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SUMMARISED ANNUAL FINANCIAL STATEMENTS 2022

THUNGELA'S 2022 REPORTING SUITE

This report forms part of our overall suite of reporting documents for the year ended 31 December 2022, all of which should be read together. Our 2022 reporting suite includes the documents as detailed below:

INTEGRATED ANNUAL REPORT*

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

ANNUAL FINANCIAL STATEMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT*

- Detailed disclosure of the key environmental, social and governance elements that could have a material impact on our performance and business if not effectively managed.
- Prepared in accordance with the core requirements of the GRI Reporting Standards, specifically the GRI 12: Coal Sector 2022 Standard, as well as internal safety and sustainable development indicators.

CLIMATE CHANGE REPORT*

- Disclosure of Thungela's approach to climate change, including risks and related management, compiled in accordance with the recommendations of the TCFD.

* Available from April 2023.

Various acronyms, abbreviations and measures used throughout our 2022 reporting suite have been defined on pages 101 to 105.

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

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.

thungela

Responsibly creating value together for a shared future

CONTENTS

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 Resources Limited ('Thungela' or the 'Group' or the 'Company') board of directors, supported by the audit committee, is ultimately responsible for the preparation, fair presentation and integrity of the summarised consolidated financial statements and related financial information of the Group, as contained in the Summarised Annual Financial Statements for the year ended 31 December 2022. The board of directors confirm that they have collectively reviewed the content of the Summarised Annual Financial Statements for the year ended 31 December 2022 and approved the same at its meeting on 24 March 2023. These Summarised Annual Financial Statements have been prepared under the supervision of Deon Smith CA (SA), CFO.

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.

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

The Summarised Annual Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS and the basis of preparation as fully disclosed in that document. The directors are responsible for the preparation of the Annual Financial Statements from which the Summarised Annual Financial Statements have been derived.

The summarised consolidated financial statements are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable judgements and estimates made by management. The summarised consolidated financial statements comprise the summarised consolidated statement of financial position at 31 December 2022, the summarised consolidated statement of profit or loss and other comprehensive income, the summarised consolidated statement of changes in equity and the summarised consolidated statement of cash flows for the year then ended, the notes to the summarised consolidated 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 Summarised Annual Financial Statements, that provides reasonable assurance against material misstatement or loss, whether owing to fraud or error.
- Selecting and applying appropriate accounting policies.
- Making accounting estimates that are reasonable in the circumstances.
- Safeguarding shareholders' investments and the Group's assets.
- Preparing the Summarised Annual Financial Statements, including the supplementary annexures.

The Group's independent external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS, and their unqualified audit report appears on pages 26 to 31 of the Annual Financial Statements for the year ended 31 December 2022. The independent external auditor has not audited these Summarised Annual Financial Statements, and their report does not necessarily cover all information included in 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 during the year ended 31 December 2022. 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 Summarised Annual 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 Summarised Annual Financial Statements for the year ended 31 December 2022.

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

APPROVAL OF THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

The Summarised Annual Financial Statements on pages 4 to 105 were approved by the board of directors and are signed on the directors' behalf by:

Sango Ntsaluba
Chairman

July Ndlovu
CEO

27 March 2023

GROUP PERFORMANCE IN 2022

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

SAFETY

Fatalities
None
(2021: one)

TRCFR*
1.41
(2021: 1.35)

CREATING SHARED VALUE

Nkulo Community Partnership Trust
R448 million contribution
(2021: R137 million)

Sisonke Employee Empowerment Scheme
R448 million contribution
(2021: R137 million)

PATHWAY TO NET ZERO

Thungela will reduce its scope **1 and 2** emissions from existing operations by **30%** in 2030**, and reach **net zero** by 2050

OPERATIONAL

Export saleable production
13.1Mt
(2021: 14.5Mt)

Export equity sales
12.2Mt
(2021: 13.9Mt)

FINANCIAL

Adjusted EBITDA
R29.5 billion
(2021: R10.0 billion)

FOB cost
R1,079 per export tonne
(2021: R830 per tonne)

Returns to shareholders
R13.8 billion
(2021: R2.5 billion)

Earnings per share
R127.08
(2021: R61.08)

Headline earnings per share
R130.82
(2021: R66.57)

* Total recordable case frequency rate
** Relative to 2021 baseline

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In 2022 Thungela once again delivered exceptional results, achieving a significant increase in adjusted EBITDA$^{\Delta}$ to R29.5 billion and net profit to R18.2 billion, while executing our strategic priorities across several fronts. We continue to prioritise being a fatality-free business and we operated without a fatality in 2022.

Regrettably, in February 2023 Mr Breeze Mahlangu, a mining operator at Zibulo, tragically passed away following complications after an accident in December 2022. This has been devastating for all of us at Thungela and a reminder that we must be unconditional about safety to ensure that everyone goes home safely every day.

Outstanding performance drives exceptional returns to shareholders

We generated adjusted operating free cash flow$^{\Delta}$ of R18.1 billion during the year, compared to R3.9 billion last year. This outcome is in large part due to strong coal prices, but is also testament to the agility of our people in operating in a severely constrained rail environment. A more than four-fold increase in cash generation is a remarkable achievement given the loss of close to 3Mt of export saleable production volumes as a direct result of the poor TFR rail performance.

