thungela

INTERIM FINANCIAL STATEMENTS 2023

ABOUT THUNGELA

Thungela, a Zulu word which means "to ignite", is a leading South African thermal coal business. 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 RBCT is one of the world's leading coal export terminals, with an advanced 24-hour operation and a design capacity of 91Mtpa.

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.

DIRECTORS' DECLARATION

The Thungela board of directors, supported by the audit committee, is ultimately responsible for the preparation, fair presentation and integrity of the condensed consolidated interim financial statements and related financial information of the Group, as contained in the Interim Financial Statements for the six months ended 30 June 2023. The board of directors confirms that it has collectively reviewed the content of the Interim Financial Statements for the six months ended 30 June 2023 and approved the same at its meeting on 18 August 2023.

ALTERNATIVE PERFORMANCE MEASURES

The directors consider additional financial and operational measures to assess the results of the operations of the Group, referred to as APMs. These APMs can be identified throughout this document using the Δ symbol, and are fully described in Annexure 1.

FORWARD-LOOKING STATEMENTS DISCLAIMER AND THIRD-PARTY INFORMATION

This document includes forward-looking statements. All statements included in this document (other than statements of historical facts) are, or may be deemed to be, forward-looking statements, 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). 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. Thungela therefore cautions that forward-looking statements are not guarantees of future performance.

Any forward-looking statement made in this document or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause Thungela's business not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Thungela has no duty to, and does not intend to, update or revise the forward-looking statements contained in this document after the date of this document, except as may be required by law. Any forward-looking statements included in this document have not been reviewed or reported on by the Group's independent external auditor.

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, this inside information is now considered to be in the public domain.

Various acronyms, abbreviations and measures used throughout the Interim Financial Statements have been defined on pages 83 to 86.

For more information visit www.thungela.com/investors/results

Responsibly creating value together for a shared future

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DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

The directors are responsible for the preparation, fair presentation and integrity of the condensed consolidated interim financial statements and related financial information of the Group, which includes amounts based on judgements and estimates made by management, in accordance with and containing the information required by IAS 34, and the South African Financial Reporting Requirements, as applicable, as well as with the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules.

The condensed consolidated interim financial statements have been prepared in accordance with IFRS and the accounting policies included in the Annual Financial Statements for the year ended 31 December 2022. The accounting policies have been consistently applied by the Group and are supported by reasonable judgements and estimates.

The condensed consolidated interim financial statements comprise the condensed consolidated interim statement of financial position at 30 June 2023, the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six months then ended, the notes to the condensed consolidated interim financial statements and other information.

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 Interim Financial Statements, that reduces the risk of 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 Interim Financial Statements, including the supplementary annexures.

The Group's independent external auditor is responsible for reporting on whether the condensed consolidated interim financial statements are fairly presented in accordance with IAS 34, and their unmodified review report appears on page 29 of this document.

The Group's internal auditors independently evaluate the internal controls and co-ordinate their audit coverage with the independent external auditor.

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 internal financial controls 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 in the six months ended 30 June 2023. The directors are of the opinion that the risk management processes and internal financial controls provide reasonable assurance in all key material aspects that the financial records may be relied upon for the preparation of the Interim Financial Statements.

The directors are satisfied that the Group's forecasts, taking into account reasonably possible changes in performance, show that Thungela will continue to operate for the foreseeable future. For this reason, Thungela has adopted the going concern basis in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2023.

The Interim Financial Statements have been prepared under the supervision of Deon Smith, CA(SA), CFO.

APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements on pages 3 to 86 were approved by the board of directors and are signed on the directors' behalf by:

Sango Ntsaluba
Chairman

July Ndlovu
CEO

21 August 2023

GROUP PERFORMANCE

Delivering on our purpose of responsibly creating value together for a shared future

SAFETY

Fatalities

One

(30 June 2022: None)

TRCFR*

1.33

(30 June 2022: 1.59)

CREATING SHARED VALUE

Nkulo Community Partnership Trust

R78 million contribution

(30 June 2022: R250 million)

Sisonke Employee Empowerment Scheme

R78 million contribution

(30 June 2022: R250 million)

OPERATIONAL

Export saleable production

6.1Mt

(30 June 2022: 6.1Mt)

Export equity sales

6.3Mt

(30 June 2022: 6.5Mt)

FINANCIAL

Adjusted EBITDA

R4.4 billion

(30 June 2022: R16.7 billion)

FOB cost

R1,166 per export tonne

(30 June 2022: R1,093 per tonne)

Returns to shareholders

R1.4 billion

(30 June 2022: R8.2 billion)

Earnings per share

R22.45

(30 June 2022: R67.23)

Headline earnings per share

R22.46

(30 June 2022: R67.23)

* Total recordable case frequency rate

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Thungela continued to advance its strategic priorities, amid challenging market conditions in the first half of 2023, by investing through the cycle and focusing on what we can control:

- Continued to prioritise safety – TRCFR improved to 1.33, from 1.59 in June 2022[1].
- Took measures to strengthen business resilience in the face of softer coal prices and persistent Transnet rail underperformance.
- Increased life of mine profile through approval of the Zibulo North Shaft project.
- Announced the acquisition of Ensham, marking a significant step in Thungela's strategy to pursue geographical diversification.
- Maintained disciplined capital allocation and reaffirmed dividend policy: interim dividend of R10 per share – 33% of adjusted operating free cash flow[Δ].

Safety is our first value and we remain focused on operating a fatality-free business. Tragically our colleague Mr Breeze Mahlangu passed away in February following complications after an accident in December 2022. We have continued our relentless pursuit to eliminate fatalities in our business and I am encouraged by the improvement in our safety performance, with TRCFR of 1.33 for the first six months of 2023.

We have continued to focus on 'controlling the controllables' in the face of the challenging external factors which characterised the first half of the year and, notwithstanding the softer price environment and the lack of any improvement in rail performance, Thungela recorded R3.1 billion (R22.45 per share) in earnings attributable to shareholders of the Group, and adjusted EBITDA[Δ] of R4.4 billion in the first half of 2023.

The Group generated adjusted operating free cash flow[Δ] of R4.3 billion for the reporting period. The net cash[Δ] position stood at R13.6 billion at 30 June 2023. Adjusted operating free cash flow[Δ] for the period benefited from the fact that sustaining capital spend is traditionally weighted towards the second half of the year, as well as from the unwind of working capital.

MARKET FUNDAMENTALS REMAIN STRONG DESPITE SOFTER SHORT-TERM PRICES

The pricing environment in the first half of 2023 was substantially weaker compared to the first half of 2022.

Seaborne coal prices fell sharply as European buying slowed significantly on the back of record coal and gas stock levels coming out of a milder winter. This resulted in the redirection of coal volumes to Asian markets which also showed signs of weaker demand, especially from Japan and China.

Efforts to curb inflation through monetary tightening policies globally have also resulted in a growth slow down with reduced economic activity and demand for energy.

Market fundamentals however remain strong and there are reasons to remain optimistic on thermal coal prices. LNG prices are now starting to find support, which will make coal more competitive as a fuel source towards the end of the year as the European winter approaches. Coal production from Russia's western regions is also slowly being curtailed at current pricing levels.

We believe the current price headwinds have marked a pause in attractive prices, rather than heralded a sustained downturn. We expect demand for coal to remain robust in developing countries, especially in Asia which remains reliant on thermal coal, as countries such as China and India continue to build coal-fired power plants.

July Ndlovu
Chief executive officer

[1] TRCFR for 30 June 2022 was previously reported in the Interim Financial Statements for the six months ended 30 June 2022 as 1.48. This figure was subsequently updated at year end to reflect the reclassification of an injury from a first-aid case to a medical treatment case.

Underinvestment into coal supply has continued, with the exception of China and India (both focusing on domestic supply) and Indonesia, which produces lower quality coal. At the same time, we have seen an increase in new coal-fired power generation coming online, especially in China, all of which should be supportive of coal prices in the medium to longer term.

Continued underperformance on the part of TFR has again hampered our ability to operate optimally. TFR achieved an annualised run rate of 48Mtpa for the industry in the first half of 2023, a deterioration of 13% compared to the 55Mtpa run rate achieved in the first half of 2022. TFR suffered two derailments in May 2023 which cost Thungela at least 340kt in rail capacity. After a particularly poor first quarter, the rail performance stabilised in the second quarter – following the derailments TFR performance averaged 50Mtpa for the six-week period preceding its annual maintenance shut in July. The stabilisation is the result of intensive collaboration between TFR and the South African coal industry, including Thungela.

A consistently performing and well managed bulk rail infrastructure remains critical to the coal mining industry and the South African economy. TFR has stated that it will achieve 60Mt in the 2023/2024 contractual year. The recent formation of the President's National Logistics Crisis Committee and significant changes to the Transnet board are positive indications of the intent to achieve improved performance. TFR's ability to improve rail performance hinges on several important factors, critical of which is the resolution of an impasse which currently prevents TFR from procuring much needed spares and locomotives.

RESILIENCE AND READINESS

While softer coal prices and poor rail performance have weighed heavily on Thungela's performance in the first half of 2023, we expect these factors to improve over time. The Group must therefore ensure that it is both resilient to weaker short-term market conditions and ready to take advantage of improved conditions as they arise. This implies a continuum of decisive actions and strategies.

Creating a resilient business requires focusing on two facets in order to optimise the business for current and future volatility.

The first is our decision to structurally resize the portfolio in response to rail constraints. Previously we had curtailed high-cost operations such as Khwezela. We have subsequently ramped up Khwezela and reduced underground sections that are staring to face increasingly complex geological conditions.

The second is to improve our competitiveness by increasing productivity and ensuring the optimal cost base for our business. In the event that prices remain depressed for a protracted period and rail performance does not improve, we may be required to consider further revisions to our portfolio.

Thungela's ability to take these actions, to protect cash flow through resizing the portfolio and to improve our competitiveness, is underpinned by the Group's strong balance sheet and liquidity position. This allows us to weather the challenging market conditions and focus on operational excellence, while continuing to fund our capital projects.

Readiness for improved market and infrastructure conditions is premised on structuring the Group for success regardless of market cycles. While the softer prices and continued uncertainty relating to TFR performance present near-term challenges, this does not change the Group's longer-term strategic priorities: to drive our ESG aspirations, maximise the full potential of our existing assets, create future diversification options and optimise capital allocation.

MAXIMISING VALUE FROM EXISTING ASSETS

Investing through the cycle in projects which realise the full potential of our existing assets has been a key tenet of Thungela's strategy since listing. We are pleased to report that we continue to make good progress on the Elders production replacement project approved by the board last year, and we expect first coal from the underground operation by the first half of 2024, in line with our original target.

In June 2023, the board also approved the Zibulo North Shaft project at a total capital cost of R2.4 billion. The project will extend the life of our flagship Zibulo operation by at least 10 years from 2025.

Both projects secure the future of the business by improving the quality and overall cost competitiveness of the portfolio.

ACQUISITION OF ENSHAM COAL MINE IN AUSTRALIA

The proposed acquisition of the Ensham Business in Australia announced in February marks the first milestone of our geographic diversification strategy which aims to further enhance the resilience of our portfolio.

Ensham is a large, high quality asset with long life potential and provides Thungela with entry into the southern Bowen Basin in Queensland, a leading mining jurisdiction, with mature and well established infrastructure.

The transaction was structured to enable the Group to benefit from the economics of the Ensham Business (subject to a limit) between 1 January 2023 and the completion date.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

Ensham will be acquired at a cost of approximately R4.1 billion and this investment is set to be earnings and cash flow accretive, with strong potential for a short payback period. The acquisition also brings increased scale and marketing capability, providing access to Japan and other Asian markets.

Thungela will assume operational control of the Ensham Business following completion of the transaction, which is expected on 31 August 2023 given that all key regulatory conditions precedent have now been met, with only a few commercial conditions (such as the transfer of material supplier contracts) yet to be concluded. A comprehensive roadmap has been prepared to ensure alignment in terms of priorities, governance and other aspects of integration.

COMMITMENT TO CAPITAL ALLOCATION FRAMEWORK

The board reaffirms its commitment to Thungela's dividend policy to target a minimum payout of 30% of adjusted operating free cash flow[Δ]. The board has accordingly declared an interim dividend of R10 per share. Thungela shareholders will receive R1.4 billion in total, which represents 33% of adjusted operating free cash flow[Δ] for the period ended 30 June 2023. The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will receive a further R156 million in aggregate.

The board's commitment to maximising shareholder value underscores the importance of the completion of the Elders and Zibulo North Shaft projects. Approximately R3.8 billion is yet to be spent on these projects, which will not only enhance our portfolio's quality and competitiveness but also extend the life of our business.

The board also continues to monitor the appropriate timing for the execution of a potential share buyback. The prevailing market conditions, and resultant need for balance sheet flexibility, call for a cautious approach to capital allocation until clarity emerges on the trajectory of a possible recovery in market conditions and rail performance.

LOOKING AHEAD

It is prudent to narrow our full year export saleable production guidance range for 2023 to between 11.5Mt and 12.5Mt. Achieving the lower end of this range requires an annualised TFR industry run rate of 47Mtpa in the second half of the year – the ongoing collaboration between TFR and industry should ensure that this run rate is achieved.

The long-term coal market remains structurally attractive and Thungela is building its own export marketing capabilities as the offtake agreement with Anglo American comes to an end in mid-2024.

We will continue to closely monitor the trajectory of thermal coal prices and rail performance, and the impact this will have on the future size and shape of an appropriate portfolio in terms of cost, productivity and sustaining capital.

Thungela's objectives remain clear: we must continue to focus on the factors we can control in order to safeguard performance, invest in our strategic projects and maintain disciplined capital allocation. This will ensure that we are able to continue to responsibly create value for our stakeholders.

While much of the focus will be on productivity and cost improvements, it is important to emphasise that focusing on what we are able to control goes hand in hand with operating responsibly, ensuring the safety and health of our employees, meeting our responsibilities to the environment and delivering on our social obligations. It also requires us to step up our efforts together with industry, government and Transnet to find sustainable solutions to the logistics challenges facing South Africa.

Finally, we are confident that our strategy, disciplined capital allocation approach and enhanced resilience will allow us to navigate the challenging market conditions we are currently facing; while improvements to the overall competitiveness of our portfolio will continue to create superior returns for our shareholders in the long term.

July Ndlovu

21 August 2023

MARKET IN CONTEXT

MACROECONOMIC ENVIRONMENT

The decline in energy fuel prices including gas, oil and thermal coal has been the defining feature of markets during the first half of 2023. The seaborne Benchmark coal price has receded from its historic highs of 2022, when it averaged USD276.54 per tonne in the first half of 2022, to an average of USD129.50 per tonne for the first half of 2023. By June 2023, the Benchmark coal price had decreased to an average of USD99.65 per tonne for the month. This decline comes on the back of global economic pressures, a redirection of coal flows following the EU ban on Russian coal, and a milder European winter and the resultant record stock levels across most energy fuel sources. The expected economic improvement in China, following the lifting of its most recent COVID-19 lockdown did not materialise, resulting in reduced demand for energy in the world's second largest economy.

European sanctions on Russian exports are presumed to remain in place beyond 2023, but despite this, it is unlikely that European demand for South African coal will return before the end of the year. South African exports will also continue to face competition from Russian coal in India, China and South Korea. It is forecast that South Korea will continue to view Russian coal as their primary source, purely driven by economic considerations, whilst Japan has joined the list of countries imposing sanctions on Russia and ceased imports of Russian coal. India is likely to find a middle path, continuing to buy Russian coal, but only able to do so for limited volumes due to specification requirements, despite the favourable economics. China has also resumed imports of Australian coal following trade tensions in recent years.

The weaker market conditions that were witnessed in the later stages of the first half of 2023 are forecast to remain in place for the coming months, albeit with slowly tightening conditions as global stockpiles slowly deplete from record highs, and lower energy fuel prices start to impact supply. Coal from Russia's western ports is now battling to compete in South East Asia, while South African supply through terminals other than RBCT has started to reduce as trucking coal to alternative ports becomes less viable at lower prices. Supply tightening has been observed in other supply regions, reducing seaborne supply and accelerating a rebalancing of demand and supply fundamentals.

China is securing increased volumes of LNG which should improve gas price levels and ensure that coal remains competitive in the energy mix, specifically in Europe. Coal restocking in India post the monsoon season and ahead of the Northern Hemisphere winter should also be price supportive. Coal prices should find some support nearer the end of the year as coal is currently more affordable than gas in the fuel mix for the winter months in Europe. This should see gas-to-coal switching combined with increased burn, eroding stocks and allowing the resumption of South African imports as we enter 2024. A similar pattern should play out in Japan.

Notwithstanding the short-term headwinds, the outlook for coal over the next 10 to 15 years remains firm - coal is forecast to remain a key component of the global energy mix. Developing nations in South Africa's traditional export coal destinations (especially China and India) continue to build new coal-fired power stations to enable growth in their economies. India and China have also stated their intention to increase coal supply - these volumes will be used to support their domestic needs and are unlikely to significantly impact the seaborne market, which is expected to remain at levels of approximately 900Mtpa for the next 10 to 15 years.

2023 FIRST HALF PERFORMANCE

Thermal coal price and exchange rate	**30 June 2023**	30 June 2022
Benchmark coal price (US$/tonne)	**129.50**	276.54
Average realised export price (US$/tonne)	**105.78**	239.93
Average realised export price (Rand/tonne)	**1,927**	3,697
Realised price as a % of Benchmark coal price	**82**	87
ZAR:US$ average exchange rate	**18.22**	15.41

The discount achieved against the Benchmark coal price widened to 18% in the first half of 2023, compared to 13% in the first half of 2022. The widening of the discount to date in 2023 was primarily due to the lag between when discounts are concluded and the time of delivery, when cargoes are referenced to the Benchmark coal price. In terms of the offtake agreement with AAML, the grade discounts are agreed in absolute US dollar terms at the time that the order is placed, while the price received is with reference to the average Benchmark coal price in the month of delivery. Accordingly, in a market where coal prices are declining rapidly, this can result in the absolute US dollar discount constituting a significantly higher relative portion of the coal price at delivery.

Based on the percentage of the marketing book sold for the second half of the year, we expect the discounts to narrow marginally in the second half of 2023 assuming no significant changes from the prevailing prices at the end of June 2023.

