



thungela

# INTERIM RESULTS PRESENTATION

for the six months ended  
30 June 2024



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# H1 2024 GROUP PERFORMANCE

July Ndlovu | Chief Executive Officer

# H1 2024 GROUP HIGHLIGHTS<sup>1</sup>

## OPERATING A FATALITY-FREE BUSINESS

**18 months**

**Without a loss of life**

## TOTAL RECORDABLE CASE FREQUENCY RATE

**1.75**

(June 2023: 2.53<sup>2</sup>)

**Lowest recorded in South Africa  
at 0.99**

## EXPORT SALEABLE PRODUCTION

**7.8Mt**

(June 2023: 6.1Mt)

**Robust operational performance  
at Ensham**

## CAPITAL EXPENDITURE

**R1.5 billion**

(June 2023: R893 million)

**Life extension projects on track  
and on budget**

## NET PROFIT

**R1.2 billion**

(June 2023: R3.0 billion)

**R419 million contribution  
from Australia**

## TOTAL SHAREHOLDER RETURNS

**R2 per share & up to  
R160 million share buyback**

(June 2023: R10 per share)

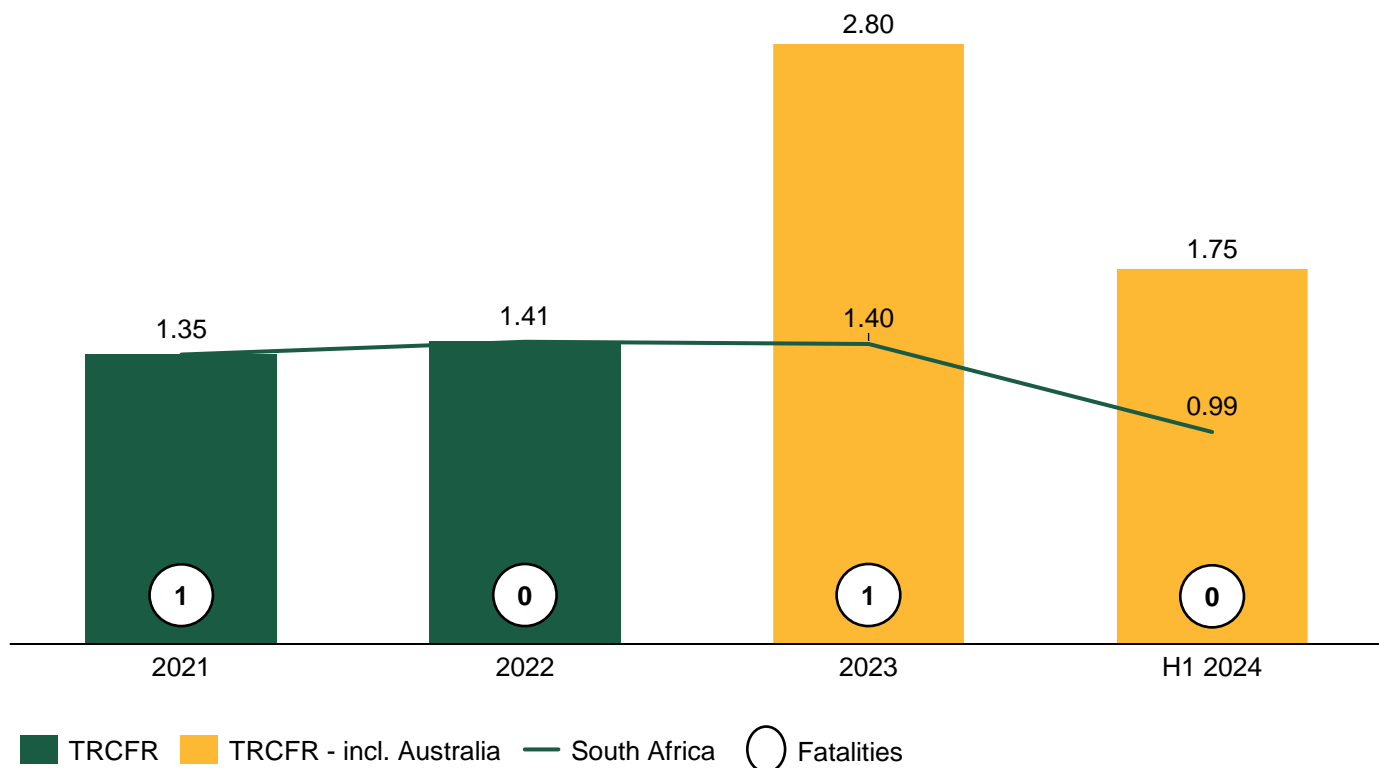
**47% of adjusted operating  
free cash flow**

Notes: <sup>1</sup> Group financial results for the six months ended 30 June 2023 do not include the financial results of the Ensham Business as the effective date of the Ensham acquisition was 31 August 2023.

<sup>2</sup> Total recordable case frequency rate for the Group includes Australia in the current year and comparative period.

# SAFETY

## GROUP TRCFR<sup>1</sup>



## 18 MONTHS FATALITY-FREE

- South Africa achieved its **lowest total recordable case frequency rate** at 0.99, down from 1.40 in FY 2023
- **Australia made significant progress** with TRCFR at 11.64 in H1 2024, down from 22.01 in H1 2023
- **Safety improvements** due to increased focus in:
  - Accountability
  - Safety culture
  - Independent review on critical controls
- Proactive **efforts to align Ensham** safety systems with our work practices, where appropriate

Notes: <sup>1</sup> Total recordable case frequency rate

# LIFE EXTENSION PROJECTS IN SOUTH AFRICA

## ELDERS

KEY FIGURES	
Capital expenditure	~R2.0 billion – Revised to R1.9 billion
Life of mine	12 years steady-state (2 seam)
Production profile	Up to 4Mtpa run of mine (2 seam)
Quality	5,500kcal/kg