The exceptional cash generation resulted in a net cash$^{\Delta}$ position of R14.7 billion at year end, R6.0 billion up from the prior year. While the acquisition of the Ensham Business will be paid for from cash on hand at year end, it will materially change the overall structure of the Group, including our liquidity needs. Accordingly, we have secured access to R3.2 billion in credit facilities with leading South African banks to reflect this change, as well as to bolster our resilience against continued poor rail performance by maintaining a sufficient level of liquidity.

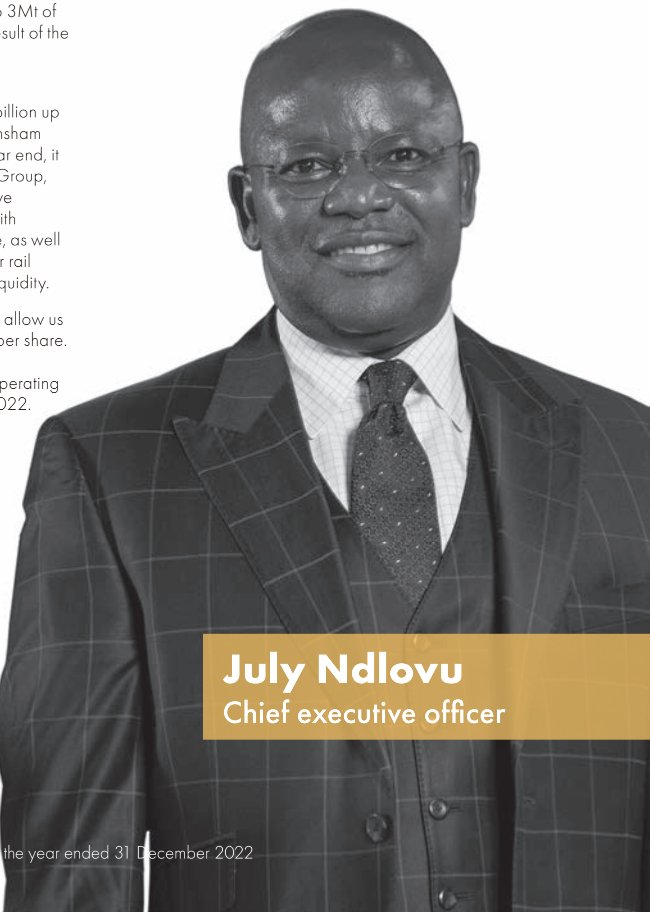
The outstanding results and solid liquidity position allow us to declare a final ordinary cash dividend of R40 per share. This final dividend represents returns to Thungela shareholders of R5.6 billion, or 61% of adjusted operating free cash flow$^{\Delta}$ generated in the second half of 2022. Combined with the 2022 interim dividend of R60 per share, this amounts to a total dividend declared for 2022 of R100 per share, and brings the total returns to Thungela shareholders to R13.8 billion, representing 76% of adjusted operating free cash flow$^{\Delta}$ of R18.1 billion for the year.

Driving our ESG aspirations

In line with the commitment we made last year, we have completed a full review of our intermediate emissions reduction targets and we are pleased to announce that Thungela aims to reduce its scope 1 and 2 emissions by 30% by 2030 (using our 2021 emissions as a baseline) and reach net zero by 2050.

Further detail on our pathway to net zero, including the intermediate emissions reduction targets, will be published in April 2023 in our maiden Climate Change Report, aligned to the requirements of the TCFD.

We have always maintained that ESG is more than only the "E" and given our unique context in South Africa, and Mpumalanga in particular, we have committed to focusing on the social component of ESG – with a special focus on our employees and the communities in which we operate. Employees and communities share in the value that we create through their participation in the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust (previously referred to as the EPP and CPP respectively) and we are proud to have contributed R896 million to these trusts in 2022, bringing the total contribution since our listing to R1.2 billion. This will make a meaningful and lasting impact on the lives of those most important to enabling value creation – our employees and host communities.



July Ndlovu
Chief executive officer

Executing our strategy

We have made significant progress on the execution of our strategy which we announced to stakeholders in 2022.

Aligned to our strategic priority of maximising the full potential of our existing assets, the board approved the development of the Elders production replacement project, an integral part of our equity story from the outset. We also continue to progress the feasibility study for the Zibulo North Shaft life extension project and expect to submit this for board consideration in 2023. We are also evaluating potential development options for our significant gas resource in Limpopo.

Turning to the optimisation of capital allocation, in November we acquired the remaining 27% shareholding in AAIC, the entity which holds Zibulo and Elders. This transaction will allow us to benefit from the full economics of the most cash generative assets in our portfolio, resulting in an increase in earnings attributable to the equity shareholders of Thungela.

The creation of diversification options remains an important focus for our business as we plan for the future. In February 2023, we announced the acquisition of a controlling shareholding in the Ensham thermal coal business in Australia. This marks an important milestone in our journey as it delivers geographic diversification through a highly cash-generative thermal coal asset with long life potential. This transaction is expected to close in mid-2023.

"The results from this past year further bolster confidence in both our resilience and our potential. As always, we will continue to put safety first, focus on controlling the controllables and stay true to our purpose to responsibly create value together for a shared future."

Looking ahead

We look ahead with a sense of caution in the short-term, yet confidence in the longer-term.

In 2022 Thungela contributed R8.5 billion in income taxes and royalties to the South African fiscus, as well as R896 million to the Nkulo Community Partnership Trust and Sisonke Employee Empowerment Scheme, in addition to making a significant impact in our host communities. Had we not been constrained by poor TFR rail performance this contribution and impact would have been much higher.