TRANSNET FREIGHT RAIL PERFORMANCE

TFR achieved an annualised run rate of 48Mtpa for the industry on the North Corridor in the first half of 2023, compared to approximately 55Mt over the comparative period last year - a deterioration of 13%. Rail performance was especially poor in the first quarter of 2023, during which the TFR achieved an average rate of 47Mtpa over the quarter (with performance of only 43Mtpa in February). This improved to 49Mtpa in the second quarter, notwithstanding two derailments in May 2023, which cost Thungela up to 340kt, and the industry at least 1.5Mt, in lost rail volumes.

Continued TFR underperformance remains a significant challenge for the South African coal mining industry and a key focus area for Thungela. A key priority will be ensuring that Thungela's high quality, high margin coals are railed to RBCT and placed into the seaborne markets.

The Minerals Council, together with the South African coal industry (through RBCT), continues to work on various initiatives aimed at stabilising rail performance and improving operational support. These have yielded positive initial results and following the derailments in May, TFR performance averaged 50Mtpa for the six-week period preceding the annual maintenance shut. The focus now will be to improve and increase capacity beyond 50Mtpa in the second half of the year, with the aim of reaching an annualised run rate of 60Mtpa before the end of the TFR financial year (31 March 2024). The President's National Logistics Crisis Committee was set up in April 2023 to ensure the required level of oversight and focus on stabilisation and improvement of Transnet's performance from all stakeholders, including government, the Transnet board and executives, and industry.

The current long-term agreement with TFR expires at the end of March 2024 and Thungela has commenced engagements with TFR on a new commercial bulk rail agreement.

BUILDING THUNGELA'S EXPORT MARKETING CAPABILITY

As part of the demerger and the subsequent listing of Thungela in 2021, an exclusive offtake agreement with AAML was concluded, through which AAML would sell Thungela's equity coal through RBCT until 31 May 2024. This agreement was instituted to provide a smooth transition for Thungela's marketing activities following the demerger. Following the expiry of the offtake agreement Thungela will manage its own export sales and is in the process of setting up its own marketing function in this regard. Thungela has commenced the enablement of the marketing and finance functions with the required capacity and capability to enable it to sell its coal directly into the export market. This project is progressing well and will include the marketing and trading of the coal produced by the Ensham Business on completion of the acquisition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

SAFETY

We are unconditional about safety and we continue to emphasise the relentless application and management of critical controls, focused leadership interactions, and the identification and management of high-potential hazards across our operations.

We are deeply committed to being a fatality-free business and the loss of our colleague Mr Breeze Mahlangu in February 2023, following an injury after an accident at the Zibulo Colliery in December 2022, was devastating for us. We have completed a detailed investigation of the incident, and have implemented control measures to prevent a repeat of this fatal incident.

Total recordable case frequency rate (TRCFR) for the six-month period ended 30 June 2023 was 1.33, compared to 1.59[1] in the comparative period. This can be attributed to heightening the focus on managing risk through the 'quarter 4.5' (the fourth quarter and first month of the new year) safety campaign, which this year has been followed immediately by individual campaigns at each site to maintain the increased levels of focus on safety.

The Khwezela Colliery received two awards at the annual Coalsafe conference - the first for 12,000 fatality-free production shifts, and the second for recording a perfect score, as the team of nearly 1,800 employees and contractors completed 2022 with a lost-time injury frequency rate of zero.

ENVIRONMENTAL STEWARDSHIP

The environmental authorisations for both the Elders and the Zibulo North Shaft projects have been approved by the Department of Minerals Resources and Energy (DMRE).

Following the incident relating to the uncontrolled release of water which occurred at the Khwezela Kromdraai site on 14 February 2022, we remain committed to transparency and providing our stakeholders with progress updates related to the actions being taken to mitigate the impacts and prevent any repeat incidents.

We continue to collaborate with the Mpumalanga Tourism and Parks Agency (MTPA) and to take on board the recommendations of the independent panel of experts as well as the specialist consultant appointed to assist us with the rehabilitation and remediation of the environment after the incident, to ensure that agreed actions are based on sound scientific principles.

We continue to engage the Department of Water and Sanitation (DWS) on progress made against the action plan as well as results from the scheduled biomonitoring carried out in August and October 2022, and April 2023. The next biomonitoring will be in August 2023. The water quality has returned to pre-incident levels and the biomonitoring shows that the macro-invertebrates in the system have recovered, and natural fish breeding activity has been seen in some parts of the river.

We have made significant progress in achieving milestones which are critical to the overall rehabilitation process. These include:

- The accelerated rehabilitation of the area continues to be a priority. This will reduce the ingress of water by increasing run-off.
- The water management infrastructure which was vandalised or stolen due to illegal mining and criminality was reinstated after the incident. The construction of a longer-term system that includes an upgrade of the liming plant and construction of a new 5ML per day reverse osmosis facility to treat mine impacted water from underground workings is progressing well and is on track for completion by the end of 2023.
- The construction of the fish breeding facility at the Loskop Dam Nature Reserve is complete and commissioning is underway. The facility is expected to be fully operational by early-September 2023 and will be operated by members of the MTPA. The facility, which will be fully automated, will allow for remote monitoring and be powered by a solar energy system. In addition, this will supply back-up power to the Mabula Ground-Hornbill and nearby Black-footed Cat projects. Among the fish to be propagated are stargazer mountain catfish, chubbyhead barb, redbreast and banded tilapia, and several yellow fish species. The aim is to breed and release fish until our biomonitoring indicates that fish varieties and abundance have returned to pre-incident levels.

We continue to approach rehabilitation with the necessary level of urgency and commitment, in collaboration with all relevant stakeholders.

REHABILITATION AND CLOSURE PROVISIONS

The transition date of the NEMA Financial Provisioning Regulations, originally scheduled for February 2017, has been postponed on a number of occasions and most recently was deferred to 19 September 2023. In May 2023, the Minister of the Department of Forestry, Fisheries and the Environment (DFFE) published a draft notice to express her intention of delaying the compliance date to February 2024. We expect a fifth and final draft of the Regulations to be published for comment before they are finalised and promulgated. The underlying changes to the NEMA became law with effect from 30 June 2023.

[1] TRCFR for 30 June 2022 was previously reported in the Interim Financial Statements for the six months ended 30 June 2022 as 1.48. This figure was subsequently updated at year end to reflect the reclassification of an injury from a first-aid case to a medical treatment case.

The current draft of the NEMA Financial Provisioning Regulations intends to alter the way companies calculate the required financial provisioning and it is likely that compliance with these regulations will substantially increase the required quantum of financial provisioning to be made by mining right holders with existing operations. This likely increase is mainly due to the requirement for 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.

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 to prove the ability of passive treatment technologies to treat the mine impacted water on our sites. The passive treatment demonstration scale plant constructed in 2022 is now running continuously, and six of the twelve sulphide oxidation panels have been installed, with the remainder due for completion before year end. The plant uses bacteria to remove sulphates, neutralise water and remove metals to create a fit-for-purpose end-product that can be used in agriculture.

We are also using phytoremediation to control seepage and water ingress in mine-impacted areas, and we announced in 2022 our plan to plant a million trees in four years. Saplings will be propagated at a feeder nursery which is being constructed at our Greenside Colliery, and is due to be completed in the second half of 2023. The nursery will create permanent employment for 15 members of the community who will work in the nursery and undertake composting, planting and maintenance programmes as the project unfolds.

PATHWAY TO NET ZERO BY 2050

We remain committed to playing our part in tackling climate change. On 26 April 2023, we published our inaugural Climate Change Report, aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures. The report provides details of our scenario based approach to net zero as well as our climate-related risks. We have also committed to reducing our total scope 1 and 2 emissions by 30%, from a 2021 baseline, by 2030. For further information, please visit www.thungela.com/investors/integrated-reports.

CREATING VALUE FOR A SHARED FUTURE

In keeping with our commitment to responsibly create value together for a shared future, we will contribute R156 million to the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust collectively, related to our performance for the first half of 2023. This will have a significant and lasting impact on the lives of employees and those living in our host communities.

The Sisonke Employee Empowerment Scheme paid its second allocation to eligible employees in May 2023. Employees again participated in financial wellness training before receiving the award. The trustees of the Nkulo Community Partnership Trust continue to evaluate projects for implementation and have approved several socio-economic projects in the Steve Tshwete, eMalahleni and Govan Mbeki local municipalities for implementation. The projects address access to water and sanitation, health and basic education.

Enterprise and supplier development (ESD) is critical in South Africa as it supports economic growth and transformation imperatives. Our ESD programme, Thuthukani, launched a year ago and is assisting enterprises in our host municipalities of eMalahleni, Steve Tshwete and Govan Mbeki. The programme has already seen 14 graduates and currently has 56 enterprises participating.

Participation in the programme's supplier development component lasts between 12 and 36 months and sees business owners develop the competencies they need to run profitable, sustainable business ventures that can participate in our supply chain and other industries. In addition, qualifying enterprises are provided with loan funding through our fund administrator, which assists them with contract financing and the acquisition of equipment, and other resources to help them fulfil their contractual obligations and grow their businesses.

We are purposeful about our socio-economic development programmes and their desired impact. Our approach is to link the social initiatives we undertake to our business objectives and designing them to meet the impact goals we have set. During the reporting period, we handed over several social and labour plan projects, including a fire station and a taxi rank to the people of Phola and Ogies, respectively, as well as a new sewage network, in collaboration with Sasol, that was built for the Lebohang community near our Isibonelo Colliery.

GOVERNANCE

The board remains committed to supporting management in decision-making and driving its agenda on critical matters, including ESG related matters. The board approved the publication of the Environmental, Social and Governance Report and Thungela's maiden Climate Change Report - these were subsequently published on 26 April 2023.

The board believes that transparent disclosure and continued engagement with stakeholders on pertinent matters, including ESG, are crucial to the creation of value in the long term.

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:

- coal transport networks
- employee safety and health
- commodity price and foreign exchange rate fluctuations
- electricity supply
- community relations
- strata and geotechnical failure
- capital project risks
- cyber and information security
- legislative compliance
- environmental management
- impact of climate change on long-term demand
- event risks, including underground fires, gas and explosion; and shaft conveyance failure

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

COAL RESOURCES AND COAL RESERVES

For the reporting period, there were no material changes to the coal resources and coal reserves estimates disclosed in the Thungela Integrated Annual Report for the year ended 31 December 2022, other than the normal life-of-mine depletion associated with mining.

OUR PERFORMANCE

REVIEW OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2023

Net profit **R3.0 BILLION** (30 June 2022: R9.6 billion)	Headline earnings per share **R22.46** (30 June 2022: R67.23)	Adjusted EBITDA[Δ] **R4.4 BILLION** (30 June 2022: R16.7 billion)	Net cash[Δ] **R13.6 BILLION** (31 December 2022: R14.7 billion)
FOB cost[Δ] **R1,166/tonne** (30 June 2022: R1,093/tonne)	FOB cost excluding royalties[Δ] **R1,139/tonne** (30 June 2022: R927/tonne)	Interim dividend of **R1.4 BILLION** to shareholders of Thungela	Interim dividend per share **R10** 33% of adjusted operating free cash flow[Δ]

The first half of 2023 was marked by a shift toward a softer coal price environment amidst continued underperformance by TFR and inflationary pressures. Notwithstanding these conditions, the Group generated a net profit of R3.0 billion and R4.3 billion in adjusted operating free cash flow[Δ] for the six months ended 30 June 2023, and ended the period with net cash[Δ] of R13.6 billion.

Deon Smith
Chief financial officer

Seaborne coal prices have dropped significantly in 2023 mainly due to a milder winter in Europe which resulted in record high coal and gas stock levels across Europe. Lower revenues were also as a result of a wider discount to the Benchmark coal price of 18% in the first half of 2023 compared to 15% for the year ended 31 December 2022. This is mainly as a result of the sharp decrease in prices coupled with the timing of when discounts are negotiated, which is generally a number of months before the sale. Prices have since stabilised and we are currently observing lower discounts across all of our grades. Should prices remain at current levels we expect the discount achieved to narrow marginally in the second half of the year.

TFR performed at an annualised rate of 48Mtpa for the first half of 2023, including two derailments in May 2023, which resulted in the Group losing approximately 340kt of export sales. This represents a similar annualised industry run-rate as was observed in the second half of 2022, during which period TFR also experienced a significant derailment and labour unrest. We continue to implement a number of actions to mitigate the impact of the poor TFR performance, including optimising our allocated rail capacity to the extent that trains became available by continuing to produce and rail higher-grade products.

In 2022, the Group curtailed production mainly at the Khwezela Colliery, as the mine was in a ramp-up phase, and at the opencast operation of the Zibulo Colliery where we were able to realise substantial fixed and variable cost savings. In 2023, we made the decision to ramp up activities at Khwezela as we had sufficient stockpile capacity. In response to the rail constraints we instead removed underground production sections at Zibulo, Greenside and Goedehoop, which faced deteriorating geology and limited further stockpile capacity. We continue to carry the fixed cost of these sections, as we have opted to redeploy staff, but we have removed the associated variable costs. We are focused on the work to improve the resilience and readiness of our portfolio, but we expect a drag on unit costs during the second half of 2023, while this work is underway.

As we continue to manage high stockpile levels across our operations, we have continued to truck coal between our operations and to third-party sidings. In addition, during the first half of this year we have executed 413kt of free on truck domestic sales of lower quality export stock to further alleviate stockpile pressure.

The Group recorded export saleable production of 6.1Mt at an FOB cost per export tonne[Δ] of R1,166 (R1,139 per tonne excluding royalties) for the six months ended 30 June 2023. The Group realised 6.3Mt of export equity sales and generated adjusted EBITDA[Δ] of R4.4 billion.

In the second quarter of 2023 the board approved the Zibulo North Shaft life extension project at a budgeted cost of R2.4 billion, with first spend expected in the second half of 2023 and completion of the project expected in 2026. This key project will extend the life of the Zibulo underground operation by approximately 10 years, producing run of mine of up to 8Mt per annum.

Our capital expenditure for first six months of 2023 was R893 million, which comprises sustaining capital of R444 million and expansionary capital of R449 million, the latter relating mainly to the Elders production replacement project and early expenditure on the Zibulo North Shaft life extension project.

In February 2023 we announced the acquisition of a majority shareholding interest in Sungela Holdings, which will in turn acquire an 85% interest in the Ensham Coal Mine and related assets in Queensland Australia. We expect the transaction to complete on 31 August 2023.

The purchase price for the acquisition is AUD340 million, which consists of AUD267 million to be funded by Thungela, and AUD73 million to be funded by Audley Capital and Mayfair, our co-investors. Thungela's portion will be paid through net cash[Δ] available at 30 June 2023. In addition, Thungela will provide loan financing of AUD68 million to our co-investors to fund their investment, which is repayable through earnings generated by the Ensham Coal Mine.

The transaction was structured to enable the Group to benefit from the economics of the Ensham Business (subject to a limit) from 1 January 2023 through to completion. The determination of the economic benefit will be finalised over a period of three months following completion. The transaction is also subject to customary working capital adjustments upon completion.

A transition services agreement has been signed with the seller, Idemitsu Australia, to allow for services to continue to be provided by them for a period up to four months post completion of the transaction. We have started a number of transition activities to ensure that the Ensham Business will continue to operate without any interruption following the end of the transition deed period.

We have made our required annual contribution of R188 million into the green fund to further improve our environmental liability coverage[Δ] in line with our commitment to driving our ESG aspirations. In addition, we have spent R416 million on on-going rehabilitation on our closed operations mainly at Khwezela's Kromdraai and Umlalazi operations.

The board has declared an interim dividend of R10 per share. This represents R1.4 billion, or 33% of adjusted operating free cash flow[Δ] generated in the first half of 2023, and is therefore consistent with Thungela's dividend policy.

The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will receive a total contribution of R156 million for the first six months of 2023.

We remain committed to deliver on our purpose to responsibly create value together for a shared future, and we are confident that our disciplined capital allocation approach will ensure that Thungela continues to deliver value for our people, communities and shareholders over the long term.

REVIEW OF FINANCIAL PERFORMANCE CONTINUED

For the six months ended 30 June 2023

FINANCIAL OVERVIEW

Rand million (unless otherwise stated)	**30 June 2023**	30 June 2022
Revenue	**14,359**	26,176
Operating costs	**(10,604)**	(10,119)
Profit for the reporting period	**3,005**	9,630
Attributable to non-controlling interests	**(76)**	671
Attributable to the equity shareholders of the Group	**3,081**	8,959
Earnings per share (cents/share)	**2,245**	6,723
Headline earnings per share (cents/share)	**2,246**	6,723
WANOS (number of shares)	**137,215,916**	133,267,081
Dividend declared per share (Rand/share)	**10**	60
APMs$^{\Delta}$		
Adjusted EBITDA	**4,380**	16,679
Adjusted EBITDA margin (%)	**31**	64
FOB cost per export saleable tonne (Rand/tonne)	**1,166**	1,093
FOB cost per export saleable tonne excluding royalties (Rand/tonne)	**1,139**	927
Adjusted operating free cash flow	**4,298**	8,934
Net cash	**13,579**	14,815
Capital expenditure	**(893)**	(568)
Environmental liability coverage (%)	**57**	53
Thermal coal price and exchange rate		
Benchmark coal price (US$/tonne)	**129.50**	276.54
Average realised export price (US$/tonne)	**105.78**	239.93
Average realised export price (Rand/tonne)	**1,927**	3,697
Realised price as a % of Benchmark coal price	**82**	87
ZAR:US$ average exchange rate	**18.22**	15.41
kt		
Run of mine	**11,968**	12,412
Export saleable production	**6,075**	6,142
Domestic saleable production	**3,775**	3,132
Total saleable production	**9,850**	9,274
Export equity sales	**6,320**	6,485
Third-party export sales	**–**	21
Domestic sales from thermal export stockpiles	**413**	–
Other industrial and domestic sales	**3,413**	3,205
Total sales volumes	**10,146**	9,711

The table above reflects the financial results as disclosed in the condensed consolidated interim financial statements for the six months ended 30 June 2023, including the APMs as included in Annexure 1 on pages 78 to 82.

OPERATIONAL PERFORMANCE

ROM decreased by 3.6% to 11,968kt (30 June 2022: 12,412kt) due to further curtailment of export production in response to the impact of the on-going TFR poor rail performance. Export saleable production volumes decreased by 1.1% to 6,075kt (30 June 2022: 6,142kt) largely as a result of the decrease in ROM production.