## ZIBULO

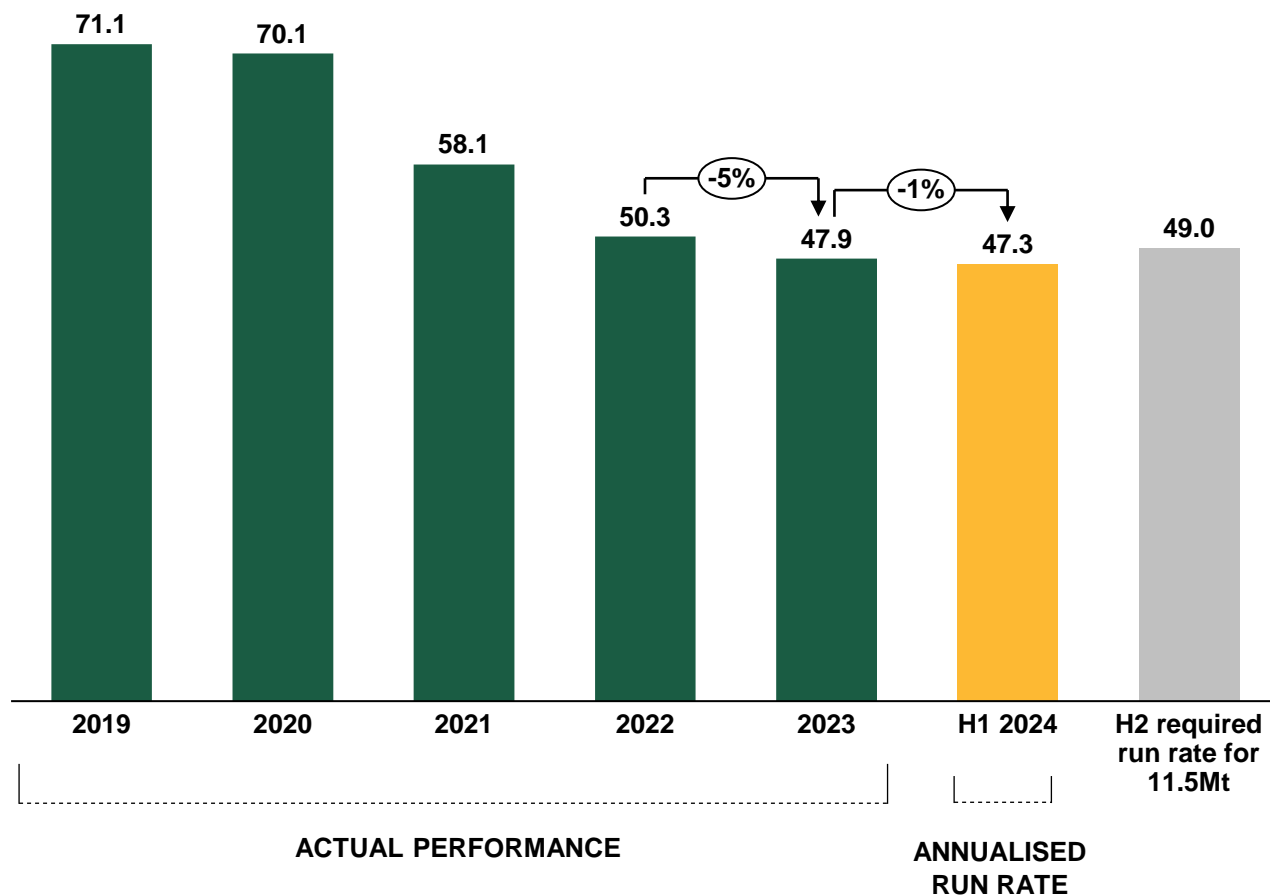
KEY FIGURES	
Capital expenditure	~R2.4 billion
Life of mine extension	Through to 2038
Production profile	Up to 8Mtpa run of mine
Quality	6,000 and 5,700kcal/kg

## ON TRACK AND ON BUDGET

- Elders
  - Spent R1.4 billion to date
  - Approximately R350 million to be spent in H2 2024 and R100 million in 2025
  - Total cost revised to R1.9 billion, previously R2.0 billion
- Zibulo North Shaft
  - Spent R1.1 billion to date
  - Approximately R740 million to be spent in H2 2024 and R510 million in 2025 and 2026

# RAIL PERFORMANCE IN SOUTH AFRICA

TFR<sup>1</sup> ANNUAL VOLUMES AND ANNUALISED AVERAGE RUN RATE (Mt per annum)



## CONTINUED RAIL UNDERPERFORMANCE

- Industry railed volume 47.3Mtpa in H1 2024 - with some weeks achieving rates above 50Mtpa
- Mutual cooperation agreement enables collaboration with TFR – **progress made on security and procurement of critical locomotive spares**
- Railed 5.8Mt in H1 2024
  - Maximised use of **existing infrastructure** and contracted **third-party sidings**



# DRIVERS OF COAL DEMAND AND PRICING



- 1 Energy security** a key priority for governments, and sustainable and economical viable energy
- 2 Geopolitics impact** on energy complex with increased volatility
- 3 ESG commitments** of countries and companies
- 4 Restocking of coal supply** ahead of the winter season in the northern hemisphere
- 5 Supply interruptions** weather impacts (La Nina), community unrest and infrastructure disruptions
- 6 Global economic impact** - such as the weakening of the dollar



# LONG-TERM FUNDAMENTALS OF COAL SUPPORTING OUR STRATEGY

## THUNGELA MARKETING INTERNATIONAL

- Marketing of **high-quality South African and Australian coal**
- Well positioned to **build and maintain relationships in our key business markets**



## FUNDAMENTALS OF DEMAND

- Record high **demand in 2023 at 8.7 billion tonnes<sup>1</sup>**
- **Seaborne demand in excess of 1 billion tonnes**
- **Energy generation** remains the main driver of demand
- **Demand growth in major Asian economies** offset by US and Europe reduced demand
- **Energy security** resulting in delayed renewable transition

## FUNDAMENTALS OF SUPPLY

- **Geopolitical landscape** – Russia-Ukraine conflict
- **Supply disruptions** – weather, unrest, infrastructure
- Limited access to capital and insurance for new investments
- **Reduced availability of high-quality assets in the world**



# FINANCIAL REVIEW

Deon Smith | Chief Financial Officer

# H1 2024 FINANCIAL RESULTS<sup>1</sup>

## ADJUSTED EBITDA

**R2.1 billion**

(June 2023: R4.4 billion)

## NET PROFIT

**R1.2 billion**

(June 2023: R3.0 billion)

## ADJUSTED OPERATING FREE CASH FLOW

**R936 million**

(June 2023: R4.3 billion)

## NET CASH

**R6.7 billion**

(December 2023: R10.2 billion)

## EARNINGS PER SHARE

**R9.52 per share**

(June 2023: R22.45 per share)

## TOTAL SHAREHOLDER RETURNS

**R2 per share & up to  
R160 million share buyback**

(June 2023: R10 per share)

Notes: <sup>1</sup> Group financial results for the six months ended 30 June 2023 do not include the financial results of the Ensham Business as the effective date of the Ensham acquisition was 31 August 2023.



# H1 2024 OPERATIONAL RESULTS<sup>1</sup>

## EXPORT SALEABLE PRODUCTION

**7.8Mt**

(June 2023: 6.1Mt)

**SA 6.2Mt | Ensham 1.6Mt<sup>2</sup>**

## EXPORT EQUITY SALES

**8.1Mt**

(June 2023: 6.3Mt)

**SA 6.0Mt | Ensham 2.1Mt**

## FOB COST PER EXPORT TONNE

(including royalties)

**SA | ENSHAM**

**R1,197/t | R1,645/t**

(June 2023: R1,166/t)

## SUSTAINING CAPITAL

**R742 million**

(June 2023: R444 million)

## EXPANSIONARY CAPITAL

**R799 million**

(June 2023: R449 million)

## FOB COST PER EXPORT TONNE

(excluding royalties)