In the short-term, fixing the rail network is a matter of critical importance to South Africa as the mining industry delivers far-reaching benefits, sustains jobs and livelihoods in our communities, and contributes significantly to the fiscus and the economy. We remain focused on working with Transnet to resolve the issues plaguing rail performance and call on government to support these efforts in order to ensure that the mining industry can continue to create value for South Africa and its people.

The fundamentals supporting thermal coal remain firmly in place, although prices have softened in early 2023. While we are unlikely to see the historic price levels observed in 2022, we expect prices to remain robust. In the longer term, we anticipate continued strong coal demand from emerging markets, especially those in Asia, where coal is likely to remain part of the energy mix for at least the next two decades.

The results from this past year further bolster confidence in both our resilience and our potential. We will continue to put safety first, focus on controlling the controllables and stay true to our purpose to responsibly create value together for a shared future.

July Ndlovu
CEO

27 March 2023

MARKET IN CONTEXT

The global economy was marked by volatility and various challenges in 2022, including conflict, inflationary pressures and the lingering disruptions caused by the COVID-19 pandemic.

The escalation of the conflict between Russia and Ukraine resulted in human tragedy and also severe turbulence in the global economy, and energy markets in particular. A range of sanctions were implemented against Russia, including against Russian thermal coal entering the EU from August 2022.

Global economies, especially Europe which is reliant on Russian fuel sources, faced an energy security crisis which resulted in substantially increased demand for alternative energy sources, including thermal coal, in an already severely constrained supply environment. Supply constraints have continued in several major coal producing hubs – heavy rains in Australia, production challenges in Colombia and continued and significant logistics issues in South Africa. This resulted in significant volatility in the market and an increase in the price of coal.

In an effort to reduce reliance on Russian energy sources, other coal importing hubs, such as Japan, also looked for alternative sources of high grade coal to meet energy requirements. This imperative for energy security increased seaborne thermal coal demand and, combined with the constrained supply, resulted in volatile increases in the Benchmark coal price which averaged USD270.87 per tonne in 2022, compared to USD124.11 per tonne in 2021.

Global coal trade flows significantly changed with the EU ban on Russian coal. The ban has seen heavily discounted Russian coals flow into India and other South Asian countries, negatively impacting South African coal market share in this region. Increased seaborne coal prices resulted in developing economies such as those in South Asia (including India, Pakistan, Sri Lanka and Vietnam) being unable to afford these prices and consequently demand from these hubs decreased. However, we saw increased South African coal flows into Europe – specifically of higher qualities which Thungela was well placed to supply. Although prices were firm they remained volatile and began softening towards the end of the year due to the milder than expected winter in Europe, which resulted in high coal stocks at European ports, as well as high gas inventories. China's efforts to tackle the COVID-19 pandemic as cases surged near the end of the year also resulted in further demand destruction.

2022 PERFORMANCE

Thermal coal price and exchange rate	**2022**	2021
Benchmark coal price (US$/tonne)	**270.87**	124.11
Average realised export price (US$/tonne)	**229.21**	103.82
Average realised export price (Rand/tonne)	**3,752**	1,535
Realised price as a % of Benchmark coal price	**85**	84
ZAR:US$ average exchange rate	**16.37**	14.79

The most significant challenge facing the coal mining industry in South Africa and Thungela remains the continued deterioration in TFR performance, with 2022 being another year of exceptionally poor rail performance. In 2020 TFR railed a total of 70.1Mt to the RBCT for the industry but this decreased to 58.1Mt in 2021. TFR performance continued to deteriorate during 2022 – from an annualised industry rate of 53.3Mt in the first half of the year, down to 47.4Mt in the second half – resulting in total volume railed of 50.3Mt for the full year. This is the lowest volume railed in over 13 years. The second half of the year was impacted by a protracted strike by Transnet employees in October 2022, as well as a severe derailment on the coal corridor in November 2022.

Thungela continues to manage consistently poor TFR rail performance to the extent possible by railing higher-grade products and creating additional stockpile capacity by trucking coal between our operations. We have also trucked coal from our operations to three additional third-party sidings to create further rail loading optionality and de-risk train cancellations. In addition, Thungela continues to review opportunities at alternative ports to support production efforts and manage stockpile levels.

In 2022 Thungela and Transnet concluded an amendment to the existing long-term agreement (LTA) according to which Transnet declared a minimum contractual rail capacity of 60Mt for its financial year ending March 2023. The LTA also resulted in an agreement on the rail tariff escalation applicable on the balance of the tenure of the LTA which is in place until 31 March 2024.

Thungela and the industry continue to offer support to Transnet. A steering committee was established in December 2022 which allows for executive collaboration with the Minerals Council, the Transnet board, RBCT and the industry more broadly. The primary goal of this collaboration is to ensure that TFR performance stabilises, and once this is achieved, focus will shift to performance improvement.

KEY FOCUS AREAS FOR 2023

While demand for seaborne coal should remain firm into 2023, the market is expected to remain volatile and it is unlikely that the record prices achieved in 2022 will be repeated in 2023.

Given the current challenges related to the conflict in Ukraine, we expect sanctions against Russia to remain in place throughout 2023. As trade flows take shape, this is likely to result in continued imports of South African coal into Europe, together with coal from other origins. However, Russian coal is likely to continue to take a portion of South Africa's market share in Asia, resulting in increased competition in that region. Australia is expected to continue recovering following the heavy rains in 2022 and the easing of the Chinese ban on Australian coal will result in limited volumes of this coal shifting back into China.