TFR performance has continued to impact our operations and place strain on on-mine stockpile capacity. In order to manage the impact of the TFR performance, as well as increase our resilience, we have continued to curtail production by removing three underground sections from production. We have in turn ramped up production at the Khwezela Colliery, which has a longer remaining life of mine.

Export equity sales declined by 2.5% to 6,320kt (30 June 2022: 6,485kt). The decrease in export sales is again as a direct result of the poor TFR performance.

Domestic saleable production increased by 21% to 3,775kt (30 June 2022: 3,132kt) mainly due to increased production from the Rietvlei Colliery, while Isibonelo continued to experience operational challenges. Domestic sales increased by 6.5% to 3,413kt (30 June 2022: 3,205kt).

REVENUE

Revenue decreased by 45% to R14.4 billion (30 June 2022: R26.2 billion) mainly as a result of the sharp decline in Benchmark coal prices and wider discounts, which was partially alleviated by the impact of a weaker US dollar exchange rate. The Group achieved an average realised export price of R1,927 per tonne in the first half of 2023, a decrease of 48% from R3,697 per tonne in the comparative period.

The realised export price as a percentage of the Benchmark coal price averaged 82% for the first half of 2023, a notable reduction from 87% in the same period in 2022. The wider discount of 18% is mainly due to the timing of concluding the sales order, when the discount is agreed in absolute terms, and the Benchmark coal price when the coal is delivered to customers a few months later. In a falling price environment, this typically results in higher percentage discounts relative to the Benchmark coal price.

Revenue was supported by the impact of the weaker average US dollar exchange rate of R18.22 (30 June 2022: R15.41).

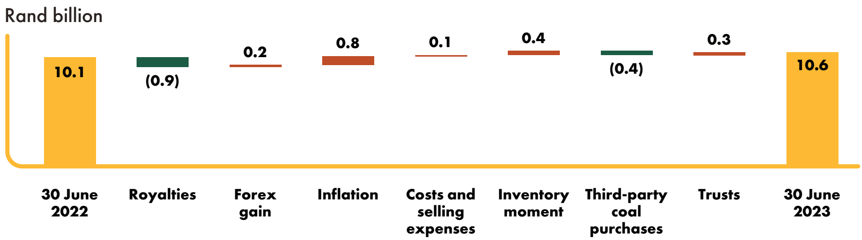
OPERATING COSTS

Operating costs increased by 5.0% to R10.6 billion from R10.1 billion in the comparative period. Royalties decreased year on year by R853 million on the back of the lower realised export prices.

Total operating costs excluding the impact of royalties increased by R1.3 billion, mainly due to an inflationary impact of 8.2% following a significant rise in costs across the energy complex in the second half of 2022. Further, we continue to incur fixed costs where we have removed underground sections to curtail production, as well as incremental stockpile management costs at all of our operations.

The purchase price of our third-party coal purchases fluctuates in line with Benchmark coal prices and accordingly decreased.

Contributions made to the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust as a result of the Group's performance in 2022 led to expenses totalling R400 million in the first half of this year, compared to R145 million in the prior period.



REVIEW OF FINANCIAL PERFORMANCE CONTINUED

For the six months ended 30 June 2023

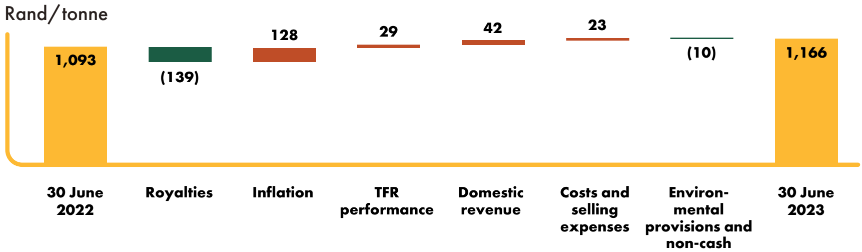
FOB COST PER EXPORT TONNE$^{\Delta}$

The FOB cost per tonne$^{\Delta}$ has increased to R1,166 from R1,093 per tonne in the comparative period. Excluding royalties the FOB cost per tonne$^{\Delta}$ increased by 23% to R1,139 compared to R927 per tonne in the comparative period.

The increase is mainly due to the impact of higher inflationary pressure on our operating costs following a significant rise in costs across the energy complex in the second half of 2022. Because of poor and inconsistent TFR performance we have curtailed production at various operations, but we continue to incur fixed costs as we work to underpin our cost competitiveness in the current market, along with incremental costs for stockpile management.

The positive impact on unit cost due to lower royalties was driven by the significant decrease in the Benchmark coal price.

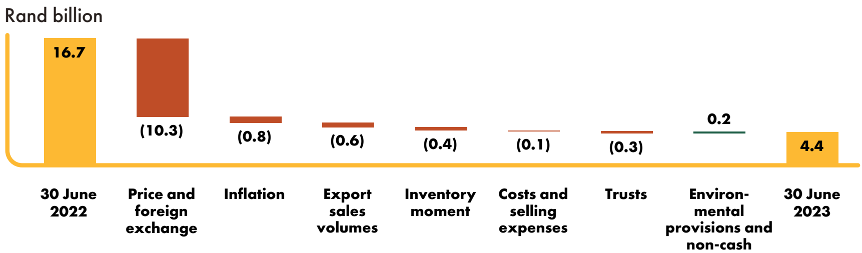
The lower domestic revenue from certain domestic sales that are linked to the Benchmark coal price had a negative impact on unit costs as the Benchmark coal price softened.



ADJUSTED EBITDA$^{\Delta}$

The Group generated adjusted EBITDA$^{\Delta}$ of R4.4 billion for the six months ended 30 June 2023 (30 June 2022: R16.7 billion). The marked reduction in earnings was driven by lower realised export prices and export sales volumes, partially offset by the impact of the weaker US dollar exchange rate. This was also impacted by the increase in operating costs.

The adjusted EBITDA margin$^{\Delta}$ declined to 31%, compared to 64% for 30 June 2022.



PROFIT FOR THE REPORTING PERIOD

Net profit for the reporting period was R3.0 billion (30 June 2022: R9.6 billion), as the Benchmark coal price softened considerably throughout the reporting period.

Profit attributable to the equity shareholders of the Group is R3.1 billion (30 June 2022: R9.0 billion), and a loss of R76 million (30 June 2022: profit of R671 million) is attributable to non-controlling interests. Following the acquisition of the remaining 27% interest in AAIC in November 2022, the proportion of profit attributable to the non-controlling interests of the Group has accordingly decreased, and relates only to Butsanani Energy in the current period.

The board approved a price risk management programme enabling the Group to enter into structured forward coal swap transactions from November 2021. The Group settled forward coal swap transactions of 176kt at a weighted average price of USD229 per tonne for the six months ended 30 June 2023. The settlement of these transactions resulted in a net cash inflow of R202 million for the period, as the Benchmark coal price was lower than the contracted prices.

The price risk management programme remains in place, within the mandate of the board, which is reassessed as market conditions change. The volumes committed under the programme at 30 June 2023 are minimal given the current market conditions.

Thungela is exposed to volatility in the US dollar exchange rate as a result of our export sales to AAML. The Group entered into FECs to manage our exposure to the volatility in the US dollar exchange rate throughout the year. The losses recognised on the FECs of R213 million in the first half of the year are more than offset by gains recognised on our closing cash balance in US dollars of R562 million, as well as gains recognised on our US dollar denominated trade receivables of R291 million, included in operating costs.

The Group incurred an income tax expense of R1.3 billion for the first six months of 2023 which results in an effective tax rate of 30% (30 June 2022: 18%). The effective tax rate is higher than the statutory tax rate of 27% primarily due to non-deductible expenses related to payments to the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Thungela generated earnings attributable to the equity shareholders of the Group of R3.1 billion, equivalent to R22.45 per share, for the period ended 30 June 2023. In the comparative period we generated earnings attributable to the equity shareholders of the Group of R9.0 billion (R67.23 per share).

Thungela generated headline earnings attributable to the equity shareholders of the Group of R3.1 billion, equivalent to R22.46 per share, for the period ended 30 June 2023. For the comparative period, we generated headline earnings of R9.0 billion (R67.23 per share).

The per share figures above are based on a WANOS of 137,215,916.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of R893 million for the period (30 June 2022: R568 million) comprising both sustaining capex and expansionary capex.

Stay-in-business capex of R339 million was spent on rehabilitation related capex and machinery overhauls as well as on intangibles as the Group migrates our information management infrastructure away from Anglo American in line with agreed transition plans.

Stripping and development capex of R105 million was spent on activities to access LOM reserves.

Expansionary capex of R449 million includes R327 million spent on the Elders production replacement project and a further R122 million of feasibility study as well as early development enabling spend on the Zibulo North Shaft project which was approved by the board in 2023.

The Group's capital is skewed towards the second half of 2023 due to the phasing of stripping and development spend as well as major overhaul spend which is planned for the second half of 2023. The expansionary capex at the Elders production replacement project has started to accelerate with peak spend expected in quarter four of 2023 and quarter one of 2024, while the Zibulo North Shaft capital expenditure ramps up in 2024.

NET WORKING CAPITAL

Net working capital at 30 June 2023 was R3.3 billion (31 December 2022: R4.1 billion).

The working capital reduction is driven by a reduction of trade receivables as a result of lower realised export coal prices. The Group drew down on stockpiles in the period, which was offset by a higher average cost of inventory.

ENVIRONMENTAL PROVISIONS

The environmental provisions are comprehensively assessed on an annual basis and determined with assistance from specialist independent environmental consultants. At 30 June 2023 the environmental provisions recognised amount to R7.7 billion (31 December 2022: R7.6 billion).

The Group has investments ringfenced in the environmental rehabilitation trusts and the green fund of R4.4 billion (31 December 2022: R4.1 billion). Environmental liability coverage$^{\Delta}$ has increased from 54% at 31 December 2022 to 57% at 30 June 2023, mainly as a result of our R188 million contribution to the green fund in 2023.

The environmental provisions are determined using the MPRDA Regulations as a base, adjusted for costs the Group is likely to incur until closure is completed. The financial provisioning as required by the current MPRDA Regulations is assessed annually and amounted to R4.4 billion at 31 December 2022.

The difference between the financial provisioning required and the environmental provisions recognised 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. These costs are most significantly in relation to costs for the treatment of polluted or extraneous water.

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 current draft of the NEMA Financial Provisioning Regulations requires 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. We are actively working to prove the efficacy of passive water treatment technologies, and commissioned a demonstration scale plant in 2022 to prove that this treatment can manage our water risks post mine-closure in line with the methods included in our environmental provisions.

The transition date of the NEMA Financial Provisioning Regulations, previously scheduled for February 2017, has been postponed on a number of occasions. In May 2023, the Minister published a draft notice to express her intention of delaying the compliance date to February 2024.
A fifth and final draft of the Regulations is expected to be published for comment before they are finalised and promulgated. Should the NEMA Financial Provisioning Regulations become effective as currently drafted, the level of financial provisioning required to be held is likely to increase. While the immediate impact of this regulatory change is primarily the cost of maintaining a higher quantum of financial guarantees, the source of the capital across the mining industry which may be required to meet the increased financial provisioning requirements holds a broader liquidity risk across the South African market. We are however confident in our ability to source the increased guarantees on similar terms to our existing arrangements.

CAPITAL ALLOCATION

The Group's capital allocation framework was designed to maximise value creation based on periods of volatility and uncertainty that had historically been observed in thermal coal markets. The framework ensures that the Group prioritises returns to shareholders during periods of supportive market conditions (as we have demonstrated since listing in 2021), while maintaining balance sheet flexibility in periods of weaker prices. As a result, both the capital allocation framework and the Group's dividend policy remain unchanged, notwithstanding softer coal prices and continued poor rail performance on the part of TFR.

Thungela has a strong balance sheet which will allow us to weather the challenging market conditions currently facing the industry, while at the same time continuing to invest in the projects crucial to the competitiveness of our portfolio through the cycle.

The Group generated adjusted operating free cash flow[Δ] of R4.3 billion in the first half of 2023, which takes into account the investment in sustaining capital required to sustain and improve our existing operations, while adequately collateralising the Group's environmental liabilities.

The board reaffirms its commitment to Thungela's dividend policy to target a minimum payout of 30% of adjusted operating free cash flow[Δ] through the declaration of an interim dividend of R10 per share – 33% of adjusted operating free cash flow[Δ] generated in the first half of 2023. The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will also receive a further R156 million collectively.

The board has exercised a degree of caution regarding the allocation of the net cash[Δ] at the end of the reporting period, recognising the need to fund the Ensham acquisition as well as the Elders and Zibulo North Shaft projects, coupled with the continued uncertain market conditions and rail performance.

The Group's balance sheet flexibility is an important consideration as we seek to execute the Group's strategic priorities and is an important consideration in the execution of a potential share buyback programme.

At the AGM on 31 May 2023, Thungela shareholders approved the special resolution providing general authority to execute a share buyback. The board considers buybacks as a useful capital allocation tool and carefully considered the execution of a buyback programme as a form of additional shareholder returns in addition to the stated dividend policy.

The board recognises the benefits that a share buyback could have for shareholders, but is cognisant of the fact that many resources companies execute a buyback following the peak of the commodity cycles, with the risk that these share buybacks are then executed during periods of declining commodity prices, resulting in less than favourable outcomes for shareholders. The board accordingly continues to monitor the ongoing market volatility, the trajectory of rail performance and the level of balance sheet flexibility the Group requires, as we assess the appropriate approach to a potential share buyback that delivers long-term value creation for shareholders.

OPERATIONAL OUTLOOK

	2023 Revised	2023 Previous guidance
Export saleable production (Mt)	11.5 – 12.5	10.5 – 12.5
FOB cost per export tonne[Δ] (Rand/tonne)	1,170 – 1,250	1,131 – 1,264
FOB cost per export tonne excluding royalties[Δ] (Rand/tonne)	1,120 – 1,200	1,047 – 1,180
Capital – sustaining (Rand billion)	1.3 – 1.5	1.3 – 1.5
Capital – expansionary (Rand billion)	1.6 – 1.8	1.6 – 1.8

Looking ahead, the Group is updating its operational outlook for the 2023 year, based on operations for the first six months of the year. The range for export saleable production is accordingly narrowed to between 11.5Mt and 12.5Mt. Achieving the lower end of this range requires an annualised TFR industry run rate of 47Mtpa in the second half of the year.

Our guidance for FOB cost per export tonne[Δ] for 2023 has been revised to between R1,120 and R1,200 excluding royalties. Including royalties the guidance range is revised to between R1,170 and R1,250 per tonne using a forecast Benchmark coal price of USD100 per tonne. This increase is primarily due to a lower domestic by-product revenue offset from Isibonelo and Mafube.

Capital expenditure guidance remains unchanged. Our sustaining capital expenditure guidance for 2023 remains between R1.3 billion and R1.5 billion. Expansionary capex is expected to be between R1.6 billion and R1.8 billion, relating primarily to R1.2 billion for the Elders project and R0.5 billion for the Zibulo North Shaft project.

The 2023 cost guidance provided reflects the impact of the reduction in underground sections already undertaken this year. We have embarked on a programme to improve productivity across our operations as well as to reduce costs where we have removed production. The outcome of this work will be reflected in our 2024 guidance which we expect to provide when we report our full year results in March 2024.

The guidance for 2023 excludes the Ensham Business and we will accordingly only provide guidance after completion of the transaction.

REVIEW OF OPERATIONAL PERFORMANCE

UNDERGROUND OPERATIONS

GOEDEHOOP COLLIERY

	30 June 2023	30 June 2022
Fatalities	–	–
TRCFR	0.71	1.59
Total saleable production (kt)	1,869	1,358
Export saleable production (kt)	1,091	1,025
Domestic production (kt)	778	333
FOB cost per tonne^Δ (Rand/tonne)	1,400	1,395
FOB cost per tonne excluding royalties^Δ (Rand/tonne)	1,257	1,151
Capex (Rand million)	8	29

Safety
Goedehoop recorded a TRCFR of 0.71 compared to 1.59 for the comparative period due to fewer incidents as a result of a focused safety drive on the mine.

Performance
Export saleable production of 1,091kt at 30 June 2023 was 6.4% higher than the comparative period mainly due to increased productivity. The mine continues its stockpile capacity management and utilisation of third-party sidings to alleviate the impact of poor rail performance.

Domestic saleable production increased by 134% to 778kt as sales contracts from Khwezela transitioned to Goedehoop.

FOB cost per tonne excluding royalties^Δ of R1,257 was 9.2% higher than the comparative period as a result of the impact of inflationary pressure and stockpile management costs which included trucking costs to alternative rail sidings.

GREENSIDE COLLIERY

	30 June 2023	30 June 2022
Fatalities	–	–
TRCFR	2.12	2.18
Total saleable production (kt)	988	1,230
Export saleable production (kt)	988	1,230
Domestic production (kt)	–	–
FOB cost per tonne^Δ (Rand/tonne)	1,445	1,330
FOB cost per tonne excluding royalties^Δ (Rand/tonne)	1,306	1,054
Capex (Rand million)	25	55

Safety
Greenside recorded a TRCFR of 2.12 compared to 2.18 for the comparative period due to fewer incidents.

Performance
Export saleable production of 988kt at 30 June 2023 was 20% lower than the comparative period as production was curtailed due to the poor rail performance and high stockpiles. Challenging geological conditions as well as equipment related challenges further impacted production. On mine stockpiles were significantly higher due to the impact of rail performance.

FOB cost per tonne excluding royalties^Δ of R1,306 is 24% higher than the comparative period mainly as a result of the lower production volumes and inflationary pressure on costs.

ZIBULO COLLIERY

	30 June 2023	30 June 2022
Fatalities	1	–
TRCFR	1.53	–
Total saleable production (kt)	2,005	2,267
Export saleable production (kt)	2,005	2,267
Domestic production (kt)	–	–
FOB cost per tonne^Δ (Rand/tonne)	850	746
FOB cost per tonne excluding royalties^Δ (Rand/tonne)	818	572
Capex (Rand million)	266	260

Safety
Zibulo recorded a TRCFR of 1.53 compared to 0.00 in the prior period. Sadly in February 2023, Mr Breeze Mahlangu tragically passed away following complications after an accident in December 2022.

Performance
Export saleable production of 2,005kt in the first half of 2023 was 12% lower than the comparative period. Zibulo's underground production was curtailed in the first half of 2023 as a result of the poor rail performance. Productivity improvement projects are underway to mitigate the impact of the residual fixed costs after curtailing underground sections.