**SA | ENSHAM**

**R1,189/t | R1,360/t**

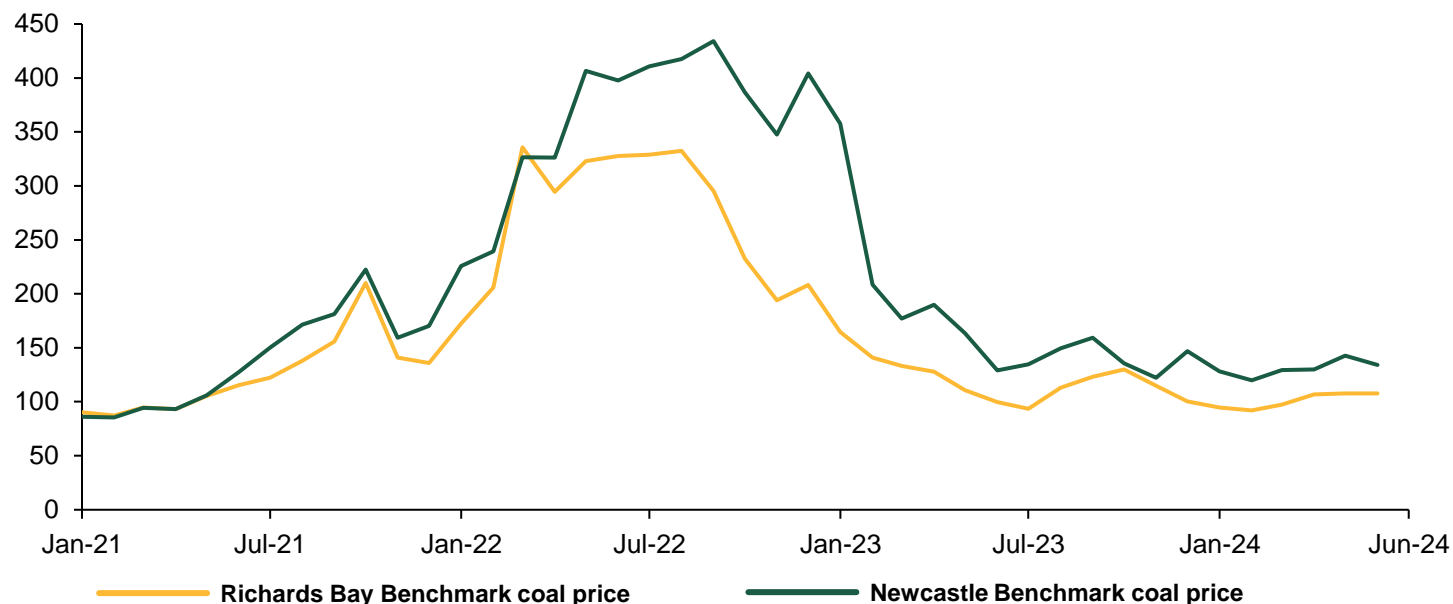
(June 2023: R1,139/t)

Notes: <sup>1</sup> Group financial results for the six months ended 30 June 2023 do not include the financial results of the Ensham Business as the effective date of the Ensham acquisition was 31 August 2023.

<sup>2</sup> On an 85% basis

# WEAKER COAL PRICES ACROSS OUR MARKETS

## BENCHMARK AND REALISED THERMAL COAL PRICES (USD per tonne)



USD per tonne	H1 2023	FY 2023	H1 2024
Richards Bay Benchmark coal price	129.50	121.00	<b>101.05</b>
Richards Bay realised coal price	105.78	103.69	<b>85.74</b>
Newcastle Benchmark coal price	204.27	172.79	<b>130.66</b>
Newcastle realised coal price	-	155.85 <sup>1</sup>	<b>118.82</b>

Notes: <sup>1</sup> For the four months from acquisition date to 31 December 2023.

## SOUTH AFRICA

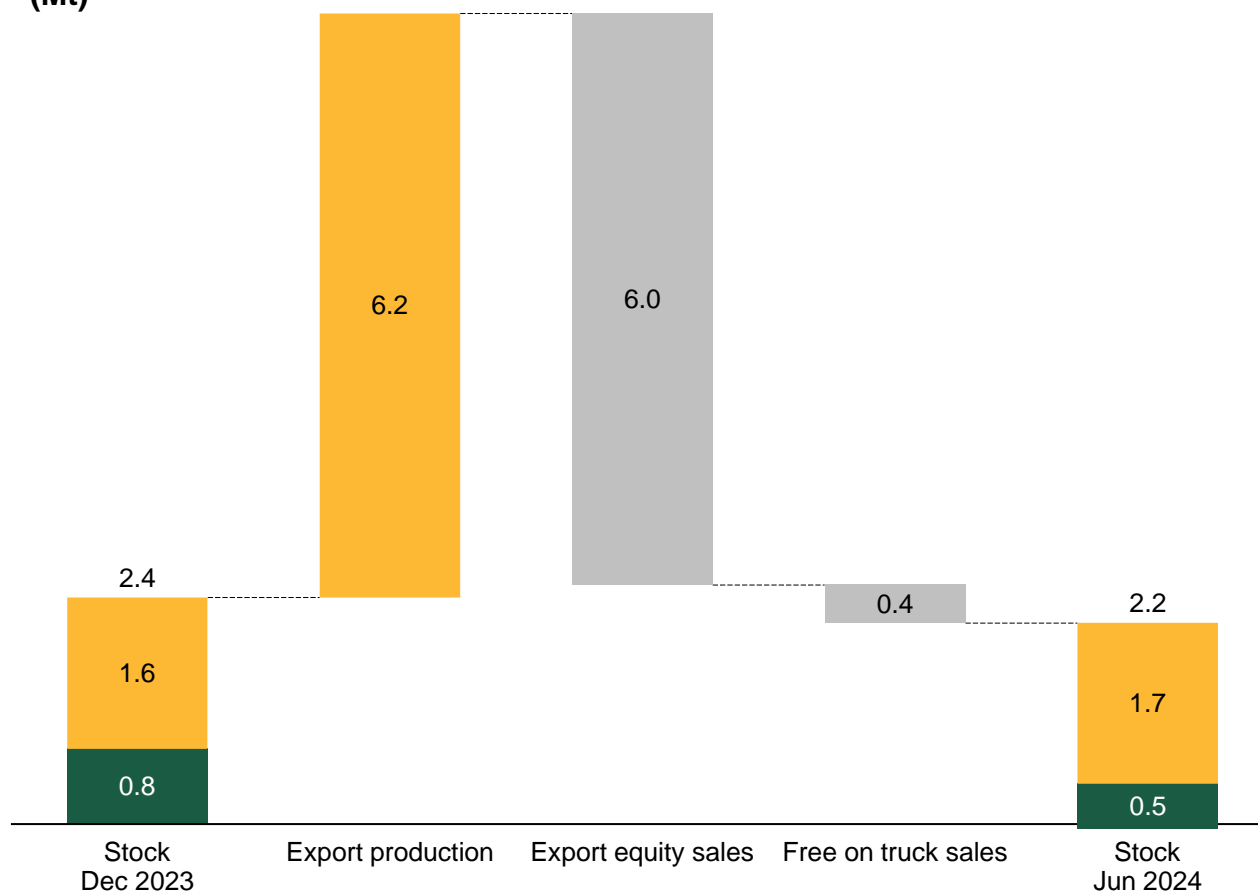
- Weaker prices driven by **milder winter in northern hemisphere** resulting in **high coal and gas stock**
- **Discounts achieved of 15% in H1 2024** (H1 2023: 18%) **compared to 14% for 2023**
  - Notwithstanding lower coal quality in the export sales mix