We will continue our concerted efforts to assist TFR in improving their performance, and will monitor key factors affecting the seaborne thermal coal markets, including:

- Geopolitical tensions and the resultant change in coal trade flows, including, inter alia, the impact of the conflict in Ukraine, as well as China easing the ban on Australian coal.
- Europe's drive to reduce its dependency on Russian fuel sources, increase its renewable energy capacity and alternative gas supplies and storage capacity.
- The continued impact of COVID-19, especially in China.
- India's continued push for increased domestic production and the impact on seaborne thermal coal demand.
- Potential new coal requirements within the South African domestic market, including Eskom, which could provide an additional market for mid- to high-ash coals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Key performance indicators	2022	2021
Safety and health		
Fatalities	0	1
Total recordable case frequency rate	1.41	1.35
Environment		
Total energy consumed (million GJ)	3.01	3.42
Energy intensity (MJ/total tonne moved)	16.81	19.04
Total greenhouse gas (GHG) emissions (kt CO_2 – equivalent)	748	819
Carbon intensity (kg CO_2/total tonne moved)	4.18	4.56
Freshwater abstraction (ML)	767	865
Water efficiency (reuse/recycle) (%)[1]	96	95
Water treatment (%)	57	57
Number of level 3 – 5 environmental incidents	2	1
People		
HDPs in management (%)	76	74
Women in management (%)	29	28

[1] The water efficiency value for 2021 was updated based on the revised calculation methodology which uses a disaggregated approach to include water reuse in washing plants with thickeners and filter presses. Further detail on the revised calculation methodology will be included in the ESG Report.

SAFETY

We operated fatality free for 2022. However, our colleague Mr Breeze Mahlangu tragically passed away on 28 February 2023 following complications after an accident at Zibulo in December 2022. This has been devastating for all of us at Thungela and a reminder that we must be unconditional about safety to ensure that everyone goes home unharmed every day.

There were 25 recordable injuries in 2022, the same number as in 2021 despite a reduction in working hours. This resulted in an increase in TRCFR to 1.41 for the year ended 31 December 2022 compared to 1.35 in 2021. To ensure we remain vigilant and keep safety top of mind at all times, 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.

ENVIRONMENTAL STEWARDSHIP

Mining in South Africa is strictly regulated. We aim to achieve and surpass legal compliance to ensure we not only avoid or minimise the potential adverse environmental impacts of our operations, but also deliver positive environmental outcomes. We regularly engage with the DWS and the DMRE on issues related to compliance and permitting.

We remain steadfast in our commitment as a responsible corporate citizen to mitigate the impacts of the incident which occurred at the Khwezela Kromdraai site in February 2022, and we are working with all stakeholders to achieve a sustainable outcome. Given the complexity of the plan to rehabilitate the Wilge River system, we appointed a specialist technical consultant to assist with this task. Through collaboration with the Mpumalanga Tourism and Parks Agency (MTPA), we have also engaged a panel of independent experts to review the work that is carried out and to guide the rehabilitation effort.

We have taken the recommendations of this panel of experts onboard with a view to ensure that agreed actions are based on sound scientific principles.

We continue to engage the DWS on progress made against the action plan as well as results from the biomonitoring carried out in August and October 2022. We have made significant progress in achieving milestones which are critical to the overall rehabilitation process. These include:

- An intervention by the Hawks to remove large-scale illegal mining activities was completed.
- Accelerating the rehabilitation of the area which will reduce the ingress of water by increasing run-off.
- Reinstating water management infrastructure that was vandalised or stolen due to illegal mining activities. Additionally, we are investigating longer-term, modular treatment capacity to further treat water to discharge qualities.
- Establishing the Wilge River's EcoStatus through the two biological sampling exercises conducted in collaboration with the MTPA. The outputs of the sampling exercises were used to guide future interventions as well as monitoring and evaluation of the impacts of the interventions.

Thungela has set aside the necessary financial and human resources to implement the interventions contained in the rehabilitation plan. We continue to approach the rehabilitation with the necessary level of urgency and commitment, in collaboration with all relevant stakeholders.

WATER MANAGEMENT

The Goedehoop, Isibonelo and Mafube Collieries rely on fresh water from external sources and are working towards a reduction target of 20% by 2023, using 2015's 1,015ML as a baseline. The overall trend for 2022 indicates that the current import of water has decreased by 11% to 767ML from 865ML in 2021.

A target was also set to increase water reuse and recycling levels to 75%. We have exceeded this target by driving efficiencies across the water cycles. Water recycling and reuse rose from 95% in 2021 to 96% in 2022. This increase is attributed to concerted efforts at our Goedehoop Colliery to reduce freshwater intake and improve recycling.

We have again achieved and exceeded our annual target of 40% water treatment in 2022.

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.

The fourth draft of the NEMA Financial Provisioning Regulations was released for comment on 11 July 2022, but no feedback has been received from the DFFE on comments submitted by the industry. 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.

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. The construction of a demonstration scale plant to further prove the effectiveness of passive water treatment was completed in June 2022. The demonstration 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. 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.

We are also trialling the use of phytoremediation at our Goedehoop Colliery in collaboration with a leading South African university to address mine-impacted water.

