THUNGELA RESOURCES LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2021/303811/06
JSE Share Code: TGA
LSE Share Code: TGA
ISIN: ZAE000296554
Tax number: 9111917259
('Thungela' or the 'Company' and, together with its affiliates, the 'Group')

2021 Annual Results short-form announcement and maiden cash dividend declaration

THUNGELA REPORTS A STRONG SET OF RESULTS FOR FULL YEAR 2021 AND DECLARES MAIDEN DIVIDEND

KEY FEATURES

- Improvement in safety performance: Total Recordable Case Frequency Rate decreased to 1.35 in 2021 (2020: 1.51)
- Profit for the reporting period of R6.9 billion (2020: loss of R362 million)
- Robust cash generation: net cash of R8.7 billion (2020: net debt of R388 million)
- Maiden cash dividend declared of R18.00 per share. R2.5 billion returned to shareholders in total
- SACO Employee and Nkulo Community Partnership Trusts to receive inaugural dividend of R273 million in keeping with commitment to create shared value
- Strategy to maximise the potential of our existing asset base to create sustainable long-term value while ensuring attractive returns to shareholders; Elders production replacement and Zibulo North shaft life extension projects to be submitted for Board approval in 2022 and Q1 2023 respectively
- Group operational outlook updated to reflect poor Transnet Freight Rail performance and the ongoing uncertainty regarding the expected recovery thereof, as well as our continued focus to improve productivity and cost management in an environment marked by increased inflationary pressures
- Thungela set to benefit from continued strong coal fundamentals in 2022 and beyond

KEY FINANCIAL INFORMATION

Financial Overview (IFRS)			
Rand million unless otherwise stated	**31 December 2021**	**31 December 2020**	**% change**
Revenue	26 282	3 750	601
Operating costs	(17 322)	(3 872)	347
Profit / (loss) for the reporting period	6 938	(362)	-
Earnings / (losses) per share (cents)	6 108	(531)	-
Headline earnings / (losses) per share (cents)	6 657	(531)	-
Alternative Performance Measures (APMs)			
Adjusted EBITDA	9 978	286	3389
Adjusted EBITDA margin (%)	38	7.6	30.4pp
Adjusted operating free cash flow	3 923	(249)	-
Net cash / (debt)	8 663	(388)	-
Capital expenditure	2 323	604	285
Environmental liability coverage (%)	52	47	5pp

pp – percentage points change year on year

Message from July Ndlovu, Chief Executive Officer

“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 cashflow, 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."

Maiden dividend declared

Delivering attractive shareholder returns while maintaining disciplined capital allocation, balance sheet flexibility, and sufficient funding available to withstand market and coal price volatility, is an intrinsic part of our commitment to responsibly creating value.

The Board has therefore declared a cash dividend of R18.00 per share payable in May 2022.

Further details regarding the dividend payable to shareholders of Thungela may be found in a separate announcement dated 22 March 2022 on SENS, the Johannesburg Stock Exchange news service, and on RNS, the news service of the London Stock Exchange.

Group operational outlook

Operational outlook	**2022**	**2023**	**2024**
Export saleable production (Mt)	14 – 15	>16	>16
FOB cost per export tonne[1] (Rand/tonne)	870 – 890	870	870
Capital – sustaining[1] (Rand billion)	1.6 – 1.8	1.6 – 1.8	1.6 – 1.8
Capital – expansionary[1] (Rand billion)	0.1 – 0.2	0.6 – 0.8	0.7 – 0.9

1) 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.

DETAILED COMMENTARY ON THE RESULTS AND THEIR COMPARABILITY

An internal restructuring process (referred to as the 'Internal restructure') was undertaken to prepare the Group for the Demerger. 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 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. The Group has therefore presented a Pro forma consolidated statement of profit or loss for the years ended 31 December 2021 and 31 December 2020 (the 'Pro forma financial information') to reflect what the financial results may have been, if the Internal restructure had happened at the start of the reporting periods. The Pro forma financial information has been reported on by the independent external auditor.

The Pro forma financial information, which is the responsibility of the Thungela directors, has been prepared to enhance users' understanding of the Annual financial statements, based on the timing of the Internal restructure and the impact thereof on the comparability of the financial results. The Alternative Performance Measures presented are the responsibility of the Thungela directors, and have been assessed consistently in each period presented. The Alternative Performance Measures used by Thungela are financial and operating measures which the directors utilise to assess the performance of the Group on an ongoing basis. Further details of the Alternative Performance Measures and Pro forma financial information have been set out in Annexure 1 and Annexure 3 respectively of the Annual financial statements for the year ended 31 December 2021.