FOB cost per tonne excluding royalties^Δ of R818 is 43% higher than the comparative period as a result of the lower production volumes, inflationary pressures, contractor costs from the opencast operation and stockpile management costs.

OPENCAST OPERATIONS

KHWEZELA COLLIERY

	30 June 2023	30 June 2022
Fatalities	–	–
TRCFR	1.04	0.82
Total saleable production (kt)	1,007	902
Export saleable production (kt)	992	623
Domestic production (kt)	15	279
FOB cost per tonne∆ (Rand/tonne)	1,355	1,918
FOB cost per tonne excluding royalties∆ (Rand/tonne)	1,320	1,893
Capex (Rand million)	121	52

Safety

Khwezela recorded a higher TRCFR of 1.04 in the first half of 2023 compared to 0.82 in the prior period.

Performance

Export saleable production increased by 59% to 992kt as the Navigation pit was ramped up after being curtailed in 2022.

Domestic saleable production at 15kt reduced by 95% as the domestic reserves were depleted and the mine's focus is shifting to rehabilitation activities in the previously mined areas.

The FOB cost per tonne excluding royalties∆ of R1,320 has decreased by 30% compared to the prior period mainly as a result of the increased production volumes offset by higher energy complex costs.

MAFUBE COLLIERY (ATTRIBUTABLE)

	30 June 2023	30 June 2022
Fatalities	–	–
TRCFR	2.23	3.95
Total saleable production (kt)	700	922
Export saleable production (kt)	700	922
Domestic production (kt)	–	–
FOB cost per tonne∆ (Rand/tonne)	1,034	912
FOB cost per tonne excluding royalties∆ (Rand/tonne)	1,011	773
Capex (Rand million)	41	13

Safety

Mafube recorded a TRCFR of 2.23 in the first half of 2023 compared to 3.95 in the prior period.

Performance

Export saleable production at 700kt was 24% lower than the prior period as the operation experienced various operational and key equipment availability challenges. Pressure on stockpile capacity reduced through the utilisation of additional sidings.

FOB cost per tonne excluding royalties∆ of R1,011 increased by 31% mainly due to lower production volumes and the impact of higher energy input costs.

ISIBONELO COLLIERY

	30 June 2023	30 June 2022
Fatalities	–	–
TRCFR	–	2.48
Total saleable production (kt)	1,828	1,878
Export saleable production (kt)	–	–
Domestic production (incl. coal purchases) (kt)	1,828	1,878
FOR cost per tonne (Rand/tonne)	542	498
Capex (Rand million)	14	4

Safety

A positive safety drive resulted in Isibonelo recording a TRCFR of 0.00 in the first half of 2023 compared to 2.48 in the prior year.

Performance

Saleable production was 2.7% lower at 1,828kt in 2023. Equipment utilisation and adverse geological conditions continue to impact performance.

The FOR cost per tonne of R542 increased by 8.8% mainly due to equipment related costs, electricity and contractor costs.

Saleable production and FOR cost per tonne at 30 June 2022 has been updated from the figures disclosed in the Interim Financial Statements for the six months ended 30 June 2022. This revision is based on a change in methodology to include internal coal purchases from approved Group stockpiles supplied to Sasol in these metrics. Saleable production for 30 June 2022 was previously reported as 1,620kt and FOR cost at R543 per tonne.

DECLARATION OF DIVIDEND

The Thungela board of directors approved the declaration of an interim gross ordinary cash dividend of 1,000.00 cents per share (South African rand). The dividend has been declared from retained earnings accrued during the six-month period ended 30 June 2023. The Company's issued share capital at the declaration date is 140,492,585 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	Monday, 21 August 2023	Monday, 21 August 2023
Last day for trading to qualify and participate in the dividend	Tuesday, 19 September 2023	Wednesday, 20 September 2023
Trading ex-dividend commences	Wednesday, 20 September 2023	Thursday, 21 September 2023
Record date	Friday, 22 September 2023	Friday, 22 September 2023
Payment date to shareholders	Tuesday, 26 September 2023	Monday, 9 October 2023

No transfers of shareholdings to and from South Africa or the United Kingdom will be permitted between Tuesday, 19 September 2023 and Friday, 22 September 2023 (both dates inclusive). Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2023 and Friday, 22 September 2023 (both dates inclusive). Any changes to the dividend instructions and timetable will be announced on SENS and RNS.

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:ZAR24.26300, being the five-day (business days) average GBP:ZAR exchange rate (Bloomberg) up to Thursday, 17 August 2023.

Shareholders are encouraged to ensure that their bank mandates or international payment instructions have been recorded by their service provider or registrars before the last day to trade for this dividend. Electronic payments ensure more efficient and timely payment. It should be noted that cheques are no longer permitted to be issued or processed by South African banks; however, in the UK registrars will still issue and post cheques in the absence of specific mandates or payment instructions.

TAX TREATMENT FOR SHAREHOLDERS ON THE SOUTH AFRICAN REGISTER

The dividend will have no tax consequences for Thungela 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 800.00 cents per share (South African rand) – 1,000.00 cents gross dividend per share less 200.00 cents dividend withholding tax per share.

TAX TREATMENT FOR SHAREHOLDERS ON THE UK REGISTER

Thungela 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 Thungela, 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.

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 above mentioned documents to be submitted to Computershare UK by Friday, 15 September 2023.

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 32.98 pence per share (Pound sterling) – 41.22 pence gross dividend per share less 8.24 pence dividend withholding tax per share.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REVIEW REPORT

ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

To the Shareholders of Thungela Resources Limited

We have reviewed the condensed consolidated interim financial statements of Thungela Resources Limited in the accompanying Interim Financial Statements, as set out on pages 30 to 82, which comprise the condensed consolidated interim statement of financial position as at 30 June 2023 and the related condensed consolidated interim statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Thungela Resources Limited for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: V Khutlang
Registered Auditor

Johannesburg
South Africa

21 August 2023

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Revenue	2	**14,359**	26,176	50,753
Operating costs	3	**(10,604)**	(10,119)	(22,420)
Impairment losses		**–**	–	(656)
Fair value gains/(losses) on derivative financial instruments	12	**98**	(3,665)	(3,207)
Fair value loss on derivative asset – capital support	12	**–**	(347)	(347)
Business combination transaction costs	3	**(79)**	–	–
Restructuring costs and termination benefits		**(26)**	(5)	(29)
Profit before net finance income/(costs) and tax	3	**3,748**	12,040	24,094
Net finance income/(costs)		**545**	(271)	49
Investment income	4	**622**	281	963
Interest expense	4	**(426)**	(326)	(738)
Other net financing gains/(losses)	4	**349**	(226)	(176)
Profit before tax		**4,293**	11,769	24,143
Income tax expense	5	**(1,288)**	(2,139)	(5,938)
Profit for the reporting period		**3,005**	9,630	18,205
Attributable to:				
Non-controlling interests		**(76)**	671	1,217
Equity shareholders of the Group		**3,081**	8,959	16,988
Other comprehensive income				
Items that will not be reclassified to the statement of profit or loss				
Remeasurement of retirement benefit obligations		**–**	–	71
Related tax		**–**	–	(15)
Net items that will not be reclassified to the statement of profit or loss		**–**	–	56
Total comprehensive income for the reporting period		**3,005**	9,630	18,261
Attributable to:				
Non-controlling interests		**(76)**	671	1,217
Equity shareholders of the Group		**3,081**	8,959	17,044
Earnings per share[1]				
Basic (cents/share)	6	**2,245**	6,723	12,708
Diluted (cents/share)	6	**2,211**	6,621	12,487

[1] The earnings per share has been calculated using a WANOS of 137,215,916 (30 June 2022: 133,267,081, 31 December 2022: 133,684,828).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Assets				
Non-current assets				
Intangible assets		**152**	106	82
Property, plant and equipment	7	**10,889**	10,519	10,656
Environmental rehabilitation trusts	14	**3,502**	3,270	3,446
Investment in associate		**48**	52	43
Deferred tax assets	15	**357**	1,076	503
Financial asset investments		**979**	496	755
Investment in insurance structure		**1,229**	–	1,226
Trade and other receivables	9	**30**	3	1
Other non-current assets		**65**	83	65
Total non-current assets		**17,251**	15,605	16,777
Current assets				
Inventories	8	**3,166**	2,757	3,181
Trade and other receivables	9	**3,982**	6,279	4,907
Current tax assets	5	**129**	559	231
Financial asset investments		**21**	34	31
Derivative financial instruments	12	**19**	–	149
Cash and cash equivalents	10	**14,259**	15,158	15,299
Total current assets		**21,576**	24,787	23,798
Total assets		**38,827**	40,392	40,575
Equity				
Stated capital		**11,323**	10,041	11,323
Contributed capital		**965**	965	965
Merger reserve		**2,606**	2,606	2,606
Treasury shares		**(494)**	(302)	(302)
Share-based payments reserve		**77**	40	83
Other reserves		**145**	89	145
Retained earnings		**8,995**	9,550	11,453
Equity attributable to the shareholders of the Group		**23,617**	22,989	26,273
Non-controlling interests		**(191)**	2,571	(114)
Total equity		**23,426**	25,560	26,159
Liabilities				
Non-current liabilities				
Lease liabilities		**46**	100	62
Retirement benefit obligations		**416**	446	405
Deferred tax liabilities	15	**1,472**	1,356	1,421
Environmental and other provisions	14	**7,362**	6,686	7,179
Total non-current liabilities		**9,296**	8,588	9,067
Current liabilities				
Trade and other payables	11	**3,862**	3,797	3,997
Loans and borrowings		**63**	60	60
Lease liabilities		**31**	55	31
Environmental and other provisions	14	**1,528**	718	1,236
Derivative financial instruments	12	**67**	1,533	–
Current tax liabilities	5	**554**	81	25
Total current liabilities		**6,105**	6,244	5,349
Total liabilities		**15,401**	14,832	14,416
Total equity and liabilities		**38,827**	40,392	40,575

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Rand million	Notes	Stated capital	Contributed capital	Merger reserve	Treasury shares
Balance at 1 January 2022		10,041	965	2,606	(183)
Purchase of shares by Group companies		–	–	–	(165)
Total comprehensive income for the reporting period		–	–	–	–
Dividends paid	18	–	–	–	–
Movements in share-based payments reserve[2]	17	–	–	–	–
Treasury shares issued to employees on vesting of share awards		–	–	–	46
Balance at 30 June 2022		10,041	965	2,606	(302)
Acquisition of additional interest in subsidiary		1,282	–	–	–
Total comprehensive income for the reporting period		–	–	–	–
Dividends paid	18	–	–	–	–
Movements in share-based payment reserve[2]	17	–	–	–	–
Balance at 31 December 2022		**11,323**	**965**	**2,606**	**(302)**
Purchase of shares by Group companies		**–**	**–**	**–**	**(260)**
Total comprehensive income/(loss) for the reporting period		**–**	**–**	**–**	**–**
Dividends paid	18	**–**	**–**	**–**	**–**
Movements in share-based payments reserve[2]	17	**–**	**–**	**–**	**–**
Treasury shares issued to employees on vesting of share awards		**–**	**–**	**–**	**68**
Balance at 30 June 2023		**11,323**	**965**	**2,606**	**(494)**

[1] Includes the financial asset revaluation reserve of R3 million (30 June 2022: R3 million, 31 December 2022: R3 million) and the retirement benefit obligation reserve of R142 million (30 June 2022: R86 million, 31 December 2022: R142 million).
[2] Includes movements as a result of share-based payment expenses of R64 million (30 June 2022: R70 million, 31 December 2022: R113 million) reduced by the impact of the vesting of shares of R70 million (30 June 2022: R46 million, 31 December 2022: R46 million) under the Thungela share plan.

Share-based payments reserve	Other reserves[1]	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
16	89	3,039	16,573	1,901	18,474
—	—	—	(165)	—	(165)
—	—	8,959	8,959	671	9,630
—	—	(2,448)	(2,448)	(1)	(2,449)
24	—	46	70	—	70
—	—	(46)	—	—	—
40	89	9,550	22,989	2,571	25,560
—	—	1,909	3,191	(3,191)	—
—	56	8,029	8,085	546	8,631
—	—	(8,035)	(8,035)	(41)	(8,076)
43	—	—	43	1	44
83	**145**	**11,453**	**26,273**	**(114)**	**26,159**
—	**—**	**—**	**(260)**	**—**	**(260)**
—	**—**	**3,081**	**3,081**	**(76)**	**3,005**
—	**—**	**(5,541)**	**(5,541)**	**(1)**	**(5,542)**
(6)	**—**	**70**	**64**	**—**	**64**
—	**—**	**(68)**	**—**	**—**	**—**
77	**145**	**8,995**	**23,617**	**(191)**	**23,426**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Cash flows from operating activities				
Profit before tax		**4,293**	11,769	24,143
Net finance (income)/costs	4	**(545)**	271	(49)
Profit before net finance income/(costs) and tax		**3,748**	12,040	24,094
Impairment losses		**—**	—	656
Fair value loss on derivative asset – capital support	12	**—**	347	347
Fair value (gains)/losses on derivative financial instruments	12	**(98)**	3,665	3,207
Depreciation and amortisation	3	**625**	622	1,197
Share-based payment charges		**64**	70	113
Increase in provisions[1]		**450**	373	1,730
Loss on sale of property, plant and equipment	3	**1**	—	17
Other adjustments		**—**	8	15
Movements in working capital		**747**	(1,752)	(618)
Decrease/(increase) in inventories		**14**	(211)	(632)
Decrease/(increase) in trade and other receivables		**807**	(1,803)	(381)
(Decrease)/increase in trade and other payables		**(74)**	262	395
Cash flows from operations		**5,537**	15,373	30,758
Amounts applied to reduce environmental and other provisions[2]	14	**(416)**	(226)	(846)
Cash inflow/(outflow) on settlement of derivative financial instruments	12	**81**	(2,082)	(3,561)
Income tax paid	5	**(460)**	(3,591)	(6,567)
Net cash generated from operating activities		**4,742**	9,474	19,784
Cash flows from investing activities				
Expenditure on property, plant and equipment	2	**(812)**	(568)	(1,923)
Expenditure on intangible assets	2	**(81)**	—	—
Purchase of financial asset investments		**(190)**	(190)	(443)
Investment in insurance structure		**—**	—	(1,224)
Repayment of loans granted to investees		**4**	15	31
Loans granted to investees		**—**	(3)	(8)
(Advance)/repayment of quasi-equity loans to associate		**(5)**	10	20
Investment income received		**574**	271	707
Net cash utilised in investing activities		**(510)**	(465)	(2,840)
Cash flows from financing activities				
Interest expense paid		**(16)**	(18)	(33)
Capital repayment of lease liabilities		**(15)**	(15)	(26)
Repayment of loans and borrowings		**(1)**	(6)	(9)
Purchase of shares by Group companies		**(260)**	(165)	(165)
Dividends paid to equity shareholders of the Group	18	**(5,541)**	(2,448)	(10,483)
Dividends paid to non-controlling interests	18	**(1)**	(1)	(42)
Other financing activities		**—**	(6)	—
Net cash utilised in financing activities		**(5,834)**	(2,659)	(10,758)
Net (decrease)/increase in cash and cash equivalents		**(1,602)**	6,350	6,186
Cash and cash equivalents at the start of the reporting period		**15,299**	8,736	8,736
Net (decrease)/increase in cash and cash equivalents		**(1,602)**	6,350	6,186
Effects of changes in foreign exchange rates	4	**562**	72	377
Cash and cash equivalents at the end of the reporting period	10	**14,259**	15,158	15,299

[1] Increase in provisions includes amounts recognised in the statement of profit or loss and other comprehensive income in respect of environmental and other provisions of R282 million (30 June 2022: R214 million, 31 December 2022: R1,302 million) and contributions to the Nkulo Community Partnership Trust of R198 million (30 June 2022: R136 million, 31 December 2022: R386 million). Refer to note 14 for further detail.

[2] Amounts applied to reduce environmental and other provisions represent cash paid to settle these obligations which is not recognised through the statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

A. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the requirements and containing the information required by IAS 34, and the South African Financial Reporting Requirements, as applicable, as well as with the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules.

The condensed consolidated interim financial statements have been prepared in accordance with IFRS and the accounting policies as included in the Annual Financial Statements for the year ended 31 December 2022. The accounting policies have been consistently applied by the Group and are supported by reasonable judgements and estimates.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value. The condensed consolidated interim 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, net current asset position and net cash$^{\Delta}$ position are set out in the condensed consolidated interim financial statements. The Group's net cash$^{\Delta}$ at 30 June 2023 was R13,579 million (30 June 2022: R14,815 million, 31 December 2022: R14,720 million). The Group's net current asset position of R15,471 million (30 June 2022: R18,543 million, 31 December 2022: R18,449 million) remains healthy, despite the poor rail performance from TFR impacting our ability to rail product to the RBCT for export. The Group has no significant external debt at 30 June 2023, and has not drawn down on the facilities available.

The directors have considered Thungela's cash flow forecasts for the period to the end of August 2024, 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 condensed consolidated interim 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 at 30 June 2023. Actual results may differ from these estimates. The critical accounting judgements and key sources of estimation uncertainty for the six months ended 30 June 2023 are similar to those applied in preparing the Annual Financial Statements for the year ended 31 December 2022.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements, are disclosed in the respective notes.

D. New, revised and amended accounting pronouncements

New standards effective for annual periods beginning on or after 1 January 2023

There were no new, revised and amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 January 2023 that had a material impact on the condensed consolidated interim financial statements.

New standards, amendments to existing standards and interpretations not yet effective

The Group did not early adopt any new, revised or amended accounting standards or interpretations. These accounting standards, amendments to issued accounting standards and interpretations are not expected to have a material impact on the Group's financial statements.

E. Independent external auditor's opinion

PricewaterhouseCoopers Incorporated, the independent external auditor of the Group, has conducted a review in accordance with International Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor, and their unmodified review report is available on page 29 of this document. Any reference to future financial performance included in this document has not been reviewed or reported on by the Group's independent external auditor. The independent external auditor's report does not necessarily report on all of the information contained in this document.