Thungela is accelerating the rehabilitation and closure of the North West and Kromdraai pits at the Khwezela Colliery. This should also contribute to the prevention of illegal mining activities on our sites.

REDUCING OUR CARBON INTENSITY AND DEVELOPING INTERMEDIATE TARGETS

Following our commitment to net zero by 2050, subject to the requirements of the countries in which we operate and the markets we serve, we have done a full review of our intermediate emissions reduction targets which we are pleased to publish. Thungela aims to reduce our scope 1 and 2 emissions by 30% (off the baseline of our 2021 emissions) by 2030 on our pathway to net zero.

Total carbon dioxide equivalent (CO_2e) emissions in 2022 were 748kt compared to 819kt in 2021. This 8.7% reduction was driven by energy efficiency improvement projects and a reduction in production volumes due to TFR underperformance. Our carbon intensity decreased by 8.3% from 4.56kg CO_2 per total tonne moved in 2021 to 4.18kg CO_2 per total tonne moved in 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

REDUCING OUR CARBON INTENSITY AND DEVELOPING INTERMEDIATE TARGETS

CONTINUED

Our energy intensity improved by 12% year-on-year from 19.04MJ per total tonne moved in 2021 to 16.81MJ per total tonne moved in 2022. We undertook extensive opportunity scoping during 2022 to identify energy saving projects at each of our operations and projects as well as opportunities for substitution of some of our fixed energy requirements with renewable energy.

Further detail on our climate change response strategy will be provided in our maiden Climate Change Report aligned with the recommendations of the TCFD that will be published together with the ESG Report and Integrated Annual Report in April 2023.

CREATING VALUE FOR A SHARED FUTURE

In keeping with our commitment to responsibly create value together for a shared future, we have contributed R896 million to the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust related to our 2022 performance. This will make a meaningful impact in the lives of our people and empower the Nkulo Community Partnership Trust to create a legacy beyond the life of our mines.

The Sisonke Employee Empowerment Scheme paid its first allocation to eligible employees in December 2022. A decision was made to amend the payment date, originally set for 2024, to allow for employees to receive their benefits in the year that contributions are made to the trust. Employees participated in financial wellness training before receiving the award.

Enterprise and supplier development (ESD) is critical in South Africa as it supports economic growth and transformation imperatives. We proudly launched our ESD programme, Thuthukani, in June 2022. This joint initiative is focused on providing small enterprises in our host communities in Mpumalanga with hands-on entrepreneurial business support and mentorship, access to loan funding and technical development. It runs across the Thungela operational areas in the municipalities of eMalahleni, Steve Tshwete and Govan Mbeki and will contribute to the creation of a thriving small business sector in Mpumalanga.

We are intentional about our socio-economic development programmes and their desired impact. We have adopted an approach that guides the social initiatives we undertake as a business, linking them to business objectives and designing them to meet the impact goals we have set.

A highlight for Thungela in 2022 was the conclusion of a three-year wage agreement with the National Union of Mineworkers. The agreement, which will run until May 2025, will see salary and salary-related allowances of bargaining unit employees increase by approximately 6% annually over three years.

We depend on a diverse team of high-performing individuals who have the right skills, expertise and mindset to achieve the highest levels of productivity – safely, without harm to the environment or the communities that host our mining sites. To this end, we launched the Thungela Leadership Academy in 2022, in partnership with a leading South African university.

We have seen an improvement in the levels of HDPs at management level from 74% in 2021 to 76% in 2022. Women in management also increased from 28% in 2021 to 29% in 2022, which is testament to our commitment to transformation in our business.

ILLEGAL MINING

Illegal mining operations in Mpumalanga continue to pose a challenge to our business. These are highly sophisticated operations and form part of organised crime networks.

These networks are increasingly turning to violence which puts the lives of our security personnel and employees at risk, while at the same time increasing criminal activity in the communities in which we operate. An additional effect experienced is the environmental degradation at the sites where the activities are taking place.

While Thungela continues to invest in security and specialised interventions, we remain dependent on law enforcement authorities, regulators such as the DMRE, and the judicial system to halt illegal mining syndicates. Tackling the issue requires a collaborative and well-resourced effort between industry, law enforcement and regulators. Thungela is an active member of the Minerals Council's security cluster, where industry members collaborate on dealing with criminality. Thungela will continue to work with the relevant authorities to combat illegal mining at our operations.

GOVERNANCE

The board remains committed to supporting management in decision-making and driving its agenda on critical matters, including ESG-related matters. The board also recognises its responsibility to safeguard and represent the interests of the Group's stakeholders in perpetuating a successful and sustainable business that ensures the achievement of Thungela's strategic objectives.

The Thungela remuneration and nomination committee approved the linking of 30% of the LTIP awards for senior management to ESG metrics, which are aligned with our ambitions.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

- coal transport networks
- employee safety and health
- commodity price and foreign exchange rate fluctuations
- electricity supply
- community relations
- strata and geotechnical failure
- company sustainability
- critical business systems
- legislative compliance
- stakeholder activism
- 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

As at 31 December 2022

INTRODUCTION

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

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

STATEMENT BY THE LEAD COMPETENT PERSON

By signing this statement, the lead Competent Person, Bart Jozef Maria Van de Steen, confirms that the information disclosed in this section is compliant with the SAMREC Code and the relevant JSE Listings Requirements Section 12, Part 1. The Coal Resources and Coal Reserves are published in the form and context in which they are intended. The lead Competent Person has not been unduly influenced by Thungela or any person involved in the compilation of this report and its content. The lead Competent Person has 35 years of relevant experience in the commodity under consideration and is registered as a Professional Engineer with the recognised professional body, the Engineering Council of South Africa.

