thungela

2022 Interim Results

Presentation for the six months ended 30 June 2022

CAUTIONARY STATEMENT

Disclaimer: This presentation has been prepared by Thungela Resources Limited (“Thungela”) and comprises the written materials/slides for a presentation concerning Thungela and its affiliates (together, the "Group"). By attending this presentation and/or reviewing the slides you agree to be bound by the conditions set out herein. The release, presentation, publication or distribution of this document, in whole or in part, in certain jurisdictions may be restricted by law or regulation and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction.

This presentation is for information purposes only and does not constitute, nor is to be construed as, an offer to sell or the recommendation, solicitation, inducement or offer to buy, subscribe for, sell shares or any other securities in Thungela or any of its affiliates, by Thungela, any of its affiliates or any other person or party, or to conclude any other transaction in relation to such shares or securities or with Thungela, any of its affiliates or any other person or party. Further, it should not be treated as giving investment, legal, accounting, regulatory, taxation or other advice and has no regard to the specific investment or other objectives, financial situation or particular needs of any recipient.

No representation or warranty, either express or implied, is provided, nor is any duty of care, responsibility or liability assumed, in each case in relation to the accuracy, completeness, reasonableness or reliability of the information contained herein. None of Thungela or any of its affiliates or any of their respective directors, officers, employees, affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of or reliance on this presentation or otherwise arising in connection with this presentation.

Forward-looking statements and third party information

This presentation includes forward-looking statements. All statements other than statements of historical facts included in this presentation, 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 operates. 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 presentation. 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.

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

Investors are cautioned not to rely on these forward-looking statements and are encouraged to read the condensed consolidated interim financial statements for the six months ended 30 June 2022, which are available from the Thungela website via the following web link https://www.thungela.com/investors/results

No Investment Advice

This presentation has been prepared without reference to your particular investment objectives, financial situation, taxation position and particular needs. It is important that you view this presentation in its entirety. If you are in any doubt in relation to these matters, you should consult your stockbroker, bank manager, solicitor, accountant, taxation adviser or other independent financial adviser (where applicable, as authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa, or, in the United Kingdom, under the Financial Services and Markets Act 2000, or under any other applicable legislation).

Alternative Performance Measures

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

OUR PURPOSE

To responsibly
create value
together
for a shared future

thungela

2022 H1 Highlights

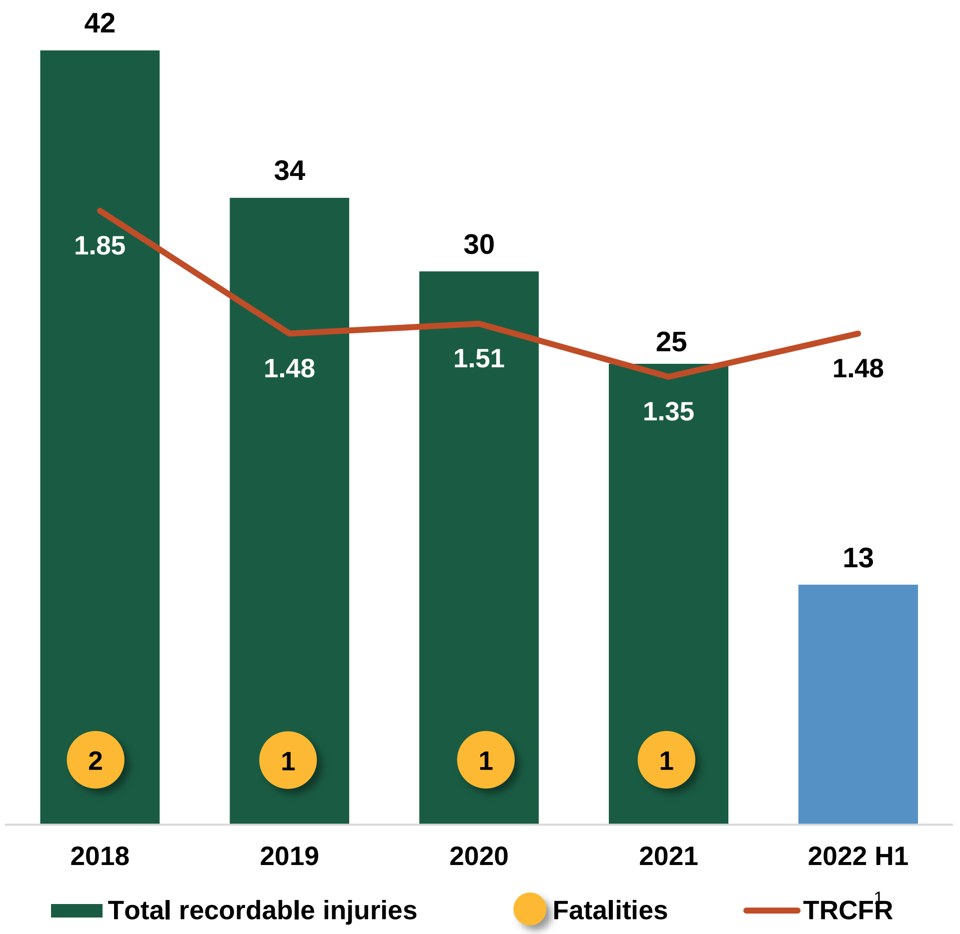
A FATALITY-FREE BUSINESS	PROFITABILITY	BALANCE SHEET STRENGTH	
Thungela has operated for	Profit for the period	Adjusted operating free cash flow	Net cash position
12 months	**R9.6 billion**	**R8.9 billion**	**R14.8 billion**
without a loss of life	(H1 2021: R351 million)	(H1 2021: R1.7 billion utilisation)	(H1 2021: R3.0 billion)

COMMITMENT TO SHARE THE VALUE CREATED	MAXIMISING VALUE OF EXISTING ASSETS	INTERIM ORDINARY DIVIDEND DECLARATION
Distribution of **R500 million** to SACO Employee and Nkulo Community Partnership Trusts	**Elders** production replacement project approved by the Board	**R60.00 per share** **R8.2 billion** returned to shareholders

thungela

Operating a fatality free business

KEY SAFETY METRICS



ELIMINATION OF FATALITIES IS OF PARAMOUNT IMPORTANCE

- **Non-negotiable target: Fatality-free business**
- **12 months without a loss of life:** Encouraging performance, but we cannot allow ourselves to become complacent
- **Safety Strategy:** Back to basics, Work management and Culture change

SAFETY PERFORMANCE

- **TRCFR[1] of 1.48** for H1 2022
- **Various safety interventions**
- **ExCo Safety Day:** Held in second quarter to identify blind spots at our operations. Learnings shared across the operations and remedial actions identified at mines are being tracked and implemented

Notes: *(1) Total Recordable Case Frequency Rate = Total number of recordable injuries per one million hours worked*