A detailed commentary on the results and their comparability, including the significant movements versus the prior period is available in the Annual financial statements for the year ended 31 December 2021, which can be downloaded from the Thungela website via the following web link https://www.thungela.com/investors/results

FORWARD-LOOKING STATEMENTS

This short-form announcement includes forward-looking statements. All statements other than statements of historical facts included in this short-form announcement, including, without limitation, those regarding the Group'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 the Group's products, production forecasts and reserve and resource positions) and environmental, social and corporate governance goals and aspirations, are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, levels of actual production during any period, levels of global demand and thermal coal market prices, resource exploration and development capabilities, recovery rates and other operational capabilities, safety, health or environmental incidents, the effects of global pandemics and outbreaks of infectious diseases, the outcome of litigation or regulatory proceedings, the availability of mining and processing equipment, the ability to produce and transport products profitably, the availability of transport infrastructure, the impact of foreign currency exchange rates on market prices, the availability of sufficient credit, the effects of inflation, political uncertainty and economic conditions in South Africa and elsewhere, the actions of competitors, activities by courts, regulators and governmental authorities and changes in taxation or safety, health, environmental or other types of regulation in the countries where the Group operate and such other risk factors identified in Thungela's Pre-Listing Statement and Prospectus. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this short-form announcement. Thungela expressly disclaims any obligation or undertaking (except as required by applicable law, the JSE Listings Requirements of the securities exchange of the JSE Limited in South Africa, the UK Listing Rules, the Disclosure and Transparency Rules of the Financial Conduct Authority and any other applicable regulations) to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Thungela's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Investors are cautioned not to rely on these forward-looking statements and are encouraged to read the full Annual financial statements for the year ended 31 December 2021, which are available from the Thungela website via the following web link
https://www.thungela.com/investors/results

ALTERNATIVE PERFORMANCE MEASURES

Throughout this short-form announcement a range of financial and non-financial measures are used to assess our performance, including a number of financial measures that are not defined or specified under IFRS (International Financial Reporting Standards), which are termed 'Alternative Performance Measures' ("APMs"). Management uses these measures to monitor the Group's financial performance alongside IFRS measures to improve the comparability of information between reporting periods. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies.

SHORT FORM ANNOUNCEMENT

This short-form announcement, including the forward-looking statements, is the responsibility of the directors of Thungela.

Shareholders are advised that this short-form announcement is only a select extract of the information contained in the full results announcement and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on a consideration of the full results announcement as a whole and investors and/or shareholders are encouraged to review the full results announcement which is available on the Thungela website via the following web link: https://www.thungela.com/investors/results and has been published on SENS, the Johannesburg Stock Exchange news service, at https://senspdf.jse.co.za/documents/2022/JSE/ISSE/TGAE/TGAFY2021.pdf

The consolidated financial statements for the year ended 31 December 2021 were audited by PricewaterhouseCoopers Inc. who have issued an unqualified audit opinion. The following key audit matters were considered as part of their audit: impairment of long-lived assets, environmental restoration and decommissioning provision and the accounting for the internal restructuring prior to the Demerger, and the full independent auditor's report and Annual financial statements are available for viewing on the Thungela website via the following web link: https://www.thungela.com/investors/results

This short-form announcement has not been audited or reviewed by the Group's independent external auditor. Any reference to future financial performance included in this announcement has not been separately reported on by the Group's independent external auditor.

Copies of the full results announcement, as well as of the full Annual financial statements for the year ended 31 December 2021 may be requested by contacting Thungela Investor Relations by email at ryan.africa@thungela.com and are also available for inspection at the Company's registered office and at the offices of the Company's sponsor, to investors and/or shareholders at no charge, on any business day between the hours of 08h00 – 17h00.

The Company's registered office is located at: 25 Bath Avenue, Rosebank, Johannesburg, 2196, South Africa. The Company's sponsor's office is located at: 1 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2196, South Africa.

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

On behalf of the Board of Directors

Sango Ntsaluba, Chairperson

July Ndlovu, Chief Executive Officer
Johannesburg (South Africa)

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