Bart Jozef Maria Van de Steen
Head of resource development and operational excellence
PhD

ECSA, Registration No: 20050122

COMPETENCY

Pursuant to the requirements of the JSE Listings Requirements Section 12, Part 1 and clause 8 of the 2016 SAMREC Code, a written consent statement by the Competent Person has been signed in the individual asset Competent Person's report (which is available on request) declaring the Coal Resources and Coal Reserves, and he/she has consented to the inclusion of his/her estimates in the form and context in which they appear in this extract of the report.

A list of the Competent Persons, their affiliation and relevant years of experience will be made available in the Integrated Annual Report.

The full report detailing the Coal Resources and Coal Reserves for Thungela in line with the SAMREC Code will be available in the Integrated Annual Report to be published in April 2023.

RESOURCE AND RESERVE RECONCILIATION

2021 VS 2022

The 2021 Coal Resources and Coal Reserves estimations were based on depletion and therefore mainly impacted by production. The 2022 estimations are derived from first principle competent persons reports, and significant to material changes to the resource and reserve base are recorded. These changes are tracked by the various reconciliation categories in the below graphs.

The comparison between the total Coal Reserves (including MRDs) of 31 December 2021 and 31 December 2022 is illustrated in Figure 1.

Production: The tonnes mined and adjustments for the over/underestimations of mining from the previous reporting period.

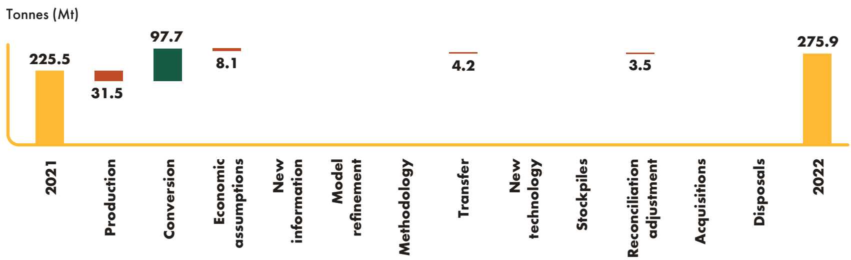
Conversion: Resources to reserves mainly due to revised LOM plans at the Mafube and Zibulo Collieries, increase in plant capacity at the Rietvlei Colliery and the inclusion of the Rooipan area at the Mafube Colliery.

Economic Assumptions: Reallocation of reserves to resources outside mine plan at the Isibonelo Colliery from North Pit as per existing coal supply agreement.

Transfer: Reallocation of reserves to resources outside mine plan due to exclusions of the Waterpan and 3A North area from the LOM plan at the Greenside Colliery, offset by the inclusion of inferred in LOM plan to reserves resulting from additional exploration drilling.

Reconciliation Adjustment: Losses/gains from layout changes and sterilised coal.

FIGURE 1: OPERATIONS – YEAR-ON-YEAR CHANGES IN COAL RESERVES 2021 VS 2022



The comparison between the total Coal Resources (excluding projects) of 31 December 2021 and 31 December 2022 is illustrated in Figure 2.

Depletion: Resources outside mine plan depleted.

Conversion: Resources to reserves mainly due to revised LOM plans at the Mafube and Zibulo Collieries, increase in plant capacity at the Rietvlei Colliery, inclusion of Rooipan area in reserves.

Economic Assumptions: Reallocation of reserves to resources outside mine plan at the Isibonelo Colliery from North Pit as per existing coal supply agreement.

Model Refinement: Re-evaluation of resources and results of additional exploration drilling.

Methodology: Change in modelling interpolation methodology.

Transfer: Inventory coal to resources for conversion to reserves and inclusion of inferred in LOM plan to reserves resulting from additional exploration drilling.

Reconciliation Adjustment: Inclusion of the No 4 Seam upper to resources outside of mine plan at Khwezela North.

COAL RESOURCES AND COAL RESERVES CONTINUED

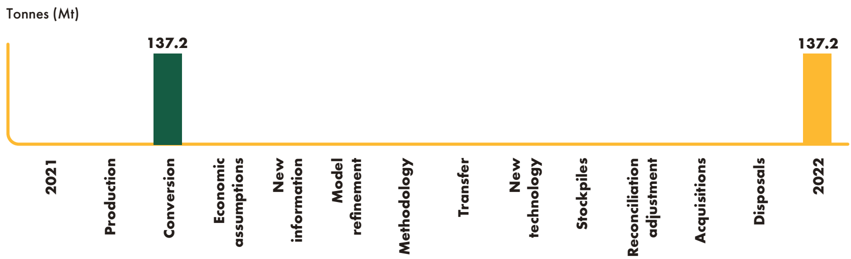
As at 31 December 2022

FIGURE 2: OPERATIONS – YEAR-ON-YEAR CHANGES IN COAL RESOURCES OUTSIDE MINE PLAN 2021 VS 2022

The comparison between the total Coal Reserves (Projects) of 31 December 2021 and 31 December 2022 is illustrated in Figure 3.

Conversion: First time reserves reporting of reserves at the Elders and Zondagsfontein West projects.