OUR STRATEGY

Delivering our strategy through four pillars

Drive our ESG aspirations

Maximise the full potential of our existing assets

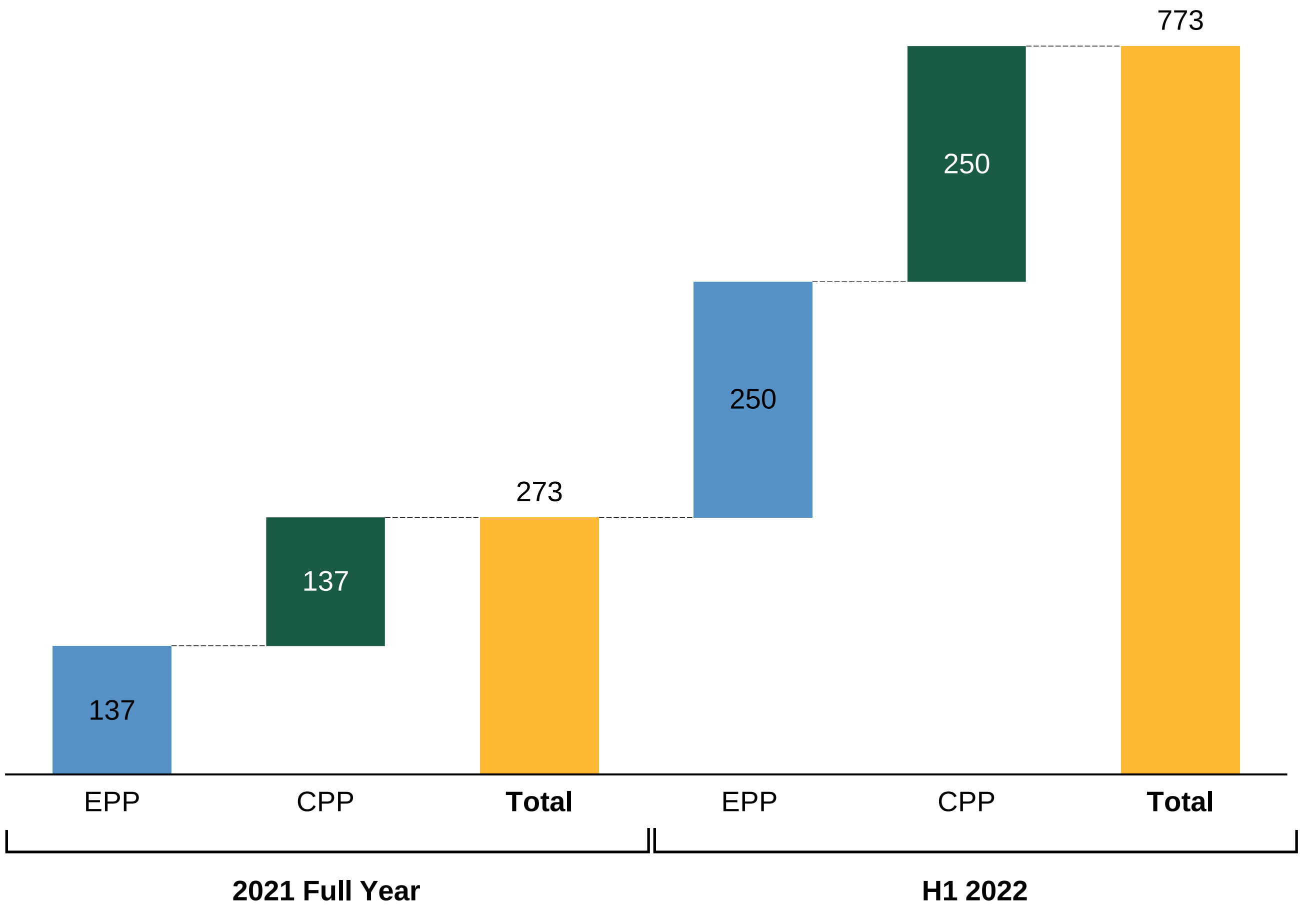
Create future diversification options

Optimise capital allocation

To responsibly create value together for a shared future

SPIKING ON "S" – DISTRIBUTION OF R500M TO EPP AND CPP

DISTRIBUTIONS TO EPP AND CPP[1] (R million)



OUR PEOPLE AS OUR PARTNERS

- **R250m distribution to SACO Employee Partnership Trust** for H1 2022 (in addition to R137 million distribution relating to 2021)

CREATING A LASTING SOCIAL IMPACT

- **R250m distribution to Nkulo Community Partnership Trust** for H1 2022 (in addition to R137 million distribution relating to 2021)
- These distributions empower the trust to create a legacy beyond the life of our mines

COMBATTING ILLEGAL MINING

- Illegal mining a **serious social challenge with environmental and safety consequences**
- Environmental incident at Kromdraai South Shaft on 14 February – **good progress on remedial actions**
- We continue to combat illegal mining operations in Mpumalanga but addressing the issue will require a **concerted, well-resourced and collaborative effort**

Notes: *(1) The SACO Employee Partnership Plan Trust and the Nkulo Community Partnership Trust each hold 5% of SACO*

THUTHUKANI ENTERPRISE AND SUPPLIER DEVELOPMENT PROGRAMME

LAUNCH OF OUR NEW ENTERPRISE SUPPLIER DEVELOPMENT (ESD) PROGRAMME

- ‘Thuthukani’ means **to uplift** in isiZulu
- Focused on providing small enterprises **with hands-on entrepreneurial business support, mentorship and technical enablement**
- **Loan funding** to be made available to qualifying applicants

ESD CAN HAVE A SIGNIFICANT IMPACT ON LOCAL COMMUNITIES

- Supports the **building of sustainable, scalable host community suppliers**, enabling them to participate in the Thungela supply chain
- Potential to **develop entrepreneurs and suppliers** and in so doing creating jobs
- Will contribute to **development of a thriving small business sector** in Mpumalanga

CHARTING A PATHWAY TO NET ZERO BY 2050

Develop Intermediate targets by March 2023

Net Zero by 2050

Initial targets achieved early

Review **emission reduction targets**

Developing emissions reduction targets is only the first step in the **development and execution of our climate change strategy and pathway to net zero**

Thungela emission reduction targets originally set by former parent:
15% Reduction in absolute scope 1 and 2 emissions by 2025, off the 2016 baseline

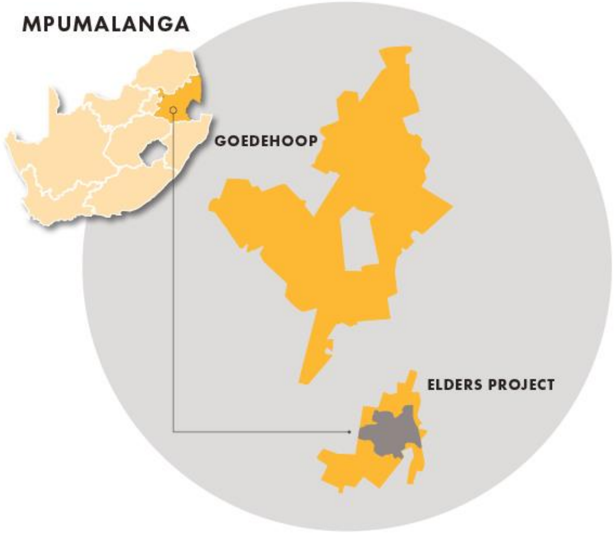
2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2050

WHILE WE CHART OUR PATHWAY TO NET ZERO WE ARE WORKING TOWARDS REDUCING CARBON INTENSITY AT OUR OPERATIONS

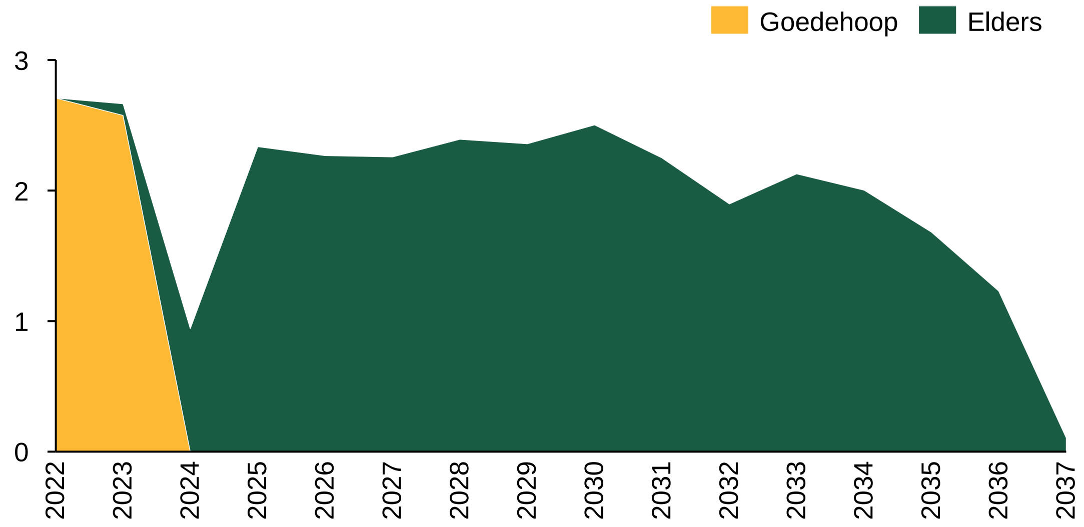
- Ventilation system optimisation
- Various initiatives to reduce diesel consumption
- Truck and shovel cycle time variability management
- Mine digitalisation
- Installation of solar plant at eMalahleni Water Reclamation Plant
- 4MW solar photovoltaic plant at Zibulo

thungela

Elders project approved by the board



GOEDEHOOP/ELDERS EXPORT SALEABLE PRODUCTION PROFILE (MT)