2. SEGMENTAL INFORMATION

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

Reportable segments

Operating segments with similar economic characteristics are aggregated into reportable segments. The economic characteristics considered include the performance of key equipment specific to each type of operation and the productivity of the operations measured in volumes and headcount. Thungela has one principal operating activity which is the operation of opencast and underground thermal coal mines and the processing of 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
Services	Operations providing various services to support the ongoing operations of the Group

2. SEGMENTAL INFORMATION CONTINUED

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

Rand million	Opencast	Underground	Services	Reviewed 30 June 2023 6 months Total
Revenue	5,043	9,316	–	14,359
Operating costs excluding depreciation and amortisation	(3,701)	(4,739)	(1,539)	(9,979)
Employee costs	(615)	(1,374)	(510)	(2,499)
Third-party coal purchases	(464)	(77)	–	(541)
Consumables used in production	(593)	(401)	(7)	(1,001)
Maintenance expenditure	(594)	(901)	(134)	(1,629)
Production input costs	(1,053)	(535)	(45)	(1,633)
Inventory production movement	35	(114)	–	(79)
Logistics costs	(351)	(1,229)	–	(1,580)
Royalties	(26)	(137)	–	(163)
Central costs and other (expenses)/income[1]	(40)	29	(843)	(854)
Adjusted EBITDA$^{\Delta}$	1,342	4,577	(1,539)	4,380
Depreciation and amortisation	(88)	(523)	(14)	(625)
Fair value gains on derivative financial instruments	–	–	98	98
Business combination transaction costs	–	–	(79)	(79)
Restructuring costs and termination benefits	–	–	(26)	(26)
Net finance (costs)/income	(192)	(61)	798	545
Investment income	101	33	488	622
Interest expense	(293)	(94)	(39)	(426)
Other financing gains	–	–	349	349
Income tax expense	(430)	(801)	(57)	(1,288)
Profit/(loss) after tax	632	3,192	(819)	3,005

[1] Central costs and other (expenses)/income in the services segment include recharged costs from Anglo American of R115 million, information management expenses of R145 million and contributions to the Nkulo Community Partnership Trust of R198 million.

Rand million	Opencast	Underground	Services	Reviewed 30 June 2022 6 months Total
Revenue	8,516	17,660	–	26,176
Operating costs excluding depreciation and amortisation[1]	(4,241)	(4,865)	(391)	(9,497)
Employee costs	(520)	(1,156)	(454)	(2,130)
Third-party coal purchases	(960)	(31)	–	(991)
Consumables used in production	(527)	(392)	(14)	(933)
Maintenance expenditure	(547)	(703)	(87)	(1,337)
Production input costs	(831)	(447)	(134)	(1,412)
Inventory production movement	76	225	–	301
Logistics costs	(387)	(1,075)	–	(1,462)
Royalties	(149)	(983)	116	(1,016)
Central costs and other (expenses)/income	(396)	(303)	182	(517)
Adjusted EBITDA$^{\Delta}$	4,275	12,795	(391)	16,679
Depreciation and amortisation	(154)	(466)	(2)	(622)
Fair value losses on derivative financial instruments	–	–	(3,665)	(3,665)
Fair value loss on derivative asset – capital support	–	–	(347)	(347)
Restructuring costs and termination benefits	–	–	(5)	(5)
Net finance (costs)/income[1]	(196)	(87)	12	(271)
Investment income	14	3	264	281
Interest expense	(210)	(90)	(26)	(326)
Other financing losses	–	–	(226)	(226)
Income tax (expense)/credit	(3)	(3,118)	982	(2,139)
Profit/(loss) after tax	3,922	9,124	(3,416)	9,630

[1] Enhanced disclosure of operating costs and net finance (costs)/income has been presented to allow for greater understanding of the costs incurred by the Group. There is no change in the subtotals as previously disclosed. This disclosure does not impact any other lines in the condensed consolidated interim financial statements.

2. SEGMENTAL INFORMATION CONTINUED

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

Rand million	Opencast	Underground	Services	Audited 31 December 2022 12 months Total
Revenue	18,366	32,387	–	50,753
Operating costs excluding depreciation and amortisation	(10,003)	(9,526)	(1,694)	(21,223)
Employee costs	(1,144)	(2,622)	(984)	(4,750)
Third-party coal purchases	(2,095)	(19)	–	(2,114)
Consumables used in production	(1,150)	(812)	(33)	(1,995)
Maintenance expenditure	(1,244)	(1,534)	(262)	(3,040)
Production input costs	(3,018)	(1,140)	218	(3,940)
Inventory production movement	(206)	793	–	587
Logistics costs	(820)	(1,962)	–	(2,782)
Royalties	(347)	(1,527)	(81)	(1,955)
Central costs and other income/(expenses)	21	(703)	(552)	(1,234)
Adjusted EBITDA[Δ]	8,363	22,861	(1,694)	29,530
Depreciation and amortisation	(284)	(910)	(3)	(1,197)
Impairment losses	(613)	–	(43)	(656)
Fair value losses on derivative financial instruments	–	–	(3,207)	(3,207)
Fair value loss on derivative asset – capital support	–	–	(347)	(347)
Restructuring costs and termination benefits	–	–	(29)	(29)
Net finance (costs)/income	(319)	(125)	493	49
Investment income	166	73	724	963
Interest expense	(485)	(198)	(55)	(738)
Other financing losses	–	–	(176)	(176)
Income tax (expense)/credit	(778)	(5,439)	279	(5,938)
Profit/(loss) after tax	6,369	16,387	(4,551)	18,205

Capital expenditure

Capital expenditure encompasses expenditure (including cash capital expenditure and capital expenditure accruals) to sustain the business and to invest in production replacement and life extension projects.

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

Rand million	Expansionary	Stay-in-business	Stripping and development	Reviewed 30 June 2023 6 months Total
Property, plant and equipment	406	268	105	779
Opencast	—	177	—	177
Underground	394	86	105	585
Services	12	5	—	17
Intangible assets	—	81	—	81
Services	—	81	—	81
Expenditure on property, plant and equipment and intangible assets	406	349	105	860
Reconciliation to the statement of cash flows				
Movement in capital creditors	43	(10)	—	33
Capital expenditure[1]	449	339	105	893

[1] Capital expenditure consists of expenditure on property, plant and equipment of R812 million and expenditure on intangible assets of R81 million.

Rand million	Expansionary	Stay-in-business	Stripping and development	Reviewed 30 June 2022 6 months Total
Property, plant and equipment	28	259	213	500
Opencast	—	54	52	106
Underground	27	173	161	361
Services	1	32	—	33
Expenditure on property, plant and equipment	28	259	213	500
Reconciliation to the statement of cash flows				
Movement in capital creditors	—	68	—	68
Capital expenditure	28	327	213	568

2. SEGMENTAL INFORMATION CONTINUED

Capital expenditure continued

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

Rand million	Expansionary	Stay-in-business	Stripping and development	Audited 31 December 2022 12 months Total
Property, plant and equipment	235	1,272	455	1,962
Opencast	–	483	77	560
Underground	205	595	378	1,178
Services	30	194	–	224
Expenditure on property, plant and equipment	235	1,272	455	1,962
Reconciliation to the statement of cash flows				
Movement in capital creditors	–	(39)	–	(39)
Capital expenditure	235	1,233	455	1,923

Revenue

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

Revenue by product and segment

Rand million	**Opencast**	**Underground**	**Reviewed 30 June 2023 6 months Total**
Thermal export	**2,956**	**9,224**	**12,180**
Industrial and domestic	**2,087**	**92**	**2,179**
Other industrial and domestic	**1,832**	**32**	**1,864**
Domestic sales from thermal export stockpiles	**255**	**60**	**315**
Total revenue	**5,043**	**9,316**	**14,359**

Rand million	Opencast	Underground	Reviewed 30 June 2022 6 months Total
Thermal export	6,414	17,641	24,055
Industrial and domestic	2,102	19	2,121
Total revenue	8,516	17,660	26,176

Rand million	Opencast	Underground	Audited 31 December 2022 12 months Total
Thermal export	13,415	32,341	45,756
Industrial and domestic	4,951	46	4,997
Total revenue	18,366	32,387	50,753

Revenue by destination

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
United Kingdom	**12,180**	24,055	45,756
South Africa	**2,179**	2,121	4,997
Total revenue	**14,359**	26,176	50,753

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

Revenue by customer

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Sales to AAML	**12,180**	24,055	45,756
Other – domestic sales[1]	**2,179**	2,121	4,997
Total revenue	**14,359**	26,176	50,753

[1] No individual domestic customer contributes more than 10% to the total revenue generated by the Group.

3. PROFIT BEFORE NET FINANCE INCOME/(COSTS) AND TAX

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

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

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Revenue	2	**14,359**	26,176	50,753
Employee costs		**(2,499)**	(2,130)	(4,750)
Depreciation	7	**(613)**	(608)	(1,169)
Amortisation		**(12)**	(14)	(28)
Third-party coal purchases		**(541)**	(991)	(2,114)
Consumables used in production		**(1,001)**	(933)	(1,995)
Maintenance expenditure		**(1,629)**	(1,337)	(3,040)
Production input costs		**(1,633)**	(1,412)	(3,940)
Inventory production movement		**(79)**	301	587
Logistics costs		**(1,580)**	(1,462)	(2,782)
Demurrage and other expenses		**(132)**	(119)	(216)
Movement in provisions for expected credit losses		**17**	(39)	(51)
Royalties		**(163)**	(1,016)	(1,955)
Exploration and evaluation[1]		**(27)**	(29)	(54)
Exploration expenditure		**(15)**	(14)	(28)
Evaluation expenditure		**(12)**	(15)	(26)
Foreign exchange gains		**291**	525	835
Loss on sale of property, plant and equipment		**(1)**	–	(17)
Audit fees		**(5)**	(2)	(6)
Professional fees		**(105)**	(47)	(144)
Learnership and development expenses		**(138)**	(135)	(254)
Information management expenses		**(145)**	–	(292)
Temporary staff		**(97)**	(96)	(173)
Contributions to the Nkulo Community Partnership Trust	14	**(198)**	(136)	(386)
Recharged costs from Anglo American		**(124)**	(287)	(256)
Administration expenses		**(115)**	(132)	(239)
Operating expenses		**(9)**	(155)	(17)
Other administration expenses		**(27)**	(74)	(128)
Other operating expenses		**(163)**	(78)	(92)
Total operating costs		**(10,604)**	(10,119)	(22,420)
Impairment losses		**–**	–	(656)
Fair value gains/(losses) on derivative financial instruments	12	**98**	(3,665)	(3,207)
Fair value loss on derivative asset – capital support	12	**–**	(347)	(347)
Business combination transaction costs[2]		**(79)**	–	–
Restructuring costs and termination benefits		**(26)**	(5)	(29)
Profit before net finance income/(costs) and tax		**3,748**	12,040	24,094

[1] Exploration and evaluation expenditure excludes associated employee costs, which are considered immaterial.
[2] Business combination transaction costs consists of costs incurred on activities related to the acquisition of the Ensham Business.

4. NET FINANCE INCOME/(COSTS)

The Group's net finance income/(costs) includes investment income relating to the investing activities of the Group, the unwinding of the discount on environmental and other provisions as well as foreign exchange gains and losses, and other financing costs.

Net finance income/(costs) can be analysed as follows:

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Investment income				
Interest income on cash and cash equivalents		**534**	269	775
Growth on environmental rehabilitation trusts' assets	14	**56**	–	158
Growth on other environmental investments	14	**23**	5	16
Growth on investment in insurance structure		**3**	–	2
Other interest income		**6**	7	12
Total investment income		**622**	281	963
Interest expense				
Interest and other finance expenses		**(21)**	(16)	(35)
Loss on environmental rehabilitation trusts' assets	14	**–**	(18)	–
Net interest costs on retirement benefit obligations		**(25)**	(24)	(48)
Unwinding of discount on environmental and other provisions	14	**(380)**	(268)	(655)
Total interest expense		**(426)**	(326)	(738)
Other financing gains/(losses)				
Foreign exchange gains on cash and cash equivalents		**562**	72	377
Fair value losses on derivative financial instruments	12	**(213)**	(298)	(553)
Total other financing gains/(losses)		**349**	(226)	(176)
Net finance income/(costs)		**545**	(271)	49

5. INCOME TAX EXPENSE

The income tax expense comprises current tax charged in line with relevant legislation, and deferred tax determined in line with IAS 12.

Analysis of income tax expense

Rand million	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Current tax expense		**(1,091)**	(2,881)	(6,057)
Charged in respect of the current reporting period		**(1,093)**	(2,881)	(6,000)
Credited/(charged) in respect of prior reporting periods		**2**	–	(57)
Deferred tax (expense)/credit		**(197)**	742	119
(Charged)/credited in respect of deferred tax assets	15	**(128)**	723	156
(Charged)/credited in respect of deferred tax liabilities	15	**(69)**	19	(37)
Total income tax expense		**(1,288)**	(2,139)	(5,938)

Given the lower average Benchmark coal price experienced throughout the reporting period in comparison to the prior year, all entities in the Group have achieved a lower level of taxable income. This has led to a significant decrease in the income tax expense and resultant provisional tax payments in the six months ended 30 June 2023.

The effective tax rate for the reporting period of 30% (30 June 2022: 18%, 31 December 2022: 25%) is higher than the applicable statutory rate of corporation tax in South Africa of 27%. This is primarily due to non-deductible expenses incurred throughout the Group.

The South African corporate tax rate was reduced from 28% to 27% with effect from 1 January 2023.

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	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Current tax assets	**129**	559	231
Current tax liabilities	**(554)**	(81)	(25)
Net current tax (liabilities)/assets	**(425)**	478	206

Income tax paid

The income tax paid can be analysed as follows:

Rand million	Reviewed 30 June 2023 6 months	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Balance at the start of the reporting period	**206**	(232)	(232)
Income tax – current tax charge	**(1,091)**	(2,881)	(6,057)
Interest capitalised	**—**	—	3
Reclassification	**—**	—	(75)
Balance at the end of the reporting period	**425**	(478)	(206)
Total income tax paid	**(460)**	(3,591)	(6,567)

6. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Earnings per share has been calculated in line with the requirements of IAS 33. Headline earnings has been determined in line with SAICA Circular 1/2023 and the JSE Listings Requirements, and reconciled to the profit attributable to the equity shareholders of the Group in each reporting period.

Number of shares

The WANOS used in the calculation of earnings per share and headline earnings per share can be analysed as follows:

Number of shares	Reviewed 30 June 2023 6 months	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Net shares in issue at the start of the reporting period	**137,549,449**	133,599,202	133,599,202
Adjusted for the weighted average impact of shares:			
Issued in the reporting period	**—**	—	366,534
Acquired in the reporting period[1]	**(500,381)**	(332,121)	(673,262)
Disposed of in the reporting period[2]	**2,744**	—	—
Vested in the reporting period	**164,104**	—	392,354
WANOS at the end of the reporting period	**137,215,916**	133,267,081	133,684,828
Adjusted for dilutive potential ordinary shares relating to:			
Conditional share awards	**2,046,471**	1,394,674	1,547,889
Forfeitable share awards	**103,186**	650,222	812,771
Diluted WANOS at the end of the reporting period	**139,365,573**	135,311,977	136,045,488
Number of shares in issue	**140,492,585**	136,311,808	140,492,585
Treasury shares held by Group companies	**(3,595,768)**	(2,943,136)	(2,943,136)
WANOS	**137,215,916**	133,267,081	133,684,828
Diluted WANOS	**139,365,573**	135,311,977	136,045,488

[1] Shares acquired in the reporting period relate to shares purchased in line with the requirements of the Thungela share plan.
[2] Shares disposed of in the reporting period relate to share awards forfeited in line with the requirements of the Thungela share plan, which were subsequently sold.

6. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE CONTINUED

Earnings per share

Earnings per share can be analysed as follows:

Rand million (unless otherwise stated)	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Profit attributable to the equity shareholders of the Group	**3,081**	8,959	16,988
Profit used in the calculation of diluted earnings per share[1]	**3,081**	8,959	16,988
Earnings per share			
Basic (cents/share)	**2,245**	6,723	12,708
Diluted (cents/share)	**2,211**	6,621	12,487

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

Headline earnings per share

Profit attributable to the equity shareholders of the Group has been reconciled to headline earnings as follows:

Rand million (unless otherwise stated)	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Profit attributable to the equity shareholders of the Group	**3,081**	8,959	16,988
Adjusted for:			
Excluded remeasurements	**1**	–	673
Impairment of property, plant and equipment	**–**	–	648
Impairment of intangible assets	**–**	–	8
Loss on sale of property, plant and equipment	**1**	–	17
Tax effects of excluded remeasurements	**–**	–	(172)
Impairment of property, plant and equipment	**–**	–	(165)
Impairment of intangible assets	**–**	–	(2)
Loss on sale of property, plant and equipment	**–**	–	(5)
Headline earnings[1]	**3,082**	8,959	17,489
Headline earnings used in the calculation of diluted headline earnings per share[2]	**3,082**	8,959	17,489
Headline earnings per share			
Basic (cents/share)	**2,246**	6,723	13,082
Diluted (cents/share)	**2,211**	6,621	12,855

[1] There were no adjustments to headline earnings that had an impact for the non-controlling interests.

[2] There were no adjustments to headline earnings used in the calculation of diluted headline earnings per share relating to the potential ordinary shares.

7. 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.

