela. The directors are satisfied with the quality of the accounting records.

Note 5

Column 5 represents the cumulative effect of columns 1 to 4 and represents the Pro forma consolidated (loss)/profit before net finance costs and tax analysis of Thungela for the year ended 31 December 2020. This Pro forma information agrees to the combined carve-out analysis of the SA Thermal coal operations for the year ended 31 December 2020 as included in the HFI in Annexe 2C of the PLS.

PRO FORMA FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2021

PRO FORMA APMS

The below APMs have been determined using the Pro forma financial information in order 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 (unless otherwise stated)		2021	2020
A.	**Adjusted EBITDA**		
	Profit/(loss) before net finance costs and tax per the Pro forma statement of profit or loss	**7,565**	(4,414)
	Less – fair value gains on derivative financial assets	**(348)**	–
	Add – fair value loss on derivative asset – capital support	**569**	–
	Add – depreciation	**1,022**	1,058
	Add – amortisation	**29**	15
	Add – impairment losses	**808**	2,160
	Add – restructuring costs and termination benefits	**422**	157
	Adjusted EBITDA	**10,067**	(1,024)
B.	**Adjusted EBITDA margin**		
	Adjusted EBITDA (Rand million)	**10,067**	(1,024)
	Revenue (Rand million)	**26,393**	18,254
	Adjusted EBITDA margin (%)	**38**	(5.6)
C.	**FOB cost**		
	Operating costs	**17,377**	20,351
	Less – industrial and domestic revenue[1, 2]	**(3,580)**	(3,763)
	Less – depreciation	**(1,022)**	(1,058)
	Less – amortisation	**(29)**	(15)
	Less – third party commodity purchases	**(1,380)**	(1,287)
	Add – inventory production movement	**1,257**	(131)
	Less – demurrage and other expenses	**(204)**	(230)
	Less – exploration and evaluation	**(124)**	(186)
	Less – foreign exchange gains	**214**	113
	Add – profit on sale of property, plant and equipment	**8**	–
	Less – recharged costs from Anglo American – administration expenses	**(331)**	(451)
	Less/Add – fair value (loss)/gain on biological assets[3]	**(3)**	26
	Less – insurance claim income[4]	**–**	106
	Less – other administration (expenses)/income	**(44)**	234
	FOB cost	**12,139**	13,709
D.	**FOB cost per export tonne**		
	FOB cost (Rand million)	**12,139**	13,709
	Export saleable production (kt)	**14,957**	16,463
	FOB cost per export tonne (Rand/tonne)	**812**	833

1 Industrial and domestic revenue for Thungela of R3,469 million, adjusted for revenue from Mafube Coal Mining of R248 million, less intercompany eliminations of R137 million for the year ended 31 December 2021.

2 Industrial and domestic revenue for Thungela of R807 million, adjusted for industrial and domestic revenue from TOPL, including Butsanani Energy of R4,103 million and revenue from Mafube Coal Mining of R1,063 million, less intercompany eliminations of R2,210 million for the year ended 31 December 2020.

3 The fair value (loss)/gain on biological assets is included in other operating (expenses)/income.

4 The insurance claim income is included in operating expenses recharged from Anglo American.

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
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DIRECTORS
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July Ndlovu (CEO)
Gideon Frederick (Deon) Smith (CFO)

Non-executive
Seamus Gerard French (Irish, appointed 4 June 2021)[1]

[1] Seamus G French resigned from Anglo American on 31 December 2021 and will be independent from 1 January 2022.

Independent non-executive
Sango Siviwe Ntsaluba (chairman, appointed 1 January 2021)
Kholeka Winifred Mzondeki (appointed 9 February 2021)
Thero Micarios Lesego Setiloane (appointed 7 March 2021)
Benjamin Monaheng (Ben) Kodisang (appointed 16 March 2021)

PREPARED UNDER THE SUPERVISION OF
Gideon Frederick (Deon) Smith CA(SA)

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Daniel Francois Klem

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