MAXIMISING VALUE OF EXISTING ASSETS AND OPTIMISING CAPITAL

- Elders has been an integral part of Thungela's equity story from the outset as it will **replace existing production volumes from Goedehoop**
- Elders was originally envisaged to cost R3 billion, but **capital optimisation** through the "Thungela lens" has seen us approve a **capital cost of R2 billion** (in 2022 money terms)
- Elders will **sustain regional jobs and existing community suppliers**

DEVELOPMENT PHILOSOPHY AND PATHWAY

- **Underground operation** - conventional 5 section mine
- Construction to start in Q3 2022, with **first coal in Q4 2023**
- **Robust project economics** at conservative long-term prices
- **Solar-powered energy solution** for the complex

thungela

Elders Project Key Investment Criteria

STRATEGIC PILLARS

Drive our ESG aspirations

Maximise the full potential of our existing assets

Create future diversification options

Optimise capital allocation

INVESTMENT CRITERIA

ENVIRONMENTAL
- No increase to current production profile
- Solar energy
- Irrigation initiatives

SOCIAL
- Regional development
- Sustain regional jobs

GOVERNANCE
- Approved Environmental impact assessment and Integrated water use license

Drive responsible stewardship

COST/MARGIN CURVE
- Lower half of global seaborne cost curve
- ~$65/t FOB/t (energy adjusted)

PAYBACK
- ~ 4.5 years from start of construction

CAPITAL INTENSITY
- Lower capital intensity compared to previous projects

Upgrade our asset portfolio

NPV / CAPITAL
NPV at 15% real WACC:
- R0.6bn ($82/t LT price)
- R6.4bn (Forward curve[1])

IRR
- 24% ($82/t LT price)

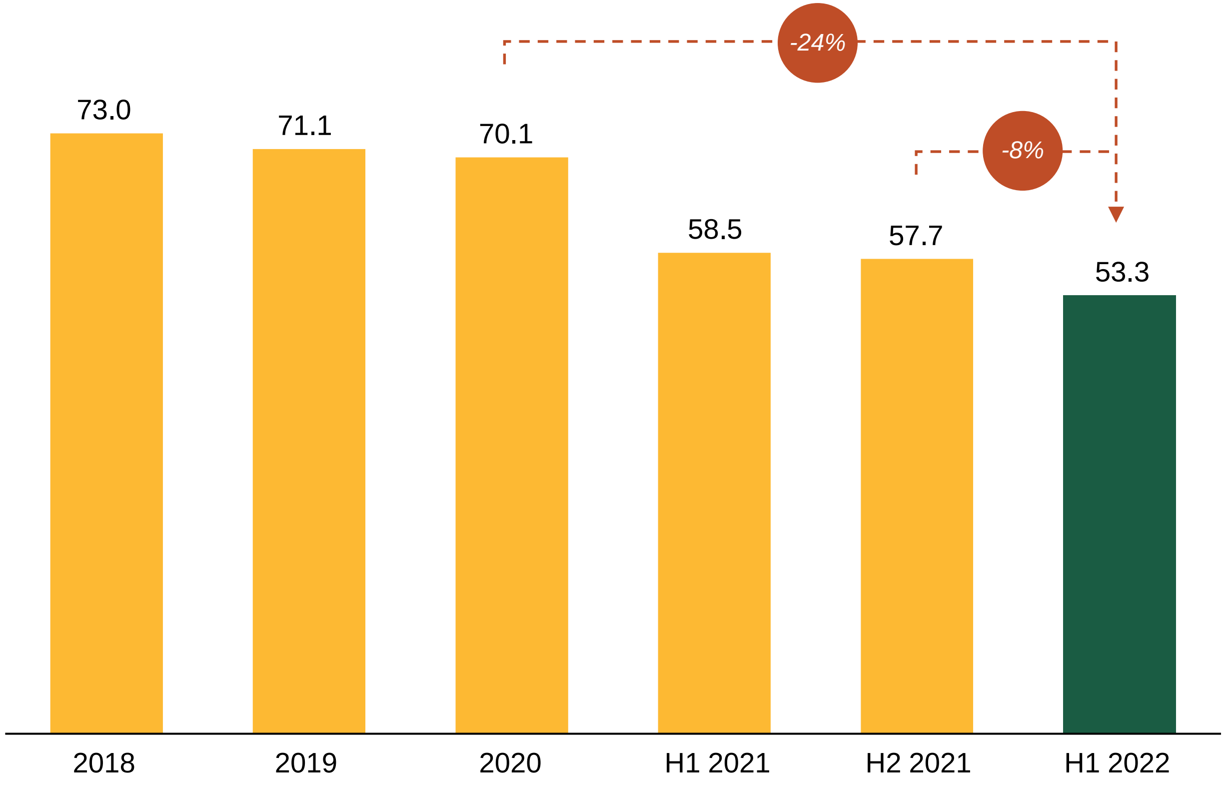
CLOSURE COST
- ~R100m (real)

Maximise shareholder value

Notes: *(1) Forward curve up to 2025, last year in real terms over balance of the project life*

TFR PERFORMANCE AND MITIGATION

TFR[1] AVERAGE COAL RAILED TO RBCT (Mt per annum run rate)



INCONSISTENT AND POOR TFR PERFORMANCE

- At 30 June 2022 annualised run rate was **53.3Mt per annum**,
- H1 2022 rail performance impacted by **locomotive failures, availability of spares, theft of infrastructure and two significant derailments**
- **Annual maintenance shut completed** in July 2022
- **On-going monitoring of ramp-up performance** following the shut

THUNGELA MITIGATION MEASURES

- Continue to **engage relevant government structures and Transnet**
- Industry continues to support **security measures, maintenance and supply chain support** as requested by Transnet
- We are currently **evaluating alternative logistics arrangements** to mitigate the continued risk of inconsistent rail performance