FIGURE 3: PROJECTS – YEAR-ON-YEAR CHANGES IN COAL RESERVES 2021 VS 2022



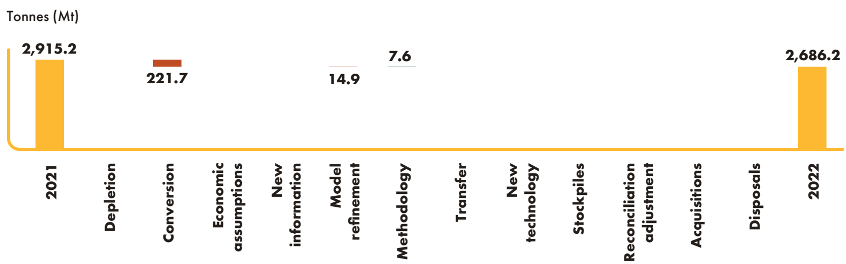
The comparison between the total Coal Resources (Projects) of 31 December 2021 and 31 December 2022 is illustrated in Figure 4.

Conversion: Resources for first time reserve reporting at the Elders and Zondagsfontein West projects.

Model Refinement: Re-evaluation of the underground multi-seam resources at the Waterberg project.

Methodology: Change in software application at the Elders project and change in cut-off parameter (minimum overburden) at the Zondagsfontein West project.

FIGURE 4: PROJECTS – YEAR-ON-YEAR CHANGES IN COAL RESOURCES 2021 VS 2022



OUR PERFORMANCE

REVIEW OF FINANCIAL PERFORMANCE

For the year ended 31 December 2022

Net profit for the year **R18.2 BILLION** (2021: R6.9 billion)	Headline earnings per share **R130.82** (2021:R66.57)	Adjusted EBITDA$^{\Delta}$ **R29.5 BILLION** (2021: R10.0 billion)	Net cash$^{\Delta}$ **R14.7 BILLION** (2021: R8.7 billion)
FOB cost$^{\Delta}$ **R1,079/tonne** (2021: R830/tonne)	FOB cost excluding royalties$^{\Delta}$ **R929/tonne** (2021: R803/tonne)	Total dividend of **R13.8 BILLION** to shareholders of Thungela	Total dividend per share **R100** 76% of adjusted operating free cash flow$^{\Delta}$

We are pleased to announce an outstanding set of results for the year ended 31 December 2022. These results were driven by supportive market conditions but tempered by continued rail infrastructure constraints.

The further deterioration of the rail performance in 2022 severely constrained export sales, and the resultant impact on already high on-mine stockpiles led to further production curtailments across the business.

Deon Smith
Chief financial officer

The poor rail performance seen throughout the year was exacerbated by the impact of a strike by Transnet employees and a significant derailment in the fourth quarter.

We implemented a number of actions to mitigate the impact of the poor TFR performance on our business, including optimising our allocated rail capacity to the extent that trains became available by continuing to rail higher-grade products. We were also able to create further rail loading optionality and de-risk train cancellations by trucking coal between our operations and to three additional third-party sidings. We successfully trialled the road haulage of coal from our operations down to Richards Bay, and we continue to evaluate trucking as an alternative to rail transport.

The Group recorded export saleable production of 13.1Mt at an FOB cost per export tonne$^{\Delta}$ of R1,079 (R929 per tonne excluding royalties). The Group realised 12.2Mt of export equity sales and generated adjusted EBITDA$^{\Delta}$ of R29.5 billion, mostly driven by strong realised export prices.

Profit of R18.2 billion for the year includes the fair value loss of R347 million on the derivative asset relating to the capital support agreement, as well as fair value losses of R3.2 billion on the forward coal swap transactions undertaken by the Group. Profit was further impacted by a non-cash charge of R1.1 billion related to an increase in the environmental provisions through the annual assessment performed.

The Group recognised impairment losses of R656 million at Isibonelo as a result of increased costs due to ongoing production and equipment-related challenges, which were exacerbated during the year by higher than historical average rainfall in the region, impacting the recoverable amount of the operation.

The Group generated adjusted operating free cash flow$^{\Delta}$ of R18.1 billion for the year after paying income taxes and royalties to SARS of R8.5 billion. At 31 December 2022 the Group had a net cash$^{\Delta}$ balance of R14.7 billion.

Our capital expenditure for the year was R1.9 billion, which comprises sustaining capital of R1.7 billion and expansionary capital of R235 million relating to the Elders production replacement project and feasibility study costs for the Zibulo North Shaft life extension project. We expect the Zibulo North Shaft project to be presented to the board for consideration in 2023.

We have contributed R438 million to the green fund this year, which includes a discretionary contribution of R200 million to further improve our environmental liability coverage$^{\Delta}$ in line with our commitment to driving our ESG aspirations.

In light of the continued pressure faced by coal companies in accessing appropriate insurance cover, we have implemented a self-insurance structure which will see the Group gradually reduce its reliance on the traditional insurance market. In 2022 we made an initial contribution of R1.2 billion to this structure.

In November 2022 we announced the acquisition of the remaining 27% shareholding in AAIC from Inyosi in exchange for 4,180,777 shares issued by Thungela. This transaction is expected to be earnings and cash flow accretive and will allow us to benefit from the full economics of the most cash-generative assets in our portfolio.

In February 2023 we secured R3.2 billion in committed facilities with two South African banks with which we have had a long-standing relationship. These facilities were arranged to further strengthen our balance sheet as we continue to migrate our capital structure in a manner that would enhance returns to shareholders over time. In addition this seeks to provide sufficient liquidity to complete our capital projects and to navigate uncertainty across a number of external factors.