## AUSTRALIA

- **Low demand in Asian markets** driven by low economic activity and increased gas and nuclear usage – **continued high levels of thermal coal stocks**
- **Discount at Ensham at 9.1%** due to a disconnect between Newcastle Benchmark coal price and actual demand
- **Approximately 20% of sales** in H1 2024 based on the Japanese Reference Price

# SOUTH AFRICA - EXPORT SALEABLE PRODUCTION AND EXPORT SALES

(Mt)



On mine stocks  
Port stocks

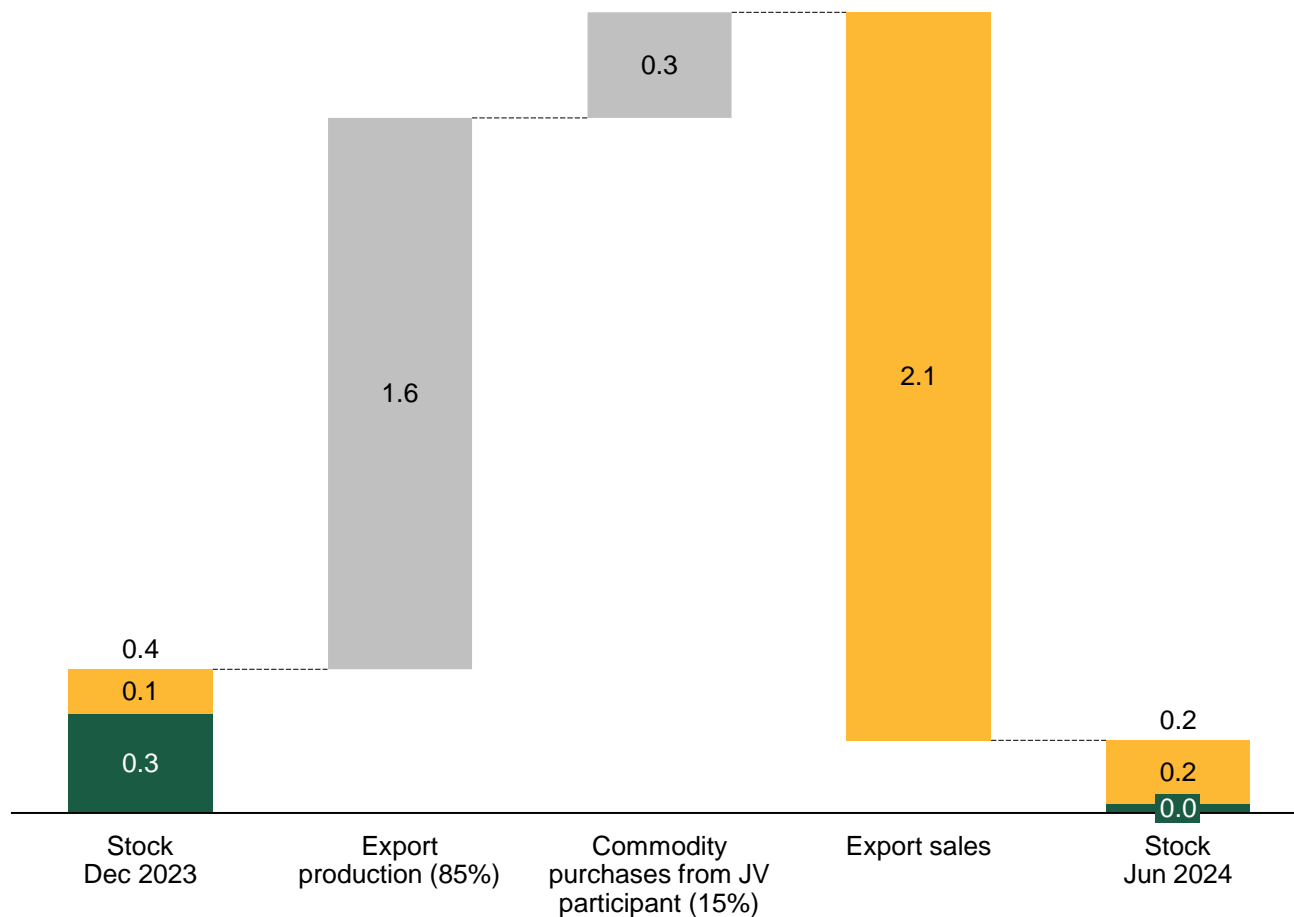
## EXPORT SALES IMPACTED BY RAIL UNDERPERFORMANCE

- **5.8Mt coal railed in H1 2024** (H1 2023: 6.2Mt)
  - TFR annualised run rate 47.3Mt in H1 2024
  - Two significant derailments in H1 2024
- **Export sales of 6.0Mt** in H1 2024 (H1 2023: 6.3Mt)
- **Free on truck sales** continue to generate cash and assist with stockpile management



# AUSTRALIA - EXPORT SALEABLE PRODUCTION AND EXPORT SALES

(Mt)