Notes: *(1) Transnet Freight Rail*

The Numbers

Our performance

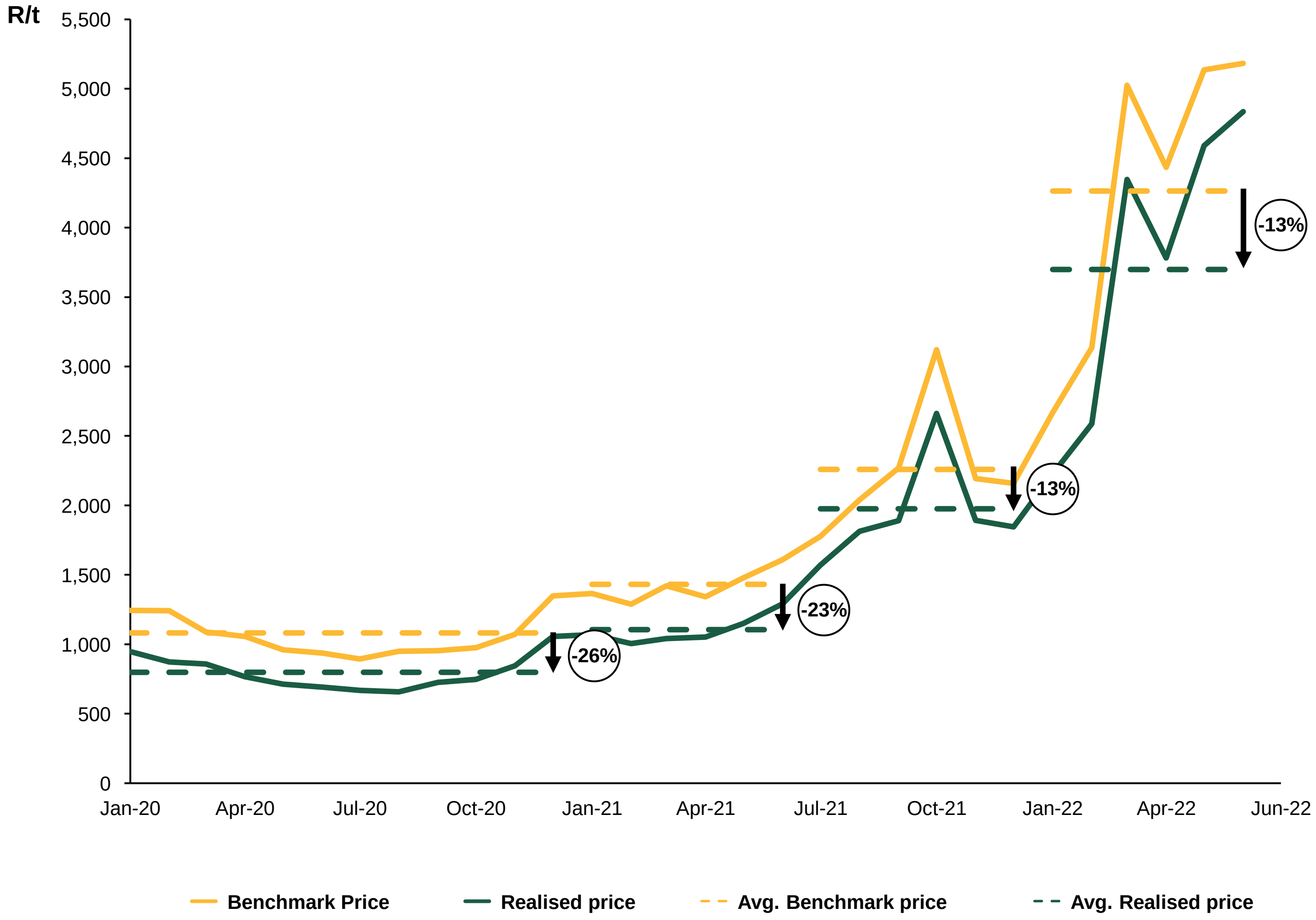
HIGHLIGHTS

PROFIT FOR THE PERIOD	ADJUSTED EBITDA	ADJUSTED OFCF	DIVIDEND
R9.6 billion	**R16.7 billion**	**R8.9 billion**	**R60 per share**
(H1 2021: R351 million)	(H1 2021: R1.9 billion)	(H1 2021: R1.7 billion utilisation)	R8.2 billion 92% of Adjusted OFCF
EXPORT EQUITY SALES	**EXPORT SALEABLE PRODUCTION**	**FOB COST/ EXPORT TONNE**	**FOB COST/ EXPORT TONNE EXCLUDING ROYALTIES**
6.5Mt	**6.1Mt**	**R1,093/t**	**R927/t**
(H1 2021: 6.6Mt)	(H1 2021: 6.7Mt)	(H1 2021: R820/t)	(H12021: R826/t)

thungela

STRONG FUNDAMENTALS RESULTED IN RECORD PRICES

BENCHMARK AND REALISED THERMAL COAL PRICES (R/t)



EXPORT MARKETS

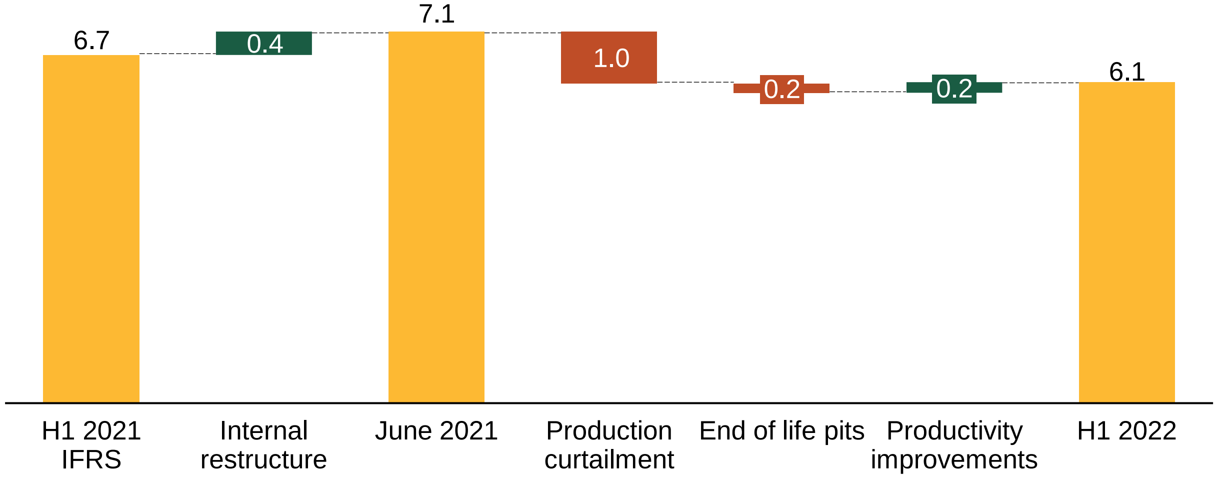
- **Strong demand** for seaborne thermal coal as **global economic growth** continued post Covid-19
- **Supply constraints** and ongoing geopolitical tensions remain price supportive
- **Energy security crisis** in Europe further exacerbating demand for gas and coal

BENCHMARK PRICES AND DISCOUNT

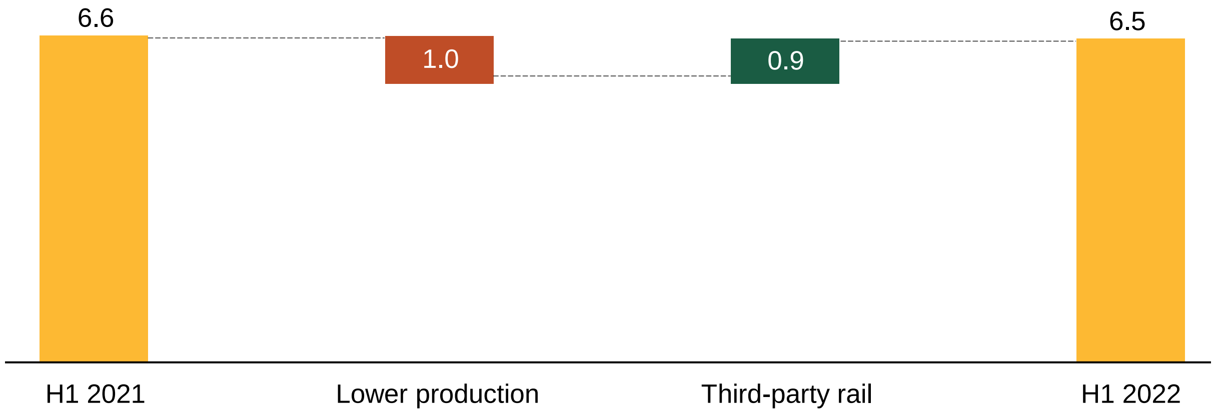
- **Benchmark coal prices remain volatile** with new record prices in H1 2022
- **Discount to Benchmark coal prices of 13% in H1 2022** compared to 16% in FY 2021, mainly due to certain products commanding a premium and as a result of actions taken to optimise the use of available rail capacity
- **Realised price of $240/t for H1 2022** compared to $75/t in H1 2021, and $130/t in H2 2021