Property, plant and equipment can be analysed as follows:

		Land and buildings		Plant and equipment			Reviewed 30 June 2023 6 months
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	7,089	1,356	55	26,891	107	5,369	40,867
Additions	—	—	—	—	—	779	779
Disposals	—	—	—	(23)	—	—	(23)
Transfers of capital work-in-progress	4	—	—	586	—	(590)	—
Reclassifications	—	—	—	38	—	—	38
Adjustments to decommissioning assets	—	—	—	31	—	—	31
Balance at the end of the reporting period	7,093	1,356	55	27,523	107	5,558	41,692
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(5,140)	(873)	(36)	(20,634)	(35)	(3,493)	(30,211)
Depreciation charge	(103)	(7)	(2)	(496)	(5)	—	(613)
Disposals	—	—	—	21	—	—	21
Balance at the end of the reporting period	(5,243)	(880)	(38)	(21,109)	(40)	(3,493)	(30,803)
Carrying amount							
Balance at the start of the reporting period	1,949	483	19	6,257	72	1,876	10,656
Balance at the end of the reporting period	1,850	476	17	6,414	67	2,065	10,889

7. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Property, plant and equipment can be analysed as follows continued:

Rand million	Mining properties	Land and buildings: Owned	Land and buildings: Right-of-use	Plant and equipment: Owned	Plant and equipment: Right-of-use	Capital work-in-progress	Reviewed 30 June 2022 6 months Total
Cost							
Balance at the start of the reporting period	6,863	1,305	58	25,577	107	5,606	39,516
Additions	–	–	–	–	–	500	500
Finance lease additions	–	–	–	–	48	–	48
Disposals	(9)	–	–	–	–	–	(9)
Transfers of capital work-in-progress	253	–	–	1,161	–	(1,414)	–
Adjustments to decommissioning assets	–	–	–	11	–	–	11
Balance at the end of the reporting period	7,107	1,305	58	26,749	155	4,692	40,066
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(4,856)	(820)	(31)	(19,725)	(24)	(3,492)	(28,948)
Depreciation charge	(118)	(8)	(2)	(475)	(5)	–	(608)
Disposals	9	–	–	–	–	–	9
Balance at the end of the reporting period	(4,965)	(828)	(33)	(20,200)	(29)	(3,492)	(29,547)
Carrying amount							
Balance at the start of the reporting period	2,007	485	27	5,852	83	2,114	10,568
Balance at the end of the reporting period	2,142	477	25	6,549	126	1,200	10,519

Rand million	Mining properties	Land and buildings: Owned	Land and buildings: Right-of-use	Plant and equipment: Owned	Plant and equipment: Right-of-use	Capital work-in-progress	Audited 31 December 2022 12 months Total
Cost							
Balance at the start of the reporting period	6,863	1,305	58	25,577	107	5,606	39,516
Additions	–	–	–	–	–	1,962	1,962
Disposals	(9)	–	–	(524)	–	–	(533)
Transfers of capital work-in-progress	281	23	–	1,896	–	(2,200)	–
Reclassifications	(46)	28	–	25	–	1	8
Adjustments to decommissioning assets	–	–	–	(83)	–	–	(83)
Other	–	–	(3)	–	–	–	(3)
Balance at the end of the reporting period	7,089	1,356	55	26,891	107	5,369	40,867
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(4,856)	(820)	(31)	(19,725)	(24)	(3,492)	(28,948)
Depreciation charge	(240)	(16)	(4)	(898)	(11)	–	(1,169)
Impairment losses	(71)	(37)	(1)	(539)	–	–	(648)
Disposals	9	–	–	506	–	–	515
Reclassifications	18	–	–	22	–	(1)	39
Balance at the end of the reporting period	(5,140)	(873)	(36)	(20,634)	(35)	(3,493)	(30,211)
Carrying amount							
Balance at the start of the reporting period	2,007	485	27	5,852	83	2,114	10,568
Balance at the end of the reporting period	1,949	483	19	6,257	72	1,876	10,656

8. 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 RBCT.

Inventories can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Consumables	**711**	620	654
Finished products	**2,455**	2,137	2,527
Total inventories	**3,166**	2,757	3,181

The cost of inventories recognised as an expense and included in operating costs amounted to R8,717 million (30 June 2022: R8,564 million, 31 December 2022: R17,519 million).

The write-down of inventories to NRV recognised in the reporting period amounted to R79 million (30 June 2022: Rnil, 31 December 2022: Rnil) based on the lower Benchmark coal price environment experienced throughout the reporting period.

The Group's ability to rail coal to the RBCT continues to be severely hampered by the inconsistent and poor performance of TFR over the past number of years. The South African coal industry has continued to engage TFR in an effort to improve performance, however the availability of rail capacity remains constrained. Thungela continues to work closely with TFR 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. In addition, where we have identified opportunities to sell lower quality product from export stockpiles into the domestic market, we have used these opportunities to manage our stockpile volumes through short-term contracts with domestic customers.

9. 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.

Trade and other receivables can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Net trade receivables	**2,472**	4,832	3,216
Trade receivables	**2,578**	4,963	3,339
Provision for expected credit losses	**(106)**	(131)	(123)
Other tax receivables[1]	**1,002**	814	1,105
Prepayments	**153**	412	314
Net other receivables	**385**	224	273
Other receivables	**471**	290	359
Provision for expected credit losses	**(86)**	(66)	(86)
Total trade and other receivables	**4,012**	6,282	4,908
Classified as:			
Current	**3,982**	6,279	4,907
Non-current	**30**	3	1

[1] Other tax receivables include VAT receivables and diesel rebates receivable from SARS.

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 R1,855 million (30 June 2022: R4,140 million, 31 December 2022: R2,496 million) due from AAML, which represents 72% (30 June 2022: 83%, 31 December 2022: 75%) of the total trade receivables balance outstanding. 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 these 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.

Prepayments include, among other items, insurance premiums of R36 million (30 June 2022: R1 million, 31 December 2022: R79 million), ordinary course deposits to secure supply of critical consumables of R81 million (30 June 2022: R223 million, 31 December 2022: R128 million) and a payment made in relation to educational development activities in host communities of R3 million (30 June 2022: R34 million, 31 December 2022: R7 million).

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. A provision for expected credit losses has been recognised on these receivables as considered appropriate in relation to the specific circumstances applicable to each counterparty.

Thungela has a level of concentration risk on its trade and other receivables balance, as a result of its exposure to one major customer, being AAML. However, amounts owed by AAML are due for payment 15 days after invoice date and there has been no historical default on payments due from AAML. The credit risk of the AAML receivable is considered to be low and thus the concentration risk does not increase the overall credit risk exposure of the Group.

Trade and other 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. Trade and other receivables are classified as long term when the realisation thereof will occur more than 12 months after the reporting date.

10. CASH AND 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.

Cash and cash equivalents can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Short-term investments	**5,434**	5,616	11,918
Cash held in bank	**8,208**	9,259	2,862
Cash held in trusts	**617**	283	519
Total cash and cash equivalents	**14,259**	15,158	15,299

Short-term investments

Short-term investments are held with the primary purpose of managing the short-term liquidity requirements of the Group. Liquidity is a key consideration when selecting appropriate investment options for the funds to ensure they can be readily accessed for operational activity.

10. CASH AND EQUIVALENTS CONTINUED

Short-term investments continued

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 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 7.4% – 8.9% (30 June 2022: 4.4% – 5.1%, 31 December 2022: 6.8% – 7.9%).

Cash held in bank

Included in cash held in bank is R6,859 million or USD365 million (30 June 2022: R7,529 million or USD463 million, 31 December 2022: R2,202 million or USD129 million) held in US dollars. This cash is related to proceeds on export revenue which is settled in US dollars. This cash, along with the cash held in South African rand of R1,349 million (30 June 2022: R1,730 million, 31 December 2022: R660 million) is held across two of the major South African banks with global credit ratings of AA+.

Cash held in trusts

Cash held in trusts represents cash held in the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust, which is not available for the general use of the Group and so is considered restricted cash for the Group.

The trusts are entitled to 10% collectively of the dividends declared on ordinary shares by SACO. For the reporting period ended 30 June 2023, SACO declared ordinary dividends of R396 million to the trusts.

A total of R202 million was paid to eligible employees through the Sisonke Employee Empowerment Scheme in May 2023, excluding tax at the beneficiaries' marginal tax rates which was paid in June 2023.

The cash balances in the trusts are to be used at the discretion of the trustees, as specified in the underlying trust deeds, for the benefit of the relevant beneficiaries.

11. 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.

Trade and other payables can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Trade payables	**2,051**	2,065	2,089
Accruals	**1,086**	969	946
Other tax and employee related payables	**627**	682	838
Other payables[1]	**98**	81	124
Total trade and other payables	**3,862**	3,797	3,997

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

Included within other payables is deferred income of R22 million (30 June 2022: R24 million, 31 December 2022: R23 million) which represents monies received from customers but for which the associated performance obligation has not yet been satisfied. These amounts will be recognised as revenue as the performance obligations are satisfied.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments consist of assets and liabilities related to forward coal swap transactions entered into with the intention for settlement net in cash and contracts for the forward sale of foreign currency.

Capital support agreement

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. The contract came to an end on 31 December 2022, and no amount of the capital support was utilised by the Group over the contractual period.

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 continued our price risk management programme, consisting of forward financial coal swap transactions. The Thungela board approved a mandate in relation to this price risk management programme, 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 to manage our risk in this area. These transactions are settled net in cash, in US dollars, 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 transactions were entered into, and the forward curve of the Benchmark coal price at the reporting date or the actual Benchmark coal price on settlement date. The fair value is determined in conjunction with the counterparties to the transactions, 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.

Fair value gains of R98 million (30 June 2022: fair value losses of R3,665 million, 31 December 2022: fair value losses of R3,207 million) have been recognised on the forward coal swap transactions in the reporting period. These fair value movements are based on fluctuations in the forward curve of the Benchmark coal price from the date the transactions were entered into to the settlement date of the transactions, or to the reporting date for open transactions.

There has been continued volatility experienced in the Benchmark coal price in the reporting period, which has reduced significantly from the levels experienced in the year ended 31 December 2022. This has also led to a reduction in the liquidity of the market for the forward coal swap transactions, leading to reduced levels of transactions undertaken in the reporting period. The Thungela board continues to monitor the approved mandate in line with current market conditions, as well as production levels which have been impacted by the ongoing rail constraints.

12. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Forward coal swap transactions continued

Details of the forward coal swap transactions settled in the reporting period can be analysed as follows:

	Benchmark coal price swaps	Secondary index price swaps	Reviewed 30 June 2023 6 months Total
Volume settled (kt)	**71**	**105**	**176**
Weighted average committed price (US$/tonne)	**266**	**204**	**229**
Settlement dates	**December 2022 – May 2023**	**December 2022 – May 2023**	**December 2022 – May 2023**
Weighted average actual price on settlement (US$/tonne)	**169**	**171**	**170**
Cash inflow on settlement (Rand million)	**139**	**63**	**202**

	Benchmark coal price swaps	Secondary index price swaps	Reviewed 30 June 2022 6 months Total
Volume settled (kt)	416	640	1,056
Weighted average committed price (US$/tonne)	134	136	135
Settlement dates (2022)	January – May	January – May	January – May
Weighted average actual price on settlement (US$/tonne)	266	267	267
Cash outflow on settlement (Rand million)	(859)	(1,223)	(2,082)

	Benchmark coal price swaps	Secondary index price swaps	Audited 31 December 2022 12 months Total
Volume settled (kt)	640	875	1,515
Weighted average committed price (US$/tonne)	155	151	153
Settlement dates (2022)	January – November	January – November	January – November
Weighted average actual price on settlement (US$/tonne)	277	296	288
Cash outflow on settlement (Rand million)	(1,209)	(1,774)	(2,983)

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

	Benchmark coal price swaps	**Secondary index price swaps**	**Reviewed 30 June 2023 6 months Total**
Volume committed (kt)	**5**	**—**	**5**
Weighted average committed price (US$/tonne)	**307**	**—**	**307**
Settlement dates (2023)	**July**	**—**	**July**
Weighted average Benchmark coal price forward curve at the reporting date (US$/tonne)	**100**	**—**	**100**
Fair value gains on derivative financial instruments (Rand million)	**19**	**—**	**19**

	Benchmark coal price swaps	Secondary index price swaps	Reviewed 30 June 2022 6 months Total
Volume committed (kt)	285	340	625
Weighted average committed price (US$/tonne)	208	195	200
Settlement dates	June 2022 – March 2023	June 2022 – March 2023	June 2022 – March 2023
Weighted average Benchmark coal price forward curve at the reporting date (US$/tonne)	302	327	315
Fair value losses on derivative financial instruments (Rand million)	(477)	(758)	(1,235)

12. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Forward coal swap transactions continued

Details of the open forward coal swap transactions at the reporting date can be analysed as follows continued:

			Audited 31 December 2022 12 months
	Benchmark coal price swaps	Secondary index price swaps	Total
Volume committed (kt)	76	105	181
Weighted average committed price (US$/tonne)	269	204	231
Settlement dates	December 2022 – June 2023	December 2022 – March 2023	December 2022 – June 2023
Weighted average Benchmark coal price forward curve at the reporting date (US$/tonne)	181	199	192
Fair value gains on derivative financial instruments (Rand million)	118	6	124

Forward sales of foreign currency

The Group is exposed to fluctuations in the US dollar exchange rate as our export revenue to AAML is settled in US dollars. The Group's expenses are predominantly in South African rand, meaning the US dollars are required to be converted to South African rand to fulfil our ongoing liquidity requirements. In order to manage our risk exposure on these conversions, various contracts are entered into to convert US dollars to South African rand at future dates.

The conversions are predominantly done through FECs, as well as collar transactions, which will settle at future dates. These contracts are considered to be derivative instruments and are measured at FVPL, with the fair value movements being recognised in net finance income/(costs). The fair value is determined by comparing the contractual rate at which the transaction was entered into to the forward exchange rate curve as at the reporting date for open positions, or the actual exchange rate at the settlement date. These contracts are short-term in nature and may be extended before settlement date based on market conditions at the time.

Fair value losses of R213 million (30 June 2022: R298 million, 31 December 2022: R553 million) have been recognised on these contracts based on the volatility of the South African rand against the US dollar during the reporting period ended 30 June 2023.

Details of the forward sales of foreign currency settled in the reporting period can be analysed as follows:

	Reviewed 30 June 2023 6 months	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Total currency contracted (US$ million)	**425**	–	845
Contractual conversion rate (ZAR:US$)	**17.25 – 19.39**	–	15.71 – 18.54
Spot rate on settlement (ZAR:US$)	**17.17 – 19.66**	–	16.54 – 18.28
Settlement dates	**January 2023 – June 2023**	–	July 2022 – November 2022
Cash outflow on settlement (Rand million)	**(121)**	–	(578)

Details of the open forward sales of foreign currency at the reporting date can be analysed as follows:

	Reviewed 30 June 2023 6 months	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Total currency contracted (US$ million)	**410**	750	55
Contractual conversion rate (ZAR:US$)	**17.92 – 20.52**	15.71 – 16.60	17.25 – 17.81
Forward exchange rate at the reporting date (ZAR:US$)	**18.91 – 19.19**	16.41 – 16.56	17.02
Settlement dates	**July 2023 – December 2023**	July 2022 – October 2022	January 2023
Fair value (losses)/gains on derivative financial instruments (Rand million)	**(67)**	(298)	25

Impact of derivative financial instruments

The amounts recognised in the statement of profit or loss and other comprehensive income in relation to the derivative financial instruments can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Amounts included in profit before net finance income/(costs) and tax	**98**	(4,012)	(3,554)
Fair value loss on capital support agreement	**–**	(347)	(347)
Fair value gains/(losses) on forward coal swap transactions	**98**	(3,665)	(3,207)
Amounts included in net finance income/(costs)	**(213)**	(298)	(553)
Fair value losses on forward sales of foreign currency	**(213)**	(298)	(553)
Total fair value losses on derivative financial instruments	**(115)**	(4,310)	(4,107)

The amounts recognised in the statement of financial position in relation to the derivative financial instruments can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Derivative financial instruments	**(48)**	(1,533)	149
Forward coal swap transactions	**19**	(1,235)	124
Forward sales of foreign currency	**(67)**	(298)	25
Total derivative financial instruments	**(48)**	(1,533)	149

12. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Impact of derivative financial instruments continued

The amounts recognised in the statement of cash flows in relation to the derivative financial instruments can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Cash inflow/(outflow) on settlement of forward coal swap transactions	**202**	(2,082)	(2,983)
Cash outflow on settlement of forward sales of foreign currency	**(121)**	–	(578)
Total cash inflow/(outflow) on settlement of derivative financial instruments	**81**	(2,082)	(3,561)

13. FINANCIAL INSTRUMENTS

Financial instruments held by the Group have been disclosed in notes 9 to 12 and 14 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 rates, interest rates or commodity price curves).

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:

Rand million	Notes	Financial assets: Amortised cost[1]	Financial assets: FVPL	Financial assets: FVOCI	Financial liabilities at amortised cost	Reviewed 30 June 2023 6 months Total
Financial assets						
Environmental rehabilitation trusts	14	—	3,502	—	—	3,502
Financial asset investments		96	871	33	—	1,000
Investment in insurance structure		—	1,229	—	—	1,229
Derivative financial instruments	12	—	19	—	—	19
Trade and other receivables[2]	9	2,857	—	—	—	2,857
Cash and cash equivalents	10	14,259	—	—	—	14,259
Total financial assets		17,212	5,621	33	—	22,866
Financial liabilities						
Lease liabilities		—	—	—	(77)	(77)
Loans and borrowings		—	—	—	(63)	(63)
Derivative financial instruments	12	—	(67)	—	—	(67)
Trade and other payables[3]	11	—	—	—	(3,213)	(3,213)
Total financial liabilities		—	(67)	—	(3,353)	(3,420)
Net financial assets		17,212	5,554	33	(3,353)	19,446

[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]	Financial assets: FVPL	Financial assets: FVOCI	Financial liabilities at amortised cost	Reviewed 30 June 2022 6 months Total
Financial assets						
Environmental rehabilitation trusts	14	–	3,270	–	–	3,270
Financial asset investments		103	394	33	–	530
Trade and other receivables[2]	9	5,056	–	–	–	5,056
Cash and cash equivalents	10	15,158	–	–	–	15,158
Total financial assets		20,317	3,664	33	–	24,014
Financial liabilities						
Lease liabilities		–	–	–	(155)	(155)
Loans and borrowings		–	–	–	(60)	(60)
Derivative financial instruments	12	–	(1,533)	–	–	(1,533)
Trade and other payables[3]	11	–	–	–	(3,091)	(3,091)
Total financial liabilities		–	(1,533)	–	(3,306)	(4,839)
Net financial assets		20,317	2,131	33	(3,306)	19,175

[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.

13. FINANCIAL INSTRUMENTS CONTINUED

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

Rand million	Notes	Financial assets: Amortised cost[1]	Financial assets: FVPL	Financial assets: FVOCI	Financial liabilities at amortised cost	Audited 31 December 2022 12 months Total
Financial assets						
Environmental rehabilitation trusts	14	–	3,446	–	–	3,446
Financial asset investments		95	658	33	–	786
Investment in insurance structure		–	1,226	–	–	1,226
Derivative financial instruments	12	–	149	–	–	149
Trade and other receivables[2]	9	3,489	–	–	–	3,489
Cash and cash equivalents	10	15,299	–	–	–	15,299
Total financial assets		18,883	5,479	33	–	24,395
Financial liabilities						
Lease liabilities		–	–	–	(93)	(93)
Loans and borrowings		–	–	–	(60)	(60)
Trade and other payables[3]	11	–	–	–	(3,136)	(3,136)
Total financial liabilities		–	–	–	(3,289)	(3,289)
Net financial assets		18,883	5,479	33	(3,289)	21,106

[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

IFRS 13 defines a fair value hierarchy to be applied to financial instruments measured at fair value based on the inputs used to measure their fair value.