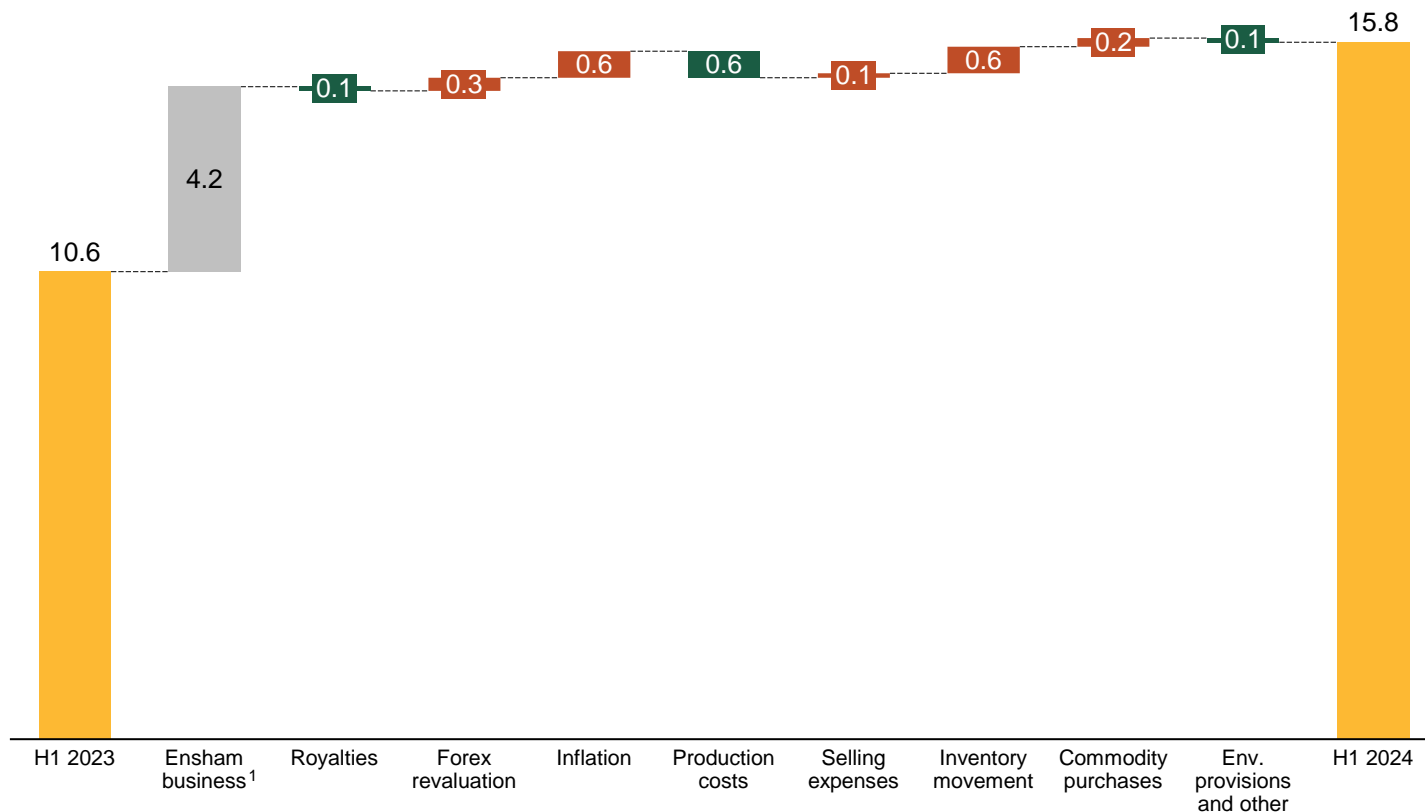
■ On mine stocks  
■ Port stocks

## STRONG PRODUCTION AND SALES PERFORMANCE

- H1 2024 annualised run rate of 3.8Mt, **40% improvement** compared to 2.7Mt at 1 September 2023
- **Upward revision** of 2024 production guidance
- Commodity purchases reflecting **JV partner's 15% participation** in Ensham Mine
  - Ensham Coal Sales sells 100% of Ensham coal

# OPERATING COSTS<sup>1</sup>

(R billion)



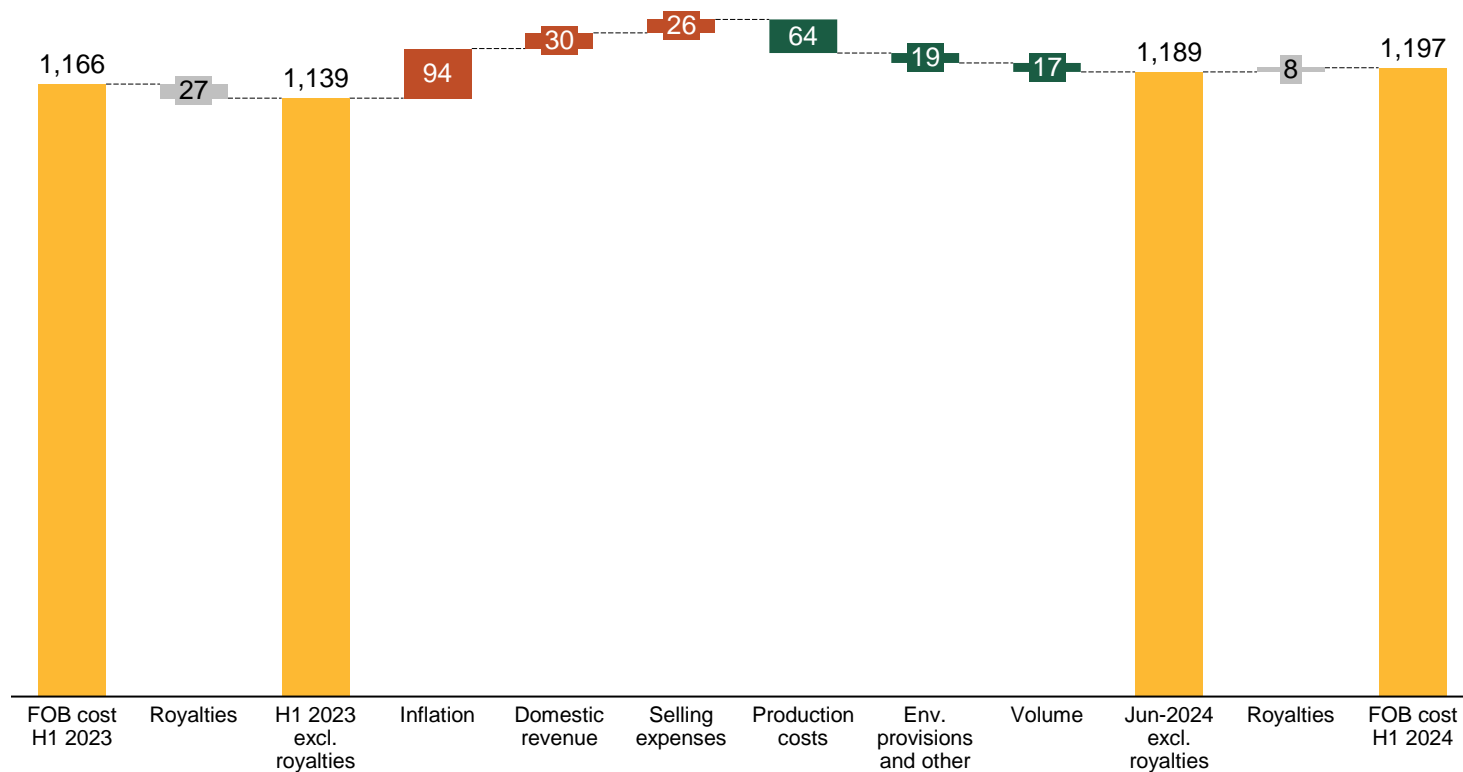
## SOUTH AFRICA IMPACTED BY INFLATION AND INVENTORY MOVEMENT

- **Weaker ZAR:USD** at R18.74 (H1 2023: R18.22)
- **Lower production costs in H1 2024** due to production curtailed during 2023
- **Inventory production movement** negatively impacted by lower saleable production in H1 2024
- **Third party coal purchase costs** to fulfil contractual obligations due to timing of derailments

Notes: <sup>1</sup> Operating costs for Ensham shown separately on slide 18

# SOUTH AFRICA - FOB COST PER EXPORT TONNE

(R per tonne)