Decrease in export saleable production due to curtailment

EXPORT SALEABLE PRODUCTION (Mt)



EXPORT EQUITY SALES (Mt)



EXPORT SALEABLE PRODUCTION

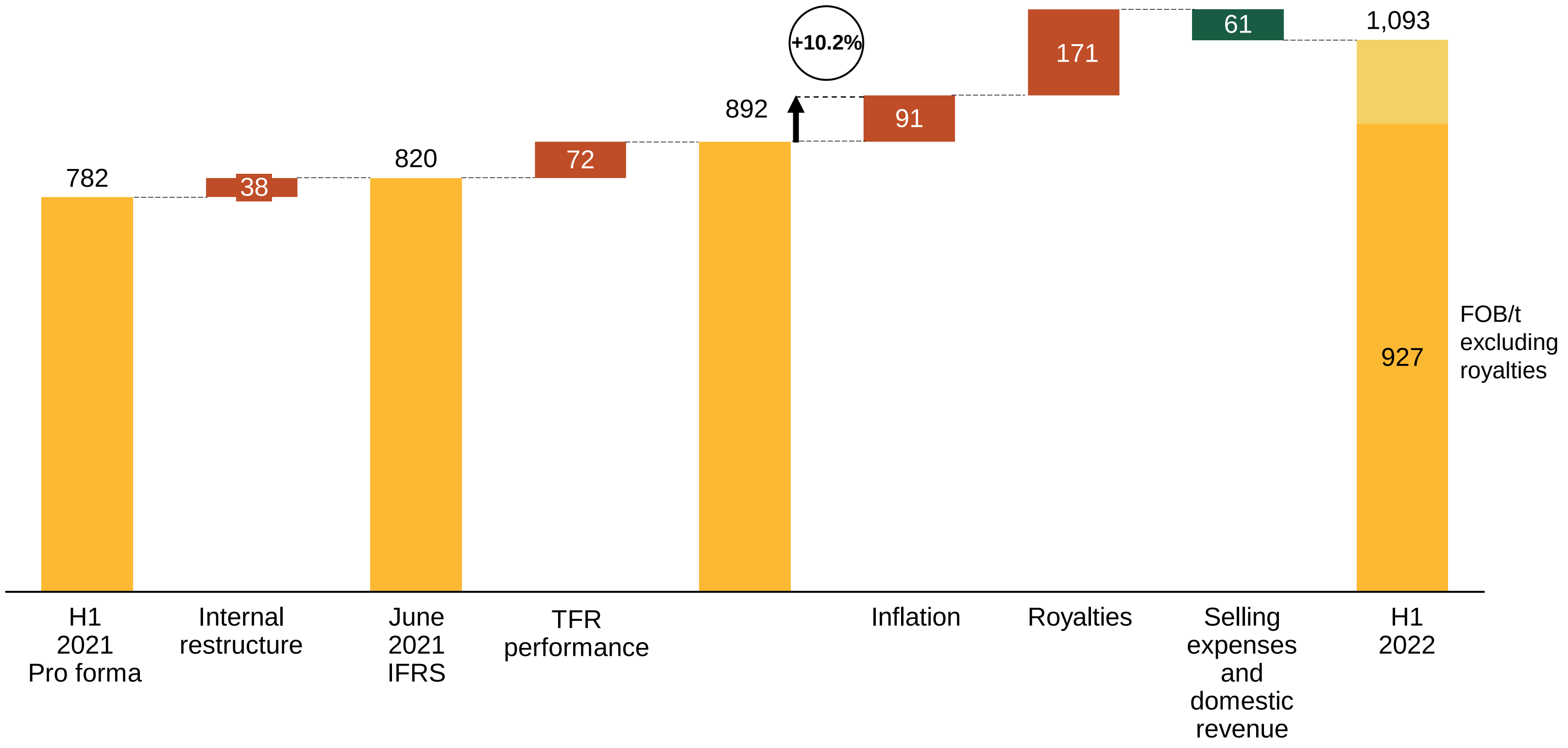
- As a result of **poor and inconsistent rail performance**, stockpiles were full at the beginning of 2022
- Decision taken to **curtail production** at Zibulo (opencast), Greenside (5 seam plant) and Khwezela (Navigation pit)
- Umlalazi pit at Khwezela reached end of life in H1 2022

EXPORT EQUITY SALES

- **Export sales impacted by the lower production** at curtailed operations but was partially offset:
    - In H1 2021, 0.9Mt third-party coal was railed, however as a result of the rail challenges, **rail was allocated to export equity sales in H1 2022**
    - Higher margin production continues to be preferred where possible in order to **maximise cash margins**