The financial instruments carried at fair value can be analysed in terms of the fair value hierarchy as follows:

Rand million	**Level 2**	**Level 3**	**Reviewed 30 June 2023 6 months Total**
Financial assets			
Environmental rehabilitation trusts	**3,502**	**–**	**3,502**
Financial asset investments at FVOCI	**–**	**33**	**33**
Financial asset investments at FVPL	**871**	**–**	**871**
Investment in insurance structure	**–**	**1,229**	**1,229**
Derivative financial instruments	**19**	**–**	**19**
Financial liabilities			
Derivative financial instruments	**(67)**	**–**	**(67)**
Total financial instruments carried at fair value	**4,325**	**1,262**	**5,587**

Rand million	Level 2	Level 3	Reviewed 30 June 2022 6 months Total
Financial assets			
Environmental rehabilitation trusts	3,270	—	3,270
Financial asset investments at FVOCI	—	33	33
Financial asset investments at FVPL	394	—	394
Financial liabilities			
Derivative financial instruments	(1,533)	—	(1,533)
Total financial instruments carried at fair value	2,131	33	2,164

Rand million	Level 2	Level 3	Audited 31 December 2022 12 months Total
Financial assets			
Environmental rehabilitation trusts	3,446	—	3,446
Financial asset investments at FVOCI	—	33	33
Financial asset investments at FVPL	658	—	658
Investment in insurance structure	—	1,226	1,226
Derivative financial instruments	149	—	149
Total financial instruments carried at fair value	4,253	1,259	5,512

There were no transfers of financial instruments between level 2 and level 3 in any of the reporting periods presented.

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

Fair value hierarchy	Valuation technique
Level 1	The fair value is based on quoted prices in active markets for identical financial instruments
Level 2	The fair value is determined using directly observable inputs other than level 1 inputs
Level 3	The fair value is determined on inputs not based on observable market data

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

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Balance at the start of the reporting period	**1,259**	33	33
Fair value gain	**3**	—	2
Additions	**—**	—	1,224
Balance at the end of the reporting period	**1,262**	33	1,259

13. FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy continued

Sensitivity analysis

The following analysis is intended to illustrate the sensitivity of the Group's level 3 financial assets at FVPL to changes in the interest rate, with the impact on the statement of profit or loss and other comprehensive income being as follows:

Rand million	Reviewed 30 June 2023 6 months
0.5% increase in interest rate	2
0.5% decrease in interest rate	(2)

For level 3 financial assets at FVOCI, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly in any of the reporting periods presented.

14. 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 perform rehabilitation and decommissioning activities, and various other provisions in relation to contractual obligations.

Environmental and other provisions can be analysed as follows:

Reviewed 30 June 2023 6 months

	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Trust contributions[1]	Other[2]	Total
Balance at the start of the reporting period	6,987	579	392	457	8,415
Amounts charged[3]	115	—	198	167	480
Adjustments to decommissioning assets	—	31	—	—	31
Unwinding of discount	348	29	—	3	380
Amounts applied[4]	(416)	—	—	—	(416)
Balance at the end of the reporting period	**7,034**	**639**	**590**	**627**	**8,890**
Classified as:					
Current	372	67	590	499	1,528
Non-current	6,662	572	—	128	7,362

[1] Contributions to the Nkulo Community Partnership Trust represent amounts contributed to the trust, but not yet distributed to beneficiaries.
[2] Other provisions include provisions raised for contractual obligations.
[3] Amounts charged to provisions relate 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 relate 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.

					Reviewed 30 June 2022 6 months
	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Trust contributions[1]	Other[2]	Total
Balance at the start of the reporting period	6,049	702	—	250	7,001
Amounts charged[3]	94	—	136	120	350
Adjustments to decommissioning assets	—	11	—	—	11
Unwinding of discount	236	30	—	2	268
Amounts applied[4]	(226)	—	—	—	(226)
Reclassifications	—	—	6	(6)	—
Balance at the end of the reporting period	6,153	743	142	366	7,404
Classified as:					
Current	333	23	142	220	718
Non-current	5,820	720	—	146	6,686

1 Contributions to the Nkulo Community Partnership Trust represent amounts contributed to the trust, but not yet distributed to beneficiaries.
2 Other provisions include provisions raised for contractual obligations, servitudes and costs likely to be incurred for remediation activities related to the Kromdraai incident.
3 Amounts charged to provisions relate 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 relate 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.

					Audited 31 December 2022 12 months
	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Trust contributions[1]	Other[2]	Total
Balance at the start of the reporting period	6,049	702	—	250	7,001
Amounts charged[3]	1,201	(108)	386	209	1,688
Adjustments to decommissioning assets	—	(83)	—	—	(83)
Unwinding of discount	583	68	—	4	655
Amounts applied[4]	(846)	—	—	—	(846)
Reclassifications	—	—	6	(6)	—
Balance at the end of the reporting period	6,987	579	392	457	8,415
Classified as:					
Current	470	54	392	320	1,236
Non-current	6,517	525	—	137	7,179

1 Contributions to the Nkulo Community Partnership Trust represent amounts contributed to the trust, but not yet distributed to beneficiaries.
2 Other provisions primarily relate to provisions raised for contractual obligations.
3 Amounts charged to provisions relate 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 relate 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.

14. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions

Thungela is obliged to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental impacts are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on our 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 that exist 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 in the second half of each year and any required change in the environmental provisions is recognised on the completion of the assessment.

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 likely increase in costs required to transition to the NEMA Financial Provisioning Regulations, for example, costs related to the ongoing pumping and treatment of polluted or extraneous water. 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 amendments and drafts of the replacement regulations were published in November 2017, May 2019, August 2021, and in July 2022. The transition date originally scheduled for February 2017, has been postponed on a number of occasions and most recently was deferred to 19 September 2023. In May 2023, the Minister published a draft notice to express her intention of further delaying the compliance date to February 2024. A fifth and final draft of the Regulations is expected to be published for comment before they are finalised and promulgated. The underlying changes to the NEMA became law with effect from 30 June 2023.

The current draft of the NEMA Financial Provisioning Regulations intends to alter the way companies calculate the financial provisioning required for environmental obligations, and it is likely that compliance with these regulations will substantially increase the required quantum of financial provisioning to be made by mining right holders 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 polluted or extraneous water.

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 and the accompanying Guideline for Financial Provision (2005), 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 R4,413 million (30 June 2022: R4,108 million, 31 December 2022: R4,413 million), compared to the total environmental provisions recognised by the Group of R7,673 million (30 June 2022: R6,896 million, 31 December 2022: R7,566 million). 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 post mine closure, most significantly in relation to water treatment costs.

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. 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 our operations.

The Group commissioned a 50,000 litre per day demonstration plant in 2022 to prove that passive treatment can effectively manage coal's water risks post mine closure. The plant is running continuously and uses bacteria to remove sulphates, neutralise water and remove metals to create a fit-for-purpose end-product that can be used in agriculture. The study will continue to treat different water qualities to optimise process parameters and inform the design of a full-scale plant that will be constructed at our closed Kromdraai site and later expanded to other operations.

The Group's long-term post-closure water management strategy includes phytoremediation, a biological process that decontaminates soil or water using plants and trees to absorb or break down pollutants. The initiative has been rolled out at areas of the Goedehoop and Khwezela Collieries, and is the forerunner to a much larger initiative that will involve the planting of a million trees over the next four years.

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 decommissioning activities required, to undertake the agreed work programmes and rehabilitate the mining areas. This financial provisioning can be put aside through a number of vehicles and cannot be accessed for the general use of the Group. Thungela currently maintains the required financial provisioning through two mechanisms, being the 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	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Investments in unit trusts	**3,502**	3,270	3,446
Total environmental rehabilitation trusts	**3,502**	3,270	3,446
Balance at the start of the reporting period	**3,446**	3,288	3,288
Growth/(loss) on assets	**56**	(18)	158
Balance at the end of the reporting period	**3,502**	3,270	3,446

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. The fair value of the environmental rehabilitation trusts is determined based on an externally provided investment statement reflecting the market performance of the respective instruments in which the funds are invested.

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 income/(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.

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 primarily held with two financial institutions and a portion of the annual fee payable on these guarantees is invested in the green fund. The green fund investments are included in financial asset investments. The fair value of the other environmental investments is determined based on externally provided investment statements reflecting the market performance of the money market funds in which the funds are invested.

The other environmental investments can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Balance at the start of the reporting period	**658**	199	199
Contributions during the reporting period[1]	**190**	190	443
Growth on assets	**23**	5	16
Balance at the end of the reporting period	**871**	394	658

[1] Includes contributions to the green fund of R188 million (30 June 2022: R188 million, 31 December 2022: R438 million).

14. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

Other environmental investments continued

The Group has invested an additional R188 million (30 June 2022: R188 million, 31 December 2022: R438 million) 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. These investments are held as collateral in favour of the financial institutions 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, are 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 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 to fulfil mine closure obligations, or to the extent that the growth on these funds has exceeded the required annual investment amount. The growth on the funds is reinvested to further increase the level of financial provisioning held as required by the MPRDA Regulations.

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

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Environmental provisions	**(7,673)**	(6,896)	(7,566)
Environmental rehabilitation trusts	**3,502**	3,270	3,446
Other environmental investments	**871**	394	658
Guarantees	**3,221**	3,049	3,102
Total financial provisioning available	**7,594**	6,713	7,206
Real pre-tax discount rate (%)	**4.4 - 4.6**	3.6 - 3.8	4.0 - 4.8

The guarantees of R3,221 million (30 June 2022: R3,049 million, 31 December 2022: R3,102 million) are primarily in place to meet any immediate closure obligations under the existing MPRDA Regulations, and are issued in favour of the DMRE. Once Thungela has to comply with the NEMA Financial Provisioning Regulations, it is expected 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.

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 R3,246 million (30 June 2022: R3,080 million, 31 December 2022: R3,128 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 for any of the reporting periods presented.

15. 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.

Deferred tax assets

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

Rand million	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Balance at the start of the reporting period		**503**	378	378
(Charged)/credited to profit or loss	5	**(128)**	723	156
Charged to other comprehensive loss		**—**	—	(15)
Reclassifications		**(18)**	(25)	(16)
Balance at the end of the reporting period		**357**	1,076	503

The deferred tax assets at 30 June 2023 are primarily driven by deductible temporary differences arising from the environmental and other provisions held in TOPL, a wholly owned subsidiary of the Group. These deductible temporary differences are expected to reverse in the normal course of operations of the Group.

The recognition of the full deferred tax assets balance is supported by Thungela's forecasting process which included a detailed calculation of the estimated annual taxable income up to 2024 per statutory entity. The forecast reflects a substantial taxable income being generated, and therefore sufficient future taxable temporary differences against which to utilise these deductible temporary differences. The forecast tax calculation does not result in any capital expenditure being unredeemed by the end of 2024.

Deferred tax liabilities

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

Rand million	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Balance at the start of the reporting period		**(1,421)**	(1,400)	(1,400)
(Charged)/credited to profit or loss	5	**(69)**	19	(37)
Reclassifications		**18**	25	16
Balance at the end of the reporting period		**(1,472)**	(1,356)	(1,421)

16. STATED CAPITAL

Thungela has one class of authorised and issued shares, being ordinary shares. Thungela's ordinary shares began trading on the JSE and LSE from 7 June 2021. In the year ended 31 December 2022, Thungela issued 4,180,777 additional ordinary shares.

In the reporting period ended 30 June 2023, 1,455,446 (30 June 2022: 909,155, 31 December 2022: 909,155) treasury shares were purchased by subsidiaries of the Group at an average price of R177.95 per share (30 June 2022: R181.49, 31 December 2022: R181.49) in relation to share awards granted under the Thungela share plan. The purchases were 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. A total of 802,814 (30 June 2022: 678,625, 31 December 2022: 678,625) share awards vested in the reporting period, which reduced the number of treasury shares held by the Group.

Of the treasury shares held by the Group, 2,576,848 (30 June 2022: 1,940,974, 31 December 2022: 1,955,113) are held directly by subsidiaries and so do not carry voting rights.

The total number of ordinary shares in issue which carry voting rights amounts to 137,915,737 (30 June 2022: 134,370,834, 31 December 2022: 138,537,472).

The resolution to place the unissued shares of Thungela under the control of the directors was withdrawn at the AGM held on 31 May 2023 and so the directors do not have the authority to issue shares at their discretion.

17. SHARE-BASED PAYMENTS

The Group operates equity settled shared-based payment arrangements which allow certain employees of the Group to receive Thungela shares through the Thungela share plan, which has been fully described in the Integrated Annual Report for the year ended 31 December 2022.

Thungela share plan

The share awards that have been granted to eligible employees in the six months ended 30 June 2023 consist of the Thungela 2023 LTIP awards, the Thungela 2023 DBS awards and the Thungela 2023 retention awards, as approved by the Thungela remuneration and nomination committee. The salient terms of these awards (being either conditional or forfeitable share awards) are consistent with those described in the Integrated Annual Report for the year ended 31 December 2022.

Thungela 2023 LTIP awards – conditional share awards

The Thungela 2023 LTIP awards were granted on 26 April 2023, in relation to performance for the year ended 31 December 2022. These awards will vest on 26 April 2026 in accordance with the achievement of specific performance conditions over a performance period from 1 January 2023 to 31 December 2025. Once vested, these awards are subject to a further two-year holding period for executive directors. A total of 398,131 awards were granted as the Thungela 2023 LTIP awards, with a grant date fair value of R155.22.

Employees participating in the conditional share awards are entitled to receive additional share awards in lieu of dividends declared on Thungela shares over the vesting period, which are added to the total number of conditional shares awarded and subject to the same vesting conditions. The dividend equivalent share awards are added to the total number of shares subject to vesting, and expensed on the same basis. On 26 April 2023, 395,996 shares were added to the Thungela 2021 LTIP awards and 127,712 shares were added to the Thungela 2022 LTIP awards related to dividend equivalent awards for the dividends declared by Thungela on 27 March 2023.

Thungela 2022 DBS awards – forfeitable share awards

The Thungela 2022 DBS awards were granted on 22 March 2022 in relation to performance in the year ended 31 December 2021. Tranche 1 of these awards vested in full on 22 March 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 103,219 share awards vested, with 46,498 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

Thungela 2023 DBS awards – forfeitable share awards

The Thungela 2023 DBS awards were granted on 27 March 2023 in relation to performance for the year ended 31 December 2022. The number of awards that will vest is conditional upon the participants remaining in the employment of the Group for the vesting period, and there are no performance conditions attached to this grant. The Thungela 2023 DBS awards will vest in equal tranches from 27 March 2024 to 27 March 2026. A total 441,037 share awards were granted as the Thungela 2023 DBS awards, with a grant date fair value of R191.60.

Thungela 2023 retention awards – forfeitable share awards

The Thungela 2023 retention awards were granted on 1 April 2023 in relation to performance for the year ended 31 December 2022. The number of awards that will vest is conditional upon the participants remaining in the employment of the Group for the vesting period, and there are no performance conditions attached to this grant. The Thungela 2023 retention awards will vest in equal tranches from 1 April 2023 to 1 April 2025. A total 112,997 share awards were granted as the Thungela 2023 retention awards, with a grant date fair value of R202.15.

Tranche 1 of these awards vested immediately and in full on 1 April 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 39,302 share awards vested, with 17,686 shares being utilised on vesting to compensate employees for the tax incurred by them on the vesting of the shares. Once vested, these awards are subject to a further one-year pay-back period, during which participants will be obligated to repay the pre-tax amount paid on a pro-rata basis should the employment condition not be satisfied.

Thungela milestone awards – forfeitable share awards

As fully described in the Annual Financial Statements for the year ended 31 December 2022, the Thungela milestone awards were granted to the CEO and CFO in preparation for the demerger.

Tranche 2 of these awards vested in full on 4 June 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 674,744 share awards vested, with 303,636 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

18. DIVIDENDS

Thungela declared and paid ordinary dividends to shareholders in the reporting period from retained earnings.

Dividend policy

Any dividend proposed by the board in respect of a 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 in order to fund sustaining capital expenditure and 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[Δ]. 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, as well as infrastructure constraints.

18. DIVIDENDS CONTINUED

Dividends paid

Dividends paid can be analysed as follows:

Rand million	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Dividends paid to the shareholders of the Group	**5,541**	2,448	10,483
Dividend declared on 27 March 2023 of R40 per ordinary share	**5,541**	–	–
Dividend declared on 22 March 2022 of R18 per ordinary share	**–**	2,448	2,448
Dividend declared on 15 August 2022 of R60 per ordinary share	**–**	–	8,035
Dividends paid to non-controlling interests	**1**	1	42
Total dividends paid	**5,542**	2,449	10,525

Dividend declaration

An interim ordinary cash dividend relating to the reporting period ended 30 June 2023 of R10 per share was declared by the board on 21 August 2023. The dividend, amounting to a return of R1,405 million to shareholders has not been recognised as a liability in these condensed consolidated interim financial statements. The interim dividend was declared from retained earnings and will be paid in September 2023 to shareholders on the South African register and October 2023 to shareholders on the UK register.

19. RELATED PARTY TRANSACTIONS

The Group has a number of related party relationships with other companies and individuals. The related party relationships which have been identified are noted below and transactions with these related parties are assessed on a consistent basis.

Direct subsidiaries

South Africa Coal Operations Proprietary Limited
Thungela Treasury Proprietary Limited
Thungela Resources Holdings Proprietary Limited
Thungela International 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
Thungela Inyosi Coal Securityco Proprietary Limited
Newshelf 1316 Proprietary Limited
Main Street 1756 (RF) Proprietary Limited
Blue Steam Investments Proprietary Limited
Thungela Resources Australia Proprietary Limited

Indirect associates

Richards Bay Coal Terminal Proprietary Limited
Colliery Training College Proprietary Limited

Indirect joint operations

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

Other investments

Sungela Holdings Proprietary Limited
Sungela Proprietary Limited

Indirect trusts

Nkulo Community Partnership Trust
Sisonke Employee Empowerment Scheme Trust
Anglo American Thermal Coal Environmental Rehabilitation Trust
Mafube Rehabilitation Trust

Directors

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

Independent non-executive

Prescribed officers

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

The Group enters into various sale and purchase transactions with related parties in the ordinary course of business. These transactions are subject to terms that are no less, nor more favourable than those arranged with independent third parties.