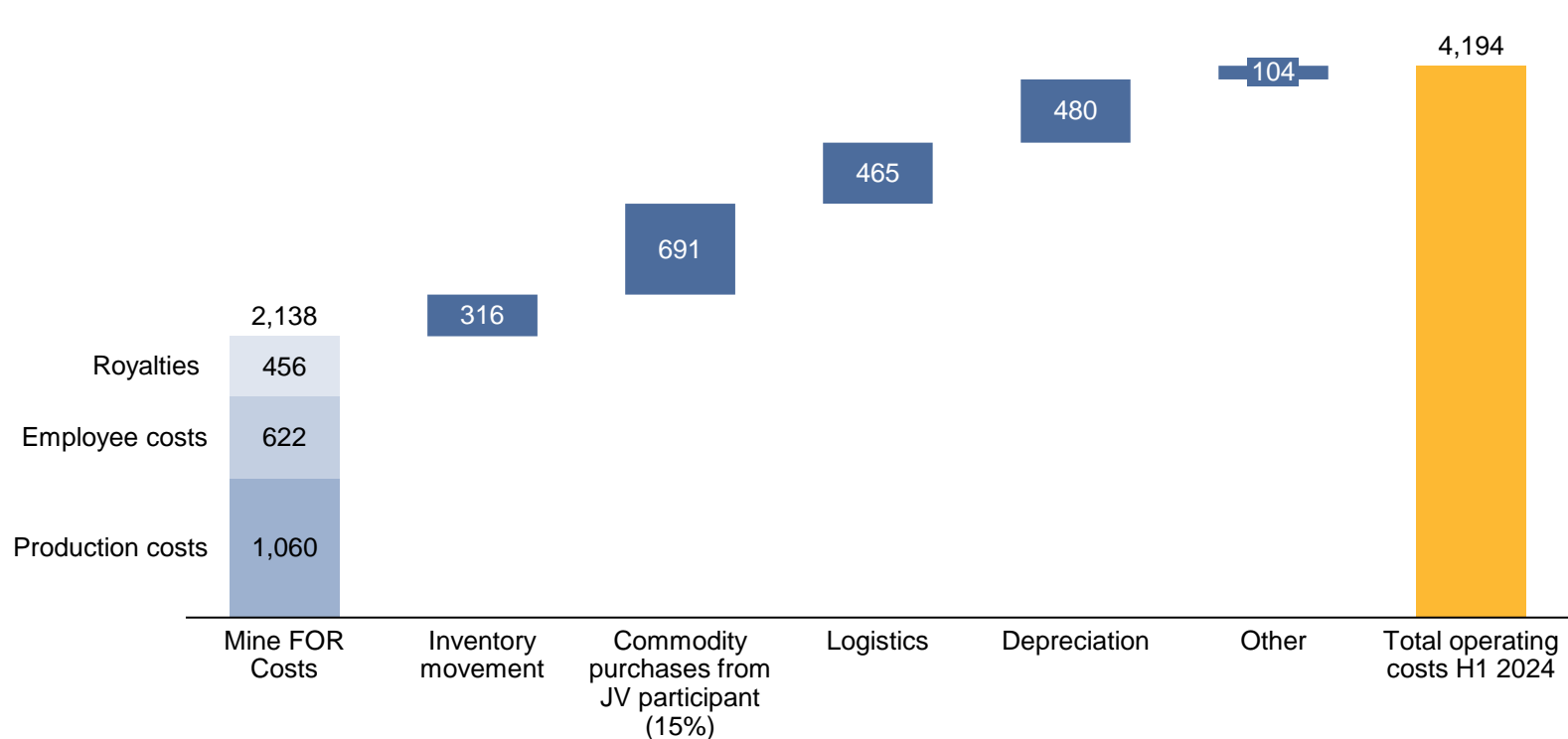
## UNIT COSTS INCREASE BELOW INFLATION

- **Inflation** on cash costs of 6.4%
- **Domestic revenue offset** impacted by lower coal prices
- **Lower production costs** due to curtailments in 2023 and lower production at Rietvlei
- **Lower non-cash charge** relating to environmental provisions resulting from updated phasing after the assessment at end 2023



# OPERATING COSTS - ENSHAM

(R million)

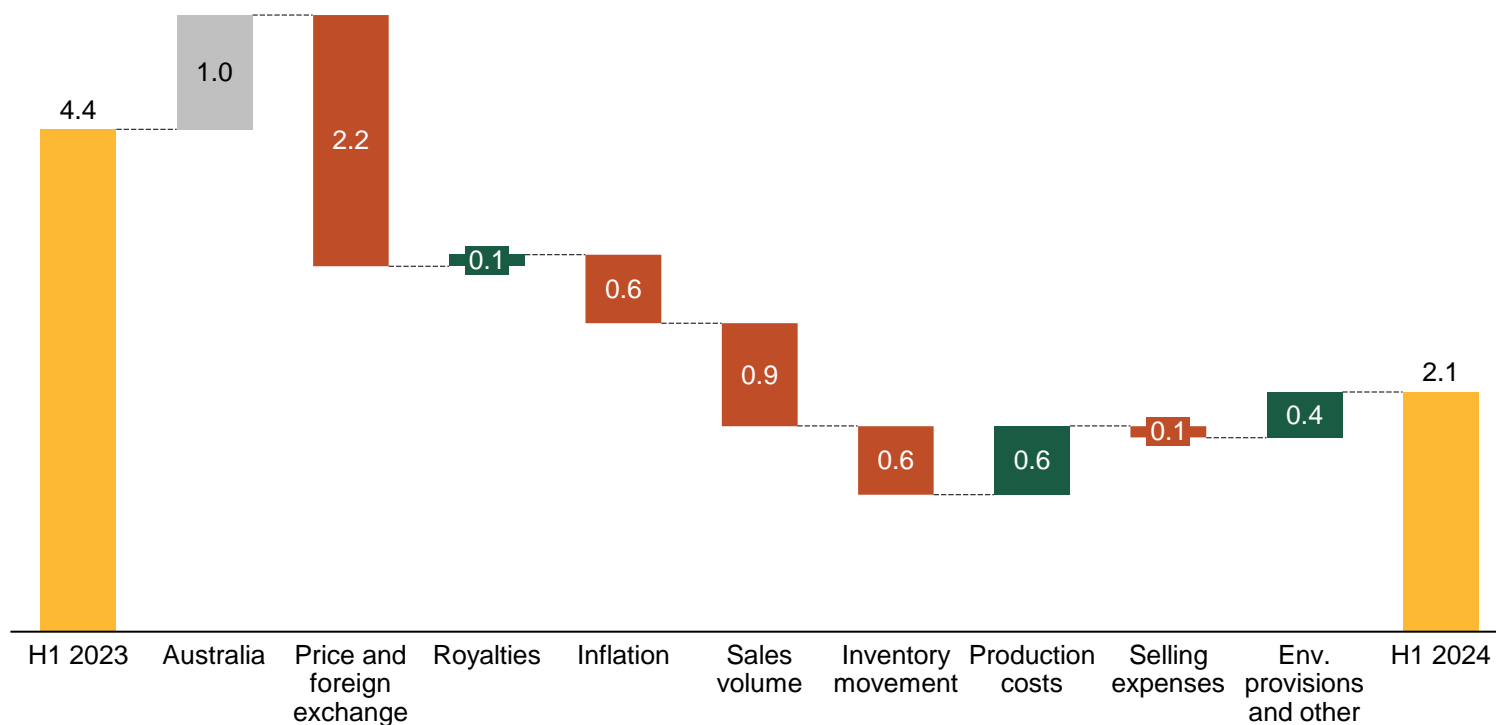


## ENSHAM TOTAL OPERATING COSTS

- **Employee costs represent 29%** of total on-mine cash costs
- **Royalties** based on Queensland progressive royalty calculation
  - H1 2024 royalty costs AUD22/t - calculated on the higher Japanese Reference Price prices for ~20% of coal sales
- Purchases from JV participant of R691 million
- **Logistics costs** driven by rail and port costs at AUD28/t per tonne in H1 2024