FOB COST PER EXPORT TONNE

FOB COST PER EXPORT TONNE (R/t) RECONCILIATION

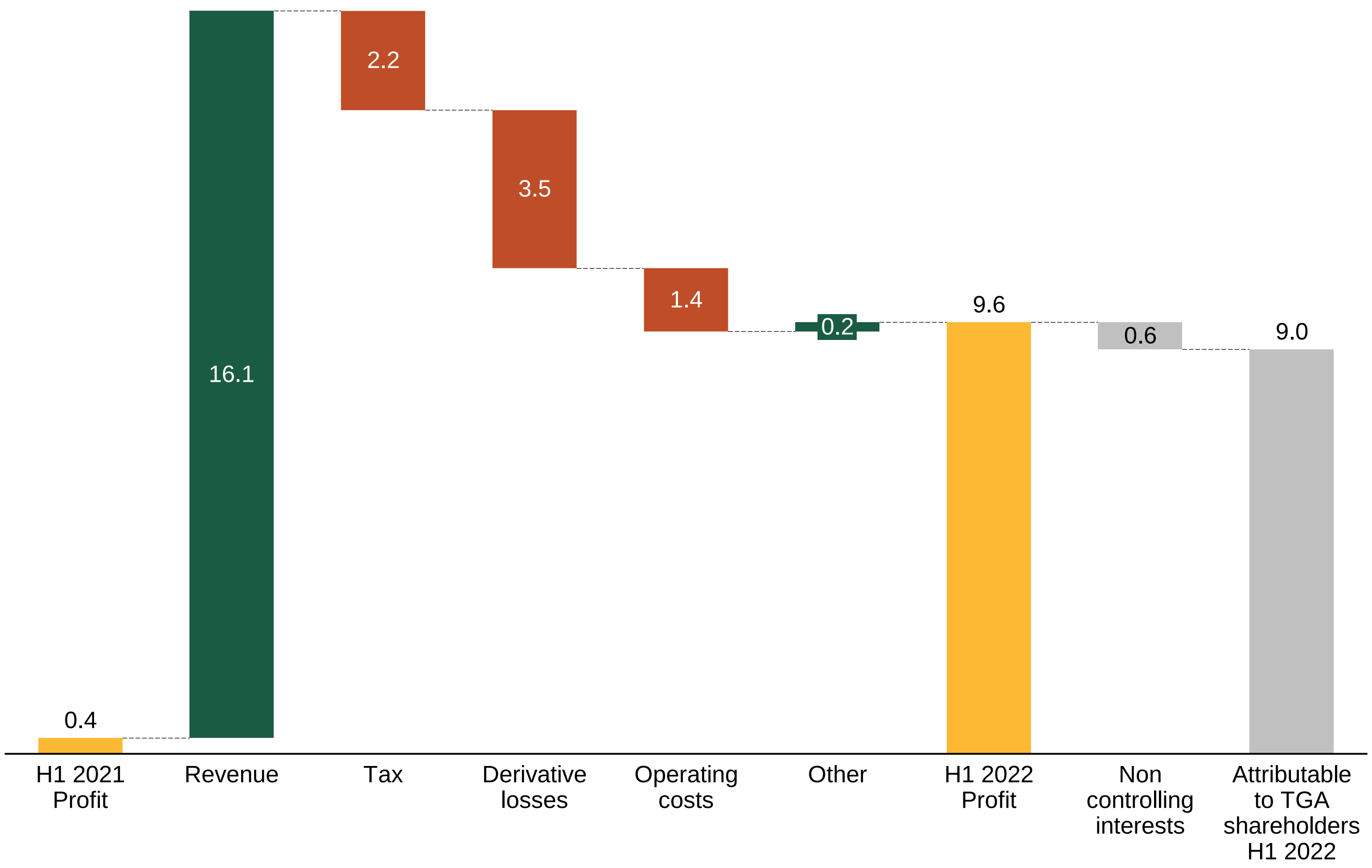


COST PERFORMANCE

- FOB cost per export tonne was **R1,093/t including royalty charges** in H1 2022
- **R927/t excluding royalty charges**
- **Royalty charges significantly impacted FOB costs** in H1 2022 as a result of higher realised prices (June 2021 FOB cost per tonne included R5/t royalty credit)
- **Inflation at ~10.2%** as energy input costs have impacted indirect costs through consumables, steel, etc. as well as directly on petroleum and explosives
- **Poor and inconsistent rail performance** resulted in lower production and a higher unit cost
- Lower **selling expenses** as a result of lower railings

PROFIT FOR THE PERIOD

PROFIT RECONCILIATION (R billion)

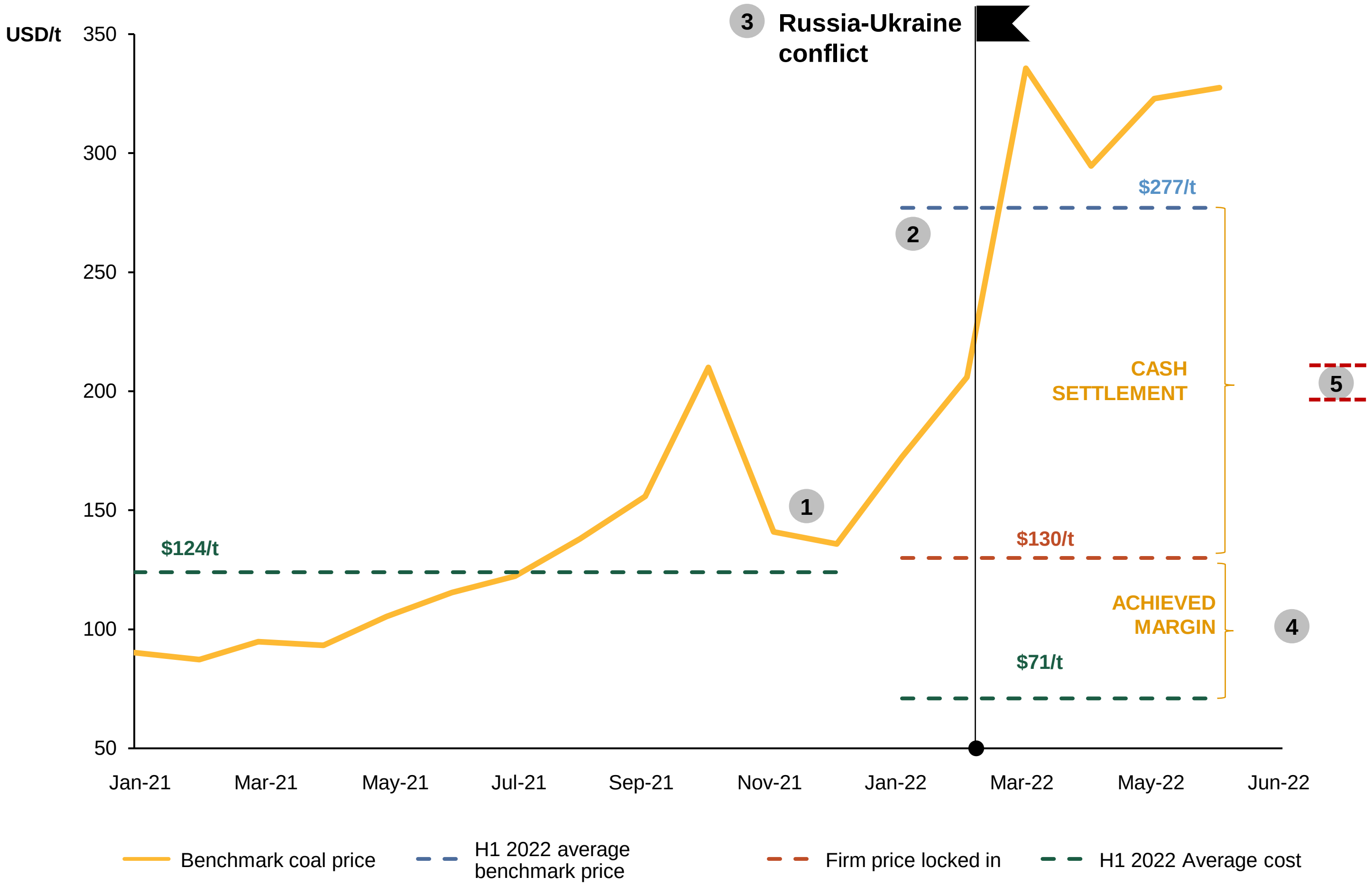


SUBSTANTIAL IMPROVEMENT IN PROFITABILITY

- Revenue movement driven by **record realised prices** ($240/t), as well as a period-on-period foreign exchange benefit of R1.1 billion
- Volume impact muted as **sales broadly flat year on year** - 6.6Mt vs 6.5Mt
- **Effective tax rate of 18%,** with deferred tax asset of R1.2 billion recognised. Effective tax rate expected to increase to 27% from 2023.
- **R2.1 billion cash settlement of coal swaps**, balance relates to **mark to market fair value loss of ~R1.4 billion**
- Operating cost includes R1.1 billion **royalties headwind**

FAIR VALUE MOVEMENTS ON DERIVATIVES

IMPACT OF HIGHER BENCHMARK COAL PRICES ON COAL SWAP AGREEMENTS



UNDERSTANDING THE COAL SWAPS

1. At 31 December 2021 **~900kt locked into coal swaps at average price of $130/t**. The forward curve at the time resulted in a **fair value gain of R348 million**
2. Realised price of $240/t resulted in revenue of R26.2 billion for the period
3. The start of the **Russia-Ukraine conflict triggered a steep increase in Benchmark coal prices.** Higher prices in H1 2022 resulted in a cash settlement of R2.1 billion (funded from R26.2 billion revenue)
4. Achieved a reported **margin on these tons of ~R1.0 billion** in H1 2022
5. **Open positions at 30 June 2022 result in a fair value loss of R1.6 billion**
   a. H2 2022 520kt at average locked in price of $198/t
   b. Q1 2023 105kt at average locked in price of $211/t