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	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Loans to related parties			
Pamish[1]	**32**	32	30
RBCT[2]	**29**	33	23
Transactions recognised in the statement of profit or loss and other comprehensive income			
RBCT			
Expenses for services provided	**(196)**	(203)	(414)
Pamish			
Expenses for services provided	**(77)**	–	(33)
Investment income	**2**	3	6

[1] The loan to Pamish earns interest at prime plus 3.0% and has a repayment term of 18 months.
[2] The loan to RBCT is deemed part of the equity investment in RBCT.

No transactions have been entered into with key management in the reporting period other than their fixed and variable remuneration.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 30 June 2023

20. INVESTMENTS IN SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES

The Group has a number of investments in subsidiaries, joint operations, associates and trusts.

The investments in other entities held by the Group can be analysed as follows:

Legal entity name	Nature of business	Operation	Shareholding %
Direct subsidiaries			
South Africa Coal Operations Proprietary Limited[1]	Investment holding company		100
Thungela Resources Holdings Proprietary Limited[2]	Investment holding company		100
Thungela Treasury Proprietary Limited	Investment holding company		100
Thungela International Proprietary Limited	Dormant		100
Indirect subsidiaries			
Thungela Operations Proprietary Limited	Mining company		100
	Mining operation	Isibonelo	
	Mining operation	Goedehoop	
	Mining operation	Greenside	
	Mining operation	Khwezela	
Anglo American Inyosi Coal Proprietary Limited[2]	Mining company		100
	Mining operation	Zibulo	
	Production replacement project	Elders	
Butsanani Energy Investment Holdings Proprietary Limited	Investment holding company		67
Rietvlei Mining Company Proprietary Limited[3]	Mining company		51
	Mining operation	Rietvlei	
Thungela Inyosi Coal Securityco Proprietary Limited	Dormant		100
Newshelf 1316 Proprietary Limited	Dormant		100
Blue Steam Investments Proprietary Limited	Dormant		100
Main Street 1756 (RF) Proprietary Limited	Investment holding company		100
Thungela Resources Australia Proprietary Limited[4,5]	Investment holding company		100

1 Thungela holds 90% of the shares in SACO. The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust, which are controlled by the Group, hold 10% collectively of the shares in SACO. Effectively, Thungela owns 100% of SACO.
2 TRH holds a 27% interest in AAIC. Effectively, Thungela owns 100% of AAIC.
3 Butsanani Energy legally owns 51% of RMC. However, Butsanani Energy economically owns only 45% of RMC based on various contractual arrangements. Effectively, Thungela owns 34% (being 67% of 51%) of RMC. The results of RMC are however reflected at an effective ownership of 30% (being 67% of 45%) to reflect the underlying contractual agreements.
4 Thungela, through TIPL, subscribed for 100% of the shares in Thungela Australia on 26 January 2023. This entity is currently dormant.
5 The place of business and incorporation of this entity is Australia.

Legal entity name	Nature of business	Operation	Shareholding %
Indirect joint operations			
Mafube Coal Mining Proprietary Limited	Mining company		50
	Mining operation	Mafube	
Phola Coal Processing Plant Proprietary Limited[1]	Mining company		50
	Processing operation	Phola	
Pamish Investments No. 66 Proprietary Limited[2]	Mining company		49
	Processing operation	Pamish plant	
Indirect associates			
Richards Bay Coal Terminal Proprietary Limited	Port logistics	Richards Bay Coal Terminal	23
Colliery Training College Proprietary Limited[3]	Training provider for companies in the mining industry		23
Indirect trusts			
Nkulo Community Partnership Trust	Community Trust		100
Sisonke Employee Empowerment Scheme Trust	Employee Trust		100
Anglo American Thermal Coal Environmental Rehabilitation Trust	Rehabilitation Trust		100
Mafube Rehabilitation Trust	Rehabilitation Trust		50
Other Investments			
Sungela Holdings Proprietary Limited[4,5]	Investment holding company		33
Sungela Proprietary Limited[4,5]	Investment holding company		100

1 The interest in Phola is held through AAIC.
2 The interest in Pamish is held through TOPL. Although TOPL legally owns 49% of Pamish, the contractual agreements result in TOPL obtaining 85% of the benefits related to the operations of Pamish. TOPL's share of the assets, liabilities, revenue and expenses of Pamish is consolidated at 85%.
3 The investment in Colliery Training College is considered immaterial to the Group and has not been equity accounted.
4 Sungela Holdings issued one share each to Thungela Australia, Mayfair and Audley Capital on 27 January 2023. Sungela issued one share to Sungela Holdings on 27 January 2023. These entities were incorporated to undertake the acquisition of the Ensham Business, and the shareholding will change on the completion of the acquisition. These entities are currently dormant.
5 The place of business and incorporation of these entities is Australia.

With the exception of the companies noted above, the place of business and incorporation of all subsidiaries, joint operations, associates and trusts is South Africa.

21. EVENTS AFTER THE REPORTING PERIOD

The Group monitors activity between the end of the reporting period and the date of the approval of the Interim Financial Statements to ensure that any events that may impact the Group are considered.

Dividend declaration

The board declared an interim ordinary cash dividend of R10 per share from retained earnings on 21 August 2023. This represents a total dividend payment of R1,405 million to shareholders, amounting to 33% of the adjusted operating free cash flow$^{\Delta}$ generated in the six months ended 30 June 2023.

The dividend will be paid in September 2023 to shareholders on the South African register, and in October 2023 to shareholders on the UK register.

ANNEXURES

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES$^{\Delta}$

For the six months ended 30 June 2023

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 condensed consolidated interim financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the condensed consolidated interim financial statements as they contain additional information, such as operational information and specific metrics as monitored by the directors. The accounting policies applied when calculating APMs are the same as those applied in the condensed consolidated interim 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 condensed consolidated interim 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 reporting period.

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.

APMs are used by the Group for planning and reporting purposes. 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 and other comprehensive income			
Adjusted EBITDA (note A)	EBITDA adjusted for the impacts of once-off transactions, or transactions which are outside the core operations of the Group	Profit before net finance income/(costs) and tax, adjusted for: • Impairment losses • Restructuring costs and termination benefits • Fair value gains/(losses) on derivative financial instruments • Fair value loss on derivative asset – capital support • Depreciation and amortisation • Business combination transaction costs	• Exclude the effect of once-off transactions or transactions outside the core operations of the Group
Adjusted EBITDA margin (note B)	Adjusted EBITDA as a percentage of revenue	• None	• None

APM	Definition	Adjustments to reconcile to primary statements	Rationale for adjustments
Statement of financial position			
Net cash (note C)	Cash and cash equivalents less cash held in trusts and loans and borrowings	• None	• None
Statement of cash flows			
Capex (note 2)	Cash expenditure on property, plant and equipment and intangible assets, 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	• 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	• Industrial and domestic revenue • Administrative costs • Contributions to the trusts	• 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
FOB cost excluding royalties (note H)	FOB cost as defined, excluding royalties	FOB cost as defined, adjusted for: • Royalties	• Exclude royalties, which are directly impacted by the movement in the Benchmark coal price
FOB cost per export tonne excluding royalties (note I)	FOB cost excluding royalties calculated per export saleable tonne	• None	• None
Environmental liability coverage (note J)	The percentage of investments held to fund future rehabilitation, decommissioning and water treatment expenditure	• None	• None

ALTERNATIVE PERFORMANCE MEASURES^Δ CONTINUED

For the six months ended 30 June 2023

The APMs used in the Interim Financial Statements have been reconciled as below:

A. Adjusted EBITDA

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Profit before net finance income/(costs) and tax	3	**3,748**	12,040	24,094
Add – depreciation	7	**613**	608	1,169
Add – amortisation	3	**12**	14	28
Add – impairment losses		**—**	—	656
(Less)/add – fair value (gains)/losses on derivative financial instruments	12	**(98)**	3,665	3,207
Add – fair value loss on derivative asset – capital support	12	**—**	347	347
Add – business combination transaction costs		**79**	—	—
Add – restructuring costs and termination benefits		**26**	5	29
Adjusted EBITDA		**4,380**	16,679	29,530

B. Adjusted EBITDA margin

Rand million (unless otherwise stated)	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Adjusted EBITDA	A	**4,380**	16,679	29,530
Revenue	2	**14,359**	26,176	50,753
Adjusted EBITDA margin (%)		**31**	64	58

C. Net cash

Rand million	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Cash and cash equivalents	10	**14,259**	15,158	15,299
Less – cash held in trusts	10	**(617)**	(283)	(519)
Less – loans and borrowings		**(63)**	(60)	(60)
Net cash		**13,579**	14,815	14,720

D. Sustaining capex

Rand million	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Stay-in-business capex		**339**	327	1,233
Property, plant and equipment	2	**258**	327	1,233
Intangible assets	2	**81**	–	–
Stripping and development capex	2	**105**	213	455
Sustaining capex		**444**	540	1,688

E. Adjusted operating free cash flow

Rand million	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Net cash generated from operating activities		**4,742**	9,474	19,784
Sustaining capex	D	**(444)**	(540)	(1,688)
Adjusted operating free cash flow		**4,298**	8,934	18,096

F. FOB cost

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Operating costs	3	**10,604**	10,119	22,420
Less – other industrial and domestic revenue	2	**(1,864)**	(2,121)	(4,997)
Less – depreciation	3	**(613)**	(608)	(1,169)
Less – amortisation	3	**(12)**	(14)	(28)
Less – third-party coal purchases	3	**(541)**	(991)	(2,114)
(Less)/add – inventory production movement	3	**(79)**	301	587
Less – demurrage and other expenses	3	**(132)**	(119)	(216)
Less – exploration and evaluation	3	**(27)**	(29)	(54)
Add – foreign exchange gains	3	**291**	525	835
Less – loss on sale of property, plant and equipment	3	**(1)**	–	(17)
Less – recharged costs from Anglo American – administration expenses	3	**(115)**	(132)	(239)
Less – fair value loss on biological assets[1]		**–**	–	(18)
Less – expenses related to contributions to the trusts[2]		**(400)**	(145)	(766)
Less – other administration expenses	3	**(27)**	(74)	(128)
FOB cost		**7,084**	6,712	14,096

[1] The fair value loss on biological assets is included in other operating expenses.
[2] Expenses related to contributions to the trusts include contributions to the Nkulo Community Partnership Trust of R198 million (30 June 2022: R136 million, 31 December 2022: R386 million), as well as expenses recognised for the Sisonke Employee Empowerment Scheme based on services rendered by employees of R202 million (30 June 2022: R9 million, 31 December 2022: R380 million).

ALTERNATIVE PERFORMANCE MEASURES$^{\Delta}$ CONTINUED

For the six months ended 30 June 2023

The APMs used in the Interim Financial Statements have been reconciled as below continued:

G. FOB cost per export saleable tonne

Rand million (unless otherwise stated)	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
FOB cost	F	**7,084**	6,712	14,096
Export saleable production (kt)		**6,075**	6,142	13,062
FOB cost per export saleable tonne (Rand/tonne)		**1,166**	1,093	1,079

H. FOB cost excluding royalties

Rand million	Notes	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
FOB cost	F	**7,084**	6,712	14,096
Less – royalties	3	**(163)**	(1,016)	(1,955)
FOB cost excluding royalties		**6,921**	5,696	12,141

I. FOB cost per export saleable tonne excluding royalties

Rand million (unless otherwise stated)	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
FOB cost excluding royalties	H	**6,921**	5,696	12,141
Export saleable production (kt)		**6,075**	6,142	13,062
FOB cost per export saleable tonne excluding royalties (Rand/tonne)		**1,139**	927	929

J. Environmental liability coverage

Rand million (unless otherwise stated)	Note	**Reviewed 30 June 2023 6 months**	Reviewed 30 June 2022 6 months	Audited 31 December 2022 12 months
Environmental provisions	14	**7,673**	6,896	7,566
Investments held to fund closure activities		**4,373**	3,664	4,104
Environmental rehabilitation trusts	14	**3,502**	3,270	3,446
Other environmental investments	14	**871**	394	658
Environmental liability coverage (%)		**57**	53	54

ANNEXURE 2

GLOSSARY

For the six months ended 30 June 2023

A number of terms have been used in the Interim Financial Statements, using the definitions as detailed below:

Term used	Definition
AAIC	Anglo American Inyosi Coal Proprietary Limited
AAML	Anglo American Marketing Limited
AGM	Annual general meeting
Anglo American	The Anglo American plc Group and its subsidiaries, or Anglo American Group
APM	Alternative performance measure
ASA	Anglo South Africa Proprietary Limited
AUD	Australian dollar
Audley Capital	Audley Energy Limited
Benchmark coal price	Benchmark price reference for 6,000kcal/kg thermal coal exported from the RBCT
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
CA(SA)	Chartered Accountant South Africa
CEO	Chief executive officer
CFO	Chief financial officer
Circular 1/2023	Circular 1/2023: 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
Coalsafe	The annual conference and awards of the South African Colliery Managers' Association focused on safety, occupational health, environment and community
CODM	Chief operating decision maker
Colliery Training College	Colliery Training College Proprietary Limited
The Companies Act of South Africa	The Companies Act 71 of 2008 (as amended)
Conditional shares	Shares or share awards granted to participants under the Thungela share plan which are subject to certain performance conditions and employment conditions
DBS	Deferred bonus shares
Demerger	The process to separate Thungela from Anglo American, as fully described in the PLS
DFFE	The Department of Forestry, Fisheries and the Environment
DMRE	The Department of Mineral Resources and Energy
EBITDA	Earnings before interest, tax, depreciation and amortisation
Employment condition	The conditions of employment to be satisfied in order for awards under the Thungela share plan to vest on the vesting date
Ensham Business	The interest in the Ensham Joint Venture, as well as the 85% shareholding in Ensham Coal Sales, 100% shareholding in Ensham Resources (the operator of the Ensham Coal Mine) and the 85% shareholding in Nogoa Pastoral and Nogoa Pastoral Joint Venture
Ensham Coal Sales	Ensham Coal Sales Proprietary Limited
Ensham Resources	Ensham Resources Proprietary Limited
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

GLOSSARY CONTINUED

For the six months ended 30 June 2023

A number of terms have been used in the Interim Financial Statements, using the definitions as detailed below continued:

Term used	Definition
ESG	Environmental, social and governance
EU	European Union
FCA	The Financial Conduct Authority of the UK or its successor from time to time
FEC	Foreign exchange contract
FMA	The South African Financial Markets Act 19 of 2012 (as amended from time to time)
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
FOT	Free on truck
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
Group	Thungela and its subsidiaries, joint arrangements and associates
IAS	International Accounting Standard, referencing a specific standard to be applied
IAS 12	Income Taxes
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IASB	International Accounting Standards Board
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 13	Fair Value Measurement
Idemitsu	Idemitsu Australia Proprietary Limited and its subsidiary, Bligh Coal Limited
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
kt	A measure representing 1,000 tonnes
LNG	Liquefied natural gas
LOM	Life-of-mine
LSE	London Stock Exchange
LTIP	Long-term incentive plan
Mafube Coal Mining	Mafube Coal Mining 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
Mayfair	Mayfair Corporations Group Proprietary Limited

Term used	Definition
Minerals Council	The Minerals Council of South Africa is a mining industry employers' organisation that promotes the interests of the South African mining industry and provides strategic and advisory support
MOI	Memorandum of incorporation
MPRDA	The South African Mineral and Petroleum Resources Development Act 28 of 2002
MPRDA Regulations	Mineral and Petroleum Resources Development Regulations, 2004, published under the Mineral and Petroleum Resources Development Act 28 of 2002
Mt	Million tonnes
Mtpa	Mt per annum
Nogoa Pastoral	Nogoa Pastoral Proprietary Limited
NEMA	The South African National Environmental Management Act 107 of 1998 (as amended from time to time)
NEMA Financial Provisioning Regulations	Financial provisioning regulations, 2015, published under the National Environmental Management Act 107 of 1998
Nkulo Community Partnership Trust	The Nkulo Community Partnership Trust, previously referred to as the Community Partnership Plan (CPP)
NRV	Net realisable value
Pamish	Pamish Investments No. 66 Proprietary Limited
Performance condition	A performance condition to be satisfied 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
RBCT	Richards Bay Coal Terminal Proprietary Limited or the Richards Bay Coal Terminal
RMC	Rietvlei Mining Company Proprietary Limited
ROM	Run of mine, representing the product extracted from mining operations before it is processed into saleable product
SACO	South Africa Coal Operations Proprietary Limited
SAICA	South African Institute of Chartered Accountants
SARS	The South African Revenue Service
Sasol	Sasol Limited
Secondary index price	Benchmark price reference for 6,000kcal/kg thermal coal at point of discharge in Northwest Europe
Sisonke Employee Empowerment Scheme	The Sisonke Employee Empowerment Scheme Trust (previously the SACO Employee Partnership Plan Trust), previously referred to as the Employee Partnership Plan (EPP)
South African Financial Reporting Requirements	The Financial Pronouncements as issued by the Financial Reporting Standards Council and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee
Sungela	Sungela Proprietary Limited
Sungela Holdings	Sungela Holdings Proprietary Limited

ANNEXURE 2

GLOSSARY CONTINUED

For the six months ended 30 June 2023

A number of terms have been used in the Interim Financial Statements, using the definitions as detailed below continued:

Term used	Definition
TFR	Transnet Freight Rail, a division of Transnet SOC Limited
Thungela or the Company	Thungela Resources Limited
Thungela Australia	Thungela Resources Australia Proprietary Limited
Thungela share plan	The long-term share incentive plan adopted by Thungela to attract, retain, incentivise and reward high-calibre employees
TIPL	Thungela International Proprietary Limited
TOPL	Thungela Operations Proprietary Limited
TRCFR	Total recordable case frequency rate per million man hours
TRH	Thungela Resources Holdings Proprietary Limited
Trusts	The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust, 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
US	United States
US$ or USD	United States dollar
VAT	Value-added tax
WANOS	Weighted average number of shares outstanding
ZAR	South African rand

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 number: 9111917259
('Thungela' or the 'Group' or the 'Company')

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Independent non-executive

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Kholeka Winifred Mzondeki
Thero Micarios Lesego Setiloane
Benjamin Monaheng (Ben) Kodisang
Seamus Gerard French (Irish)
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