# ADJUSTED EBITDA

(R billion)

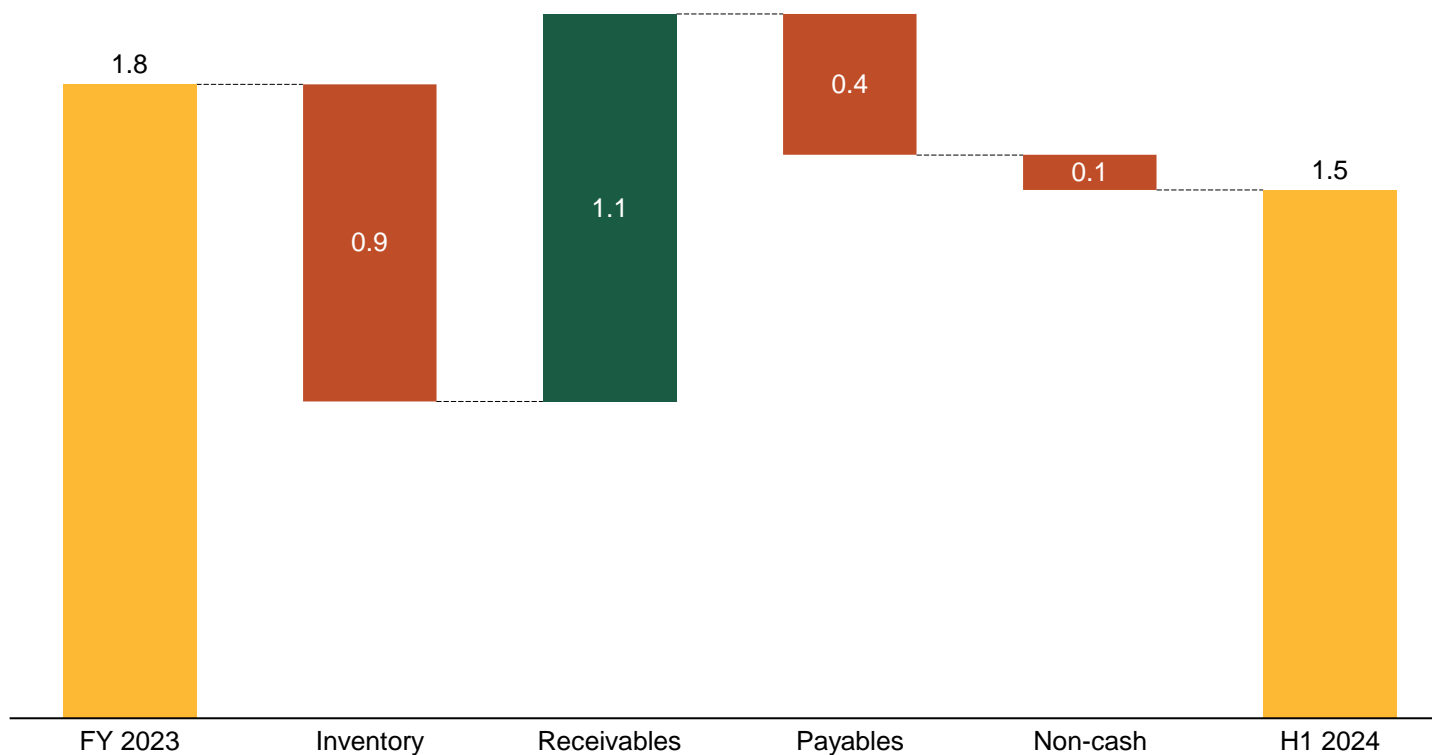


## DECREASE DRIVEN BY LOWER PRICES

- **EBITDA margin of 13%** (H1 2023: 31%)
  - South Africa 9.6%
  - Ensham 21%
- Average realised price in **South Africa decreased by 17%** compared to H1 2023
- Sales aligned to **rail performance**

# NET WORKING CAPITAL

(R billion)

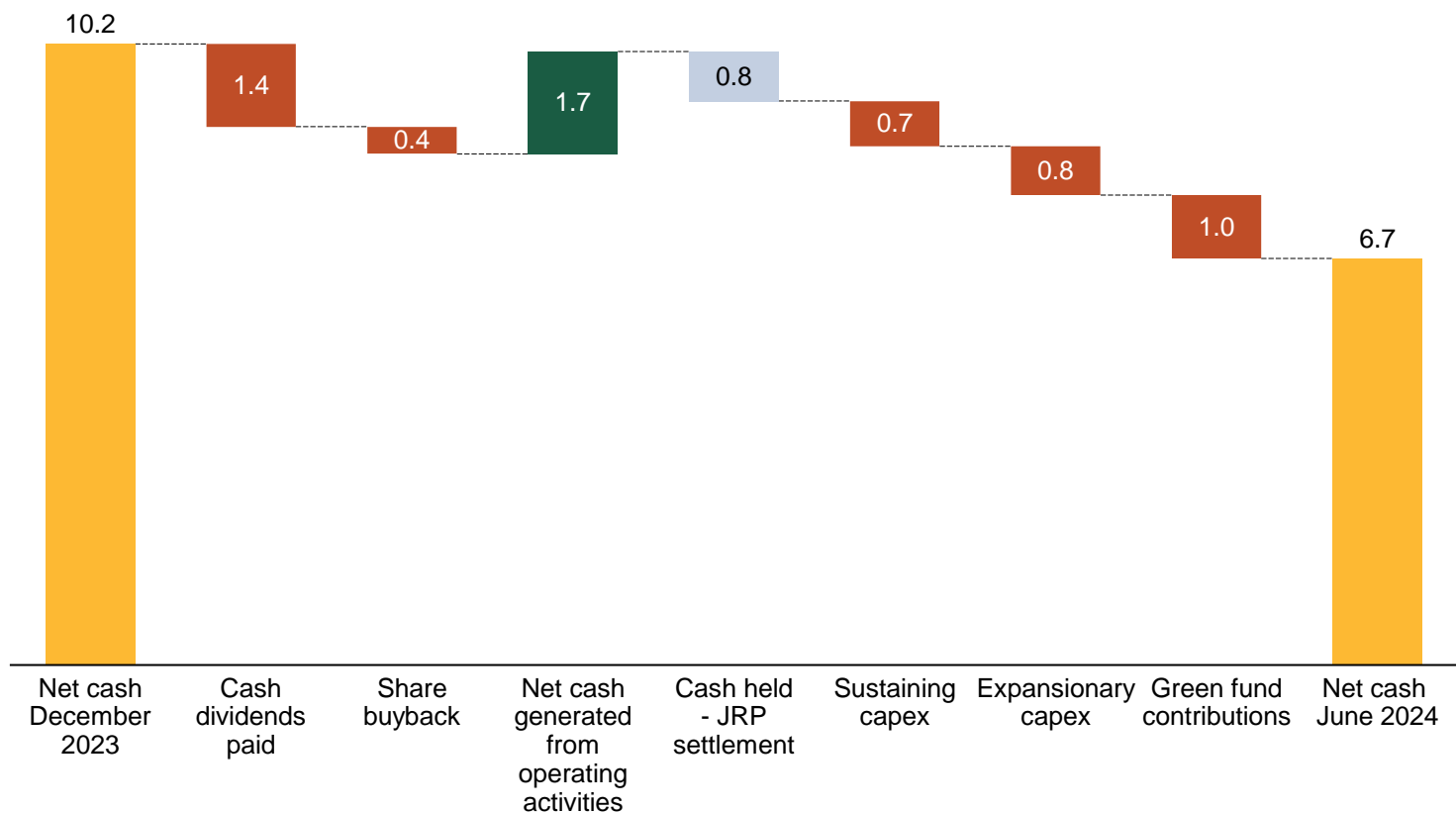


## WORKING CAPITAL RELEASE IN H1 2024

- **South African and Ensham stockpiles drawn down** mainly due to roll over from December 2023 shipment slippages
- **Higher receivables** mainly due to higher Ensham sales in June 2024 compared to December 2023
- Payables **impacted by Japanese Reference Price sales** recorded at higher prices – once prices settled difference to be repaid to customer