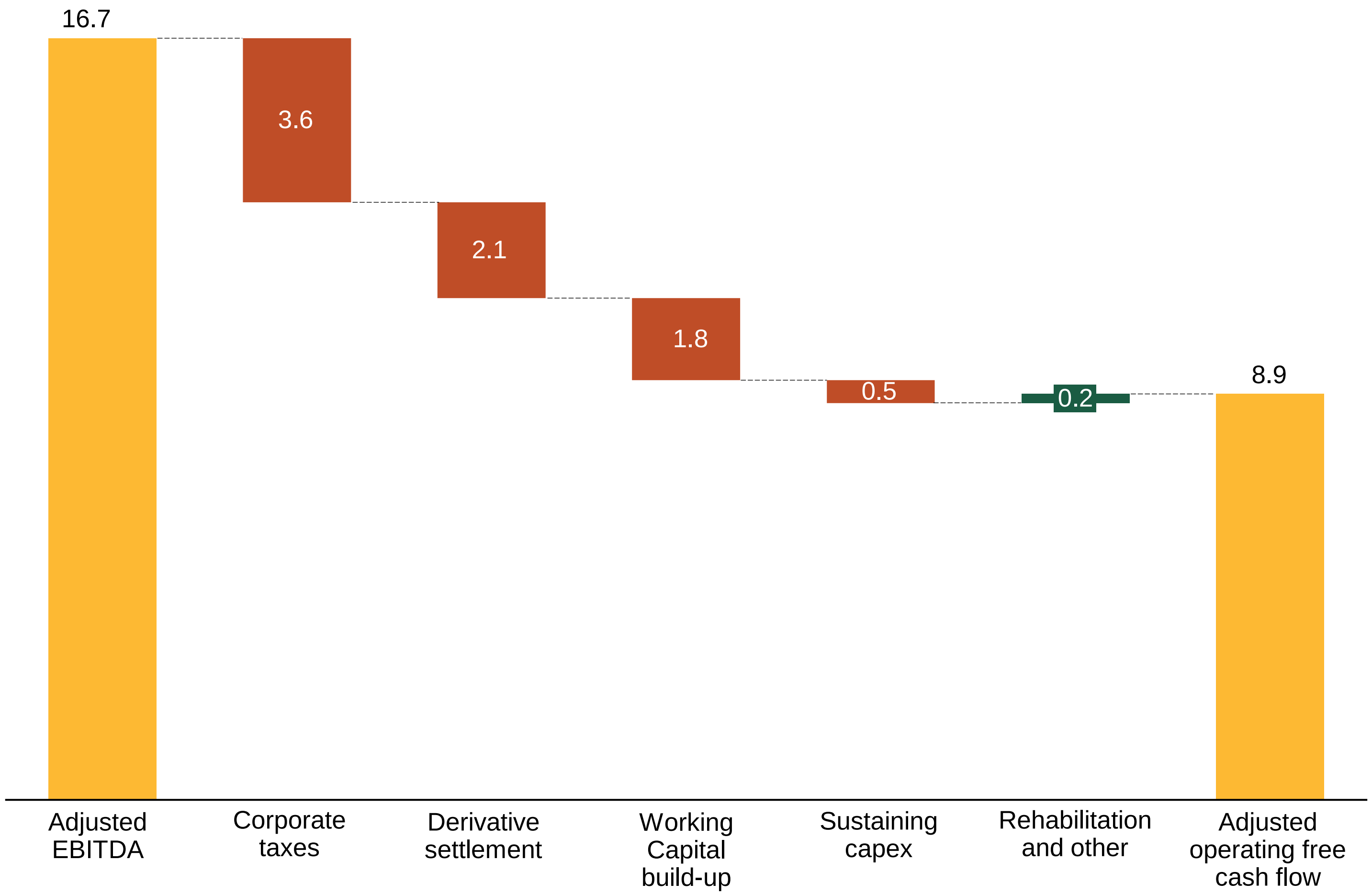
CAPITAL SUPPORT AGREEMENT WITH ANGLO AMERICAN

- Fair value loss of R347 million on back of strong forward curve
- The agreement has not resulted in any cash inflow or outflow and will continue until 31 December 2022

thungela

ADJUSTED OPERATING FREE CASH FLOW

ADJUSTED EBITDA TO ADJUSTED OPERATING FREE CASH FLOW (R billion)



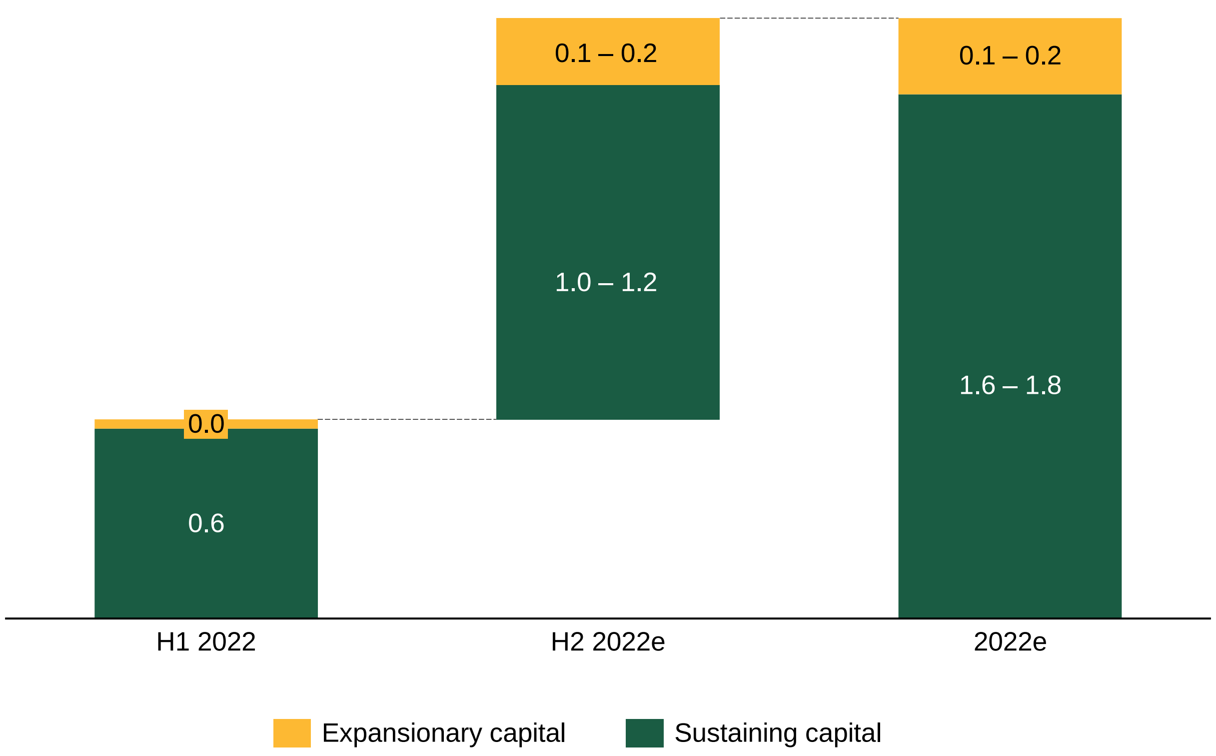
RECONCILING ADJUSTED EBITDA TO OPERATING FREE CASH FLOW

- **Corporate taxes of R3.6 billion** excludes **royalty payments of R1.0 billion**
- Derivative settlement relates to the **cash settlement of the swaps**
- **Working capital movement is primarily driven by the higher receivables** balance resulting from an increased average realised price

thungela

CAPITAL EXPENDITURE

CAPITAL EXPENDITURE (R billion)