# SUMMARISED CASH FLOW

(R billion)

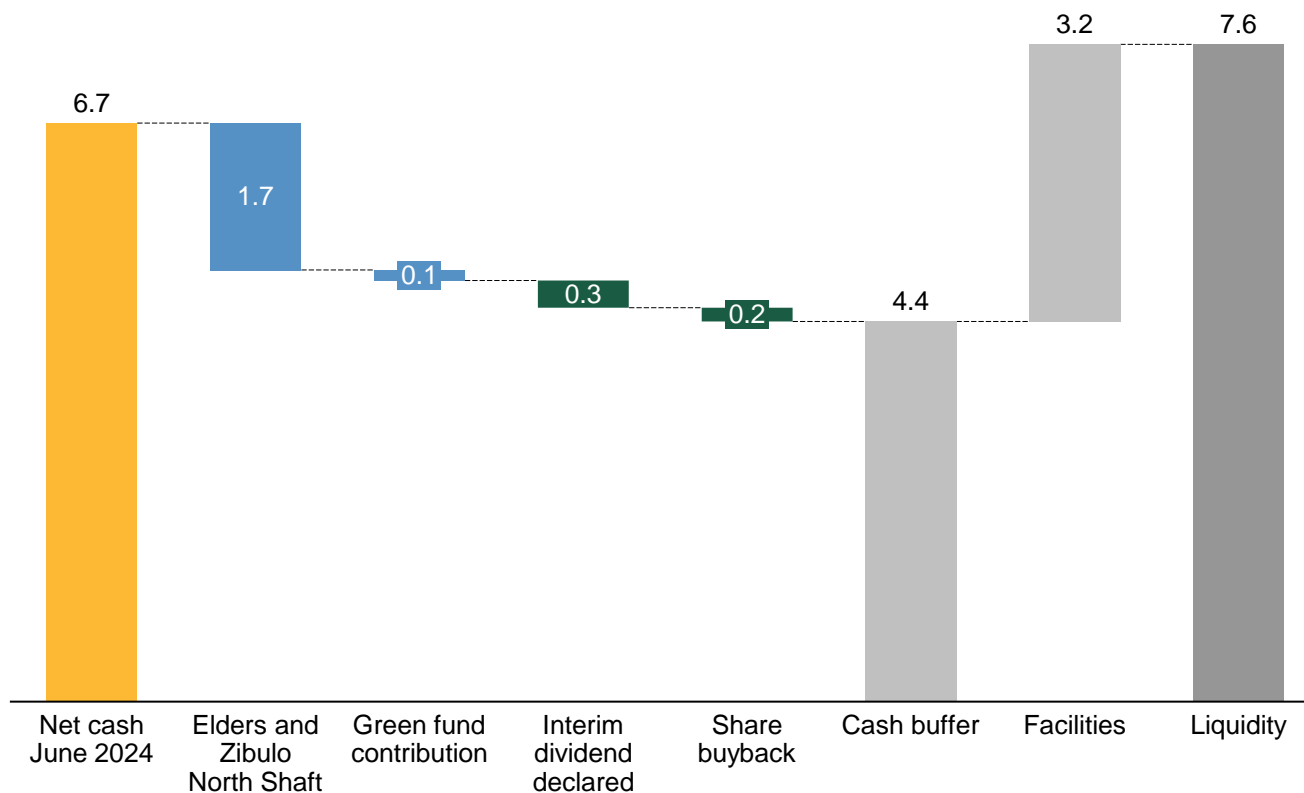


## SOURCE AND USES OF CASH IN H1 2024

- Cash returned to shareholders of **R1.8 billion**
- Net cash generated from operating activities of **R1.7 billion**, which includes **R815 million** expected to be refunded to customers upon Japanese Reference Price settlement
- **Investment of R1.5 billion** in sustaining and expansionary capital
- Investment of **R1.0 billion** in green funds in South Africa and Australia

# PRIORITISING RETURNS TO SHAREHOLDERS

CAPITAL ALLOCATION<sup>1</sup> (R billion)



## DISCIPLINED CAPITAL ALLOCATION

- R1.7 billion cash reserved for **life extension projects**
- Expect to make a further **contribution of R120 million** toward **cash collateralisation** of the environmental liabilities
- **Total shareholder returns of R441 million**, representing 47% of adjusted operating free cash flow
  - **Interim ordinary cash dividend** of R2.00 per share
  - **Share buyback** of up to R160 million

Notes: <sup>1</sup> This is a conceptual representation, the graph does not reflect historical financial information (other than the net cash balance)



# 2024 OPERATIONAL GUIDANCE – UPGRADE FOR ENSHAM



## SOUTH AFRICA

	Metric	Unchanged
Export saleable production	Mt	11.5 - 12.5
FOB cost per export tonne <sup>1</sup>	R/tonne	1,180 – 1,300
FOB cost per export tonne (excl. royalties)	R/tonne	1,170 – 1,290
Sustaining capital	R'million	900 – 1,100
Expansionary capital	R'million	1,600 – 1,900



## ENSHAM

	Metric	2024 – previous	2024 – revised
Export saleable production (on a 100% basis)	Mt	3.2 - 3.5	3.5 - 3.8
FOB cost per export tonne <sup>2</sup>	R/tonne	1,830 – 1,950	1,830 – 1,950
FOB cost per export tonne (excl. royalties)	R/tonne	1,590 – 1,710	1,590 – 1,710
Sustaining capital (on an 85% basis)	R'million	600 – 900	600 - 900
Expansionary capital	R'million	Nil	Nil

Notes: <sup>1</sup> Royalties calculated using an assumed Richards Bay Benchmark coal price of USD100 per tonne

<sup>2</sup> Royalties calculated using an assumed Newcastle Benchmark coal price of USD120 per tonne

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# CONCLUSION

July Ndlovu | Chief Executive Officer

# DELIVERING ON OUR PURPOSE – RESPONSIBLY CREATING VALUE TOGETHER FOR A SHARED FUTURE

## Unwavering commitment to Safety

Be a fatality-free business

## Controlling the controllables

Drive productivity improvement and cost competitiveness

## Building a sustainable long-life business

Establish track record for executing on strategy

## Capital allocation is a cornerstone of our strategy

Commitment to shareholder returns



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Q&A