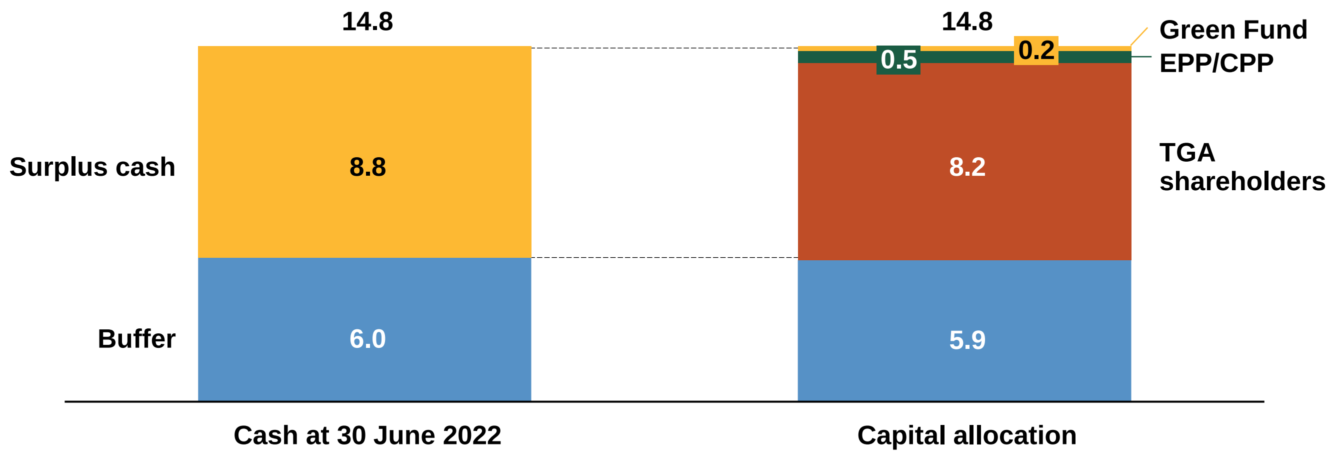


CAPITAL EXPENDITURE

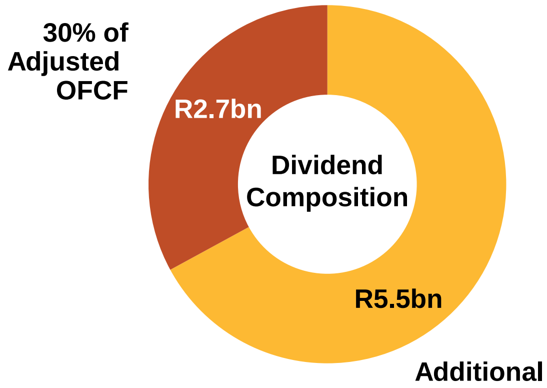
- **Capex of R568 million** up to 30 June 2022
  - R327 million spent on stay-in-business and R213 million spent on stripping and development activities
  - R28 million expansionary capital spent on feasibility studies for life extension projects
- **Capital expenditure skewed towards second half** of 2022, consistent with spend schedule in prior years
- **'Thungela lens'** continues to be applied to all capital spend
- **Ramp-up of expansionary capital** expected in H2 2022 aligned with approval of Elders project
- Full year 2022 sustaining capex expected to be at **the lower end of the guidance range**

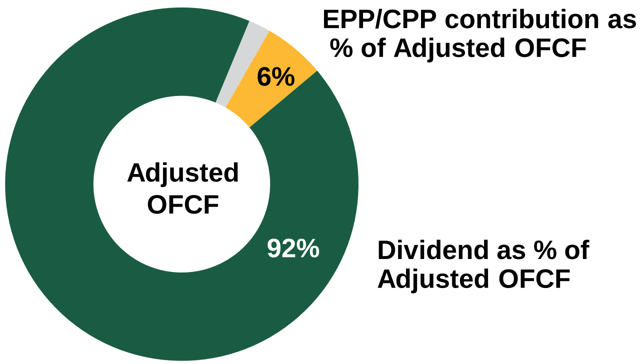
RETURNS TO SHAREHOLDERS IN EXCESS OF STATED DIVIDEND POLICY

LIQUIDITY (R billion)



ACTUAL DIVIDEND PAYOUT RATIO OF 92% VS. POLICY (Minimum of 30%)





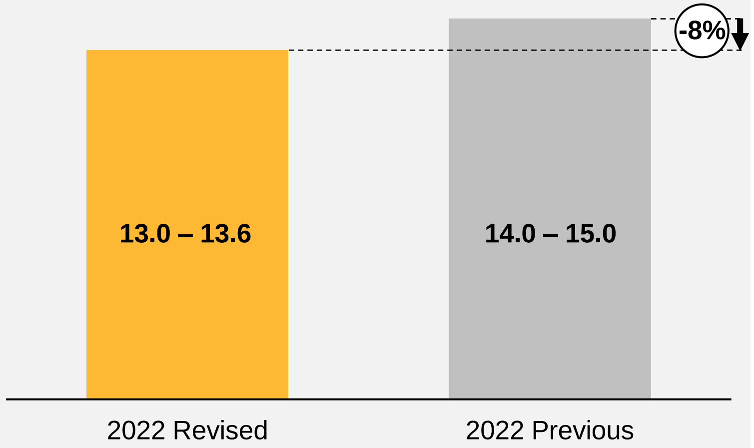
LIQUIDITY CONSIDERATIONS AND DIVIDEND

- Dividend policy is to target a **minimum payout of 30% of adjusted operating free cash flow**
- If dividend policy minimum were applied the dividend would have been R2.7 billion
- **Actual dividend declaration of R60 per share** (92% of adjusted operating free cash flow)
- A further **R0.5 billion distributed to the EPP and CPP**
- **Discretionary additional contribution of R200 million to Green Fund** in H2 to increase quantum of cash set aside for future environmental obligations

OUTLOOK FOR FY2022

EXPORT SALEABLE PRODUCTION (Mt)

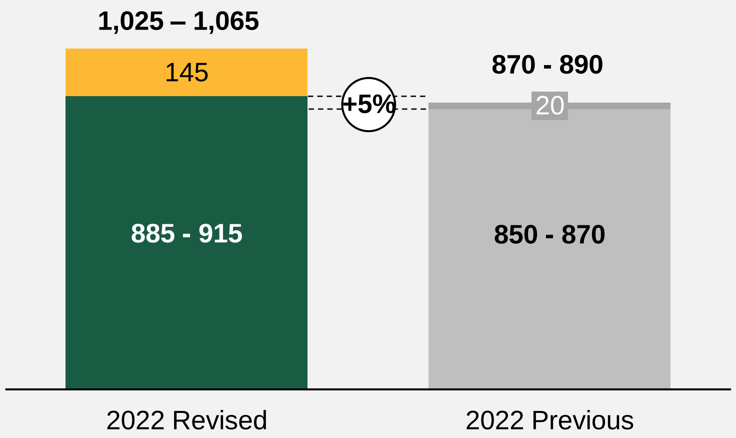
Guidance



- TFR performance **constrained production**
- **Rail performance has not improved sufficiently** to warrant confirmation of guidance
- **Revised guidance assumes potential stock build of between 0.4Mt and 1.0Mt in 2022** and a step-up in production of 13% to 23% in H2 2022

FOB COST PER EXPORT TONNE (R/t)

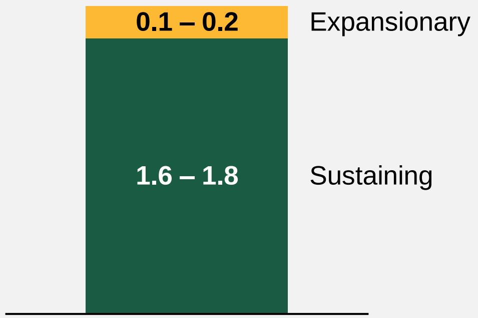
Guidance



- **Revised lower production** guidance results in **a measured increase in unit costs**
- **Cost inflation expected to** put pressure on costs
- Cost guidance including royalties[1] assumes a similar royalty charge in H2 as in H1 2022.

CAPITAL EXPENDITURE (R billion)

Guidance



- **Capital expenditure guidance remains unchanged**
- **Sustaining capital** expected to be at the **lower end** of the guidance range

Notes: *(1) Royalty charge = Gross revenue, less transport and port costs, multiplied by the royalty rate (%).*

thungela

Conclusion

Operating a fatality free business

Continue to work tirelessly to ensure that everyone returns home safely every day

Strong market, weak rail performance

Supportive price environment expected for balance of 2022, but rail remains a concern

Approval of Elders

Maximising value from existing assets and optimising capital allocation

Interim ordinary dividend

R60 per share
R8.2 billion to Thungela shareholders

Creating value for a shared future

Distribution of R500 million to EPP and CPP

Launch of Thuthukani

Driving ESG aspirations

Charting pathway to Net Zero by 2050 and alignment with TCFD


thungela
Thank you