The total dividend declared for 2022 amounts to R100 per share, or R13.8 billion in total. This represents 76% of adjusted operating free cash flow$^{\Delta}$ for the year.

We also announced the acquisition of a controlling interest in the Ensham Coal Mine and related assets in Queensland Australia. The transaction delivers on our strategy to pursue geographic diversification in a commodity we understand well and in which we can leverage our core skills. The transaction meets our investment evaluation criteria of responsible stewardship, upgrading our portfolio and maximising shareholder value. Geographic diversification is a step towards de-risking our underlying business and bolstering our resilience, recognising the ongoing infrastructure challenges in South Africa.

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 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 acquisition is subject to the fulfilment of a number of conditions precedent which we expect to be met by mid-2023.

The acquisition, including the loan to our co-investors, will be funded from the net cash$^{\Delta}$ on hand at 31 December 2022.

Given our strong results we are pleased to declare a final ordinary cash dividend of R40 per share. The final dividend represents a payment to Thungela shareholders of R5.6 billion, or 61% of adjusted operating free cash flow$^{\Delta}$ generated in the second half of 2022. Combined with the 2022 interim dividend of R60 per share, this amounts to a total dividend declared for 2022 of R100 per share. This brings the total payment to Thungela shareholders to R13.8 billion, representing 76% of adjusted operating free cash flow$^{\Delta}$ for the year.

The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will each receive a further contribution of R198 million, to add to the R500 million contributed in August 2022. The trust deed of the Sisonke Employee Empowerment Scheme was amended to allow for eligible employees to receive their allocations in the year granted, and we accordingly paid R380 million to eligible employees in December 2022.

We remain resolute to deliver on our purpose to responsibly create value together for a shared future and we believe that the path we are taking will create value for our people, our communities and our shareholders.

REVIEW OF FINANCIAL PERFORMANCE CONTINUED

For the year ended 31 December 2022

FINANCIAL OVERVIEW

Table 1: Financial and operational results of the Group

Rand million (unless otherwise stated)	**2022**	2021
Revenue	**50,753**	26,282
Operating costs	**(22,420)**	(17,322)
Profit for the reporting period	**18,205**	6,938
Attributable to non-controlling interests	**1,217**	509
Attributable to the equity shareholders of the Group	**16,988**	6,429
Earnings per share (cents/share)	**12,708**	6,108
Headline earnings per share (cents/share)	**13,082**	6,657
WANOS (number of shares)	**133,684,828**	105,260,339
Dividends (Rand/share)	**100**	18
APMs$^{\Delta}$		
Adjusted EBITDA	**29,530**	9,978
Adjusted EBITDA margin (%)	**58**	38
FOB cost export per tonne (Rand/tonne)	**1,079**	830
FOB cost per export tonne excluding royalties (Rand/tonne)	**929**	803
Adjusted operating free cash flow	**18,096**	3,923
Net cash	**14,720**	8,663
Capital expenditure	**(1,923)**	(2,323)
Environmental liability coverage (%)	**54**	52
Thermal coal price and exchange rate		
Benchmark coal price (US$/tonne)	**270.87**	124.11
Average realised export price (US$/tonne)	**229.21**	103.82
Average realised export price (Rand/tonne)	**3,752**	1,535
Realised price as a % of Benchmark coal price	**85**	84
ZAR:US$ average exchange rate	**16.37**	14.79
kt		
Run of mine	**25,242**	27,458
Export saleable production	**13,062**	14,511
Domestic saleable production	**6,915**	10,064
Total saleable production	**19,977**	24,575
Export equity sales	**12,172**	13,893
Third-party export sales	**21**	967
Domestic sales	**6,723**	10,185
Total sales volumes	**18,916**	25,045

The table above reflects the financial results as disclosed in the consolidated financial statements for the year ended 31 December 2022, including the APMs as included in Annexure 1 of this document.

The internal restructure was completed on 31 March 2021 and accordingly only had an impact on the financial and operational information of the Group in the comparative period. Refer to Note 2A in the consolidated financial statements for detail related to the internal restructure.

OPERATIONAL PERFORMANCE

ROM decreased by 8.1% to 25,242kt (2021: 27,458kt) mainly due to the curtailment of export production in response to the continued poor TFR performance. Export saleable production volumes decreased by 10% to 13,062kt (2021: 14,511kt) largely as a result of the decrease in ROM production.

Our operations continued to be impacted by the poor and inconsistent rail performance which deteriorated materially in the second half of 2022, placing even greater strain on on-mine stockpiles which were already near capacity. We accordingly continued to actively curtail production at some of our operations during 2022.

Export equity sales declined by 12% to 12,172kt (2021: 13,893kt). The decrease in export sales is as a direct result of the poor TFR performance. In 2022, only 21kt of third-party coal was railed, compared to the 967kt in 2021 as export equity volumes were prioritised.

Domestic saleable production decreased by 31% to 6,915kt (2021: 10,064kt) mainly as demand from domestic customers reduced. Isibonelo continued to experience operational challenges in 2022 as a result of increased rainfall year-on-year and equipment-related challenges. Domestic sales decreased by 34% to 6,723kt (2021: 10,185kt).

REVENUE

Revenue increased by 93% to R50.8 billion (2021: R26.3 billion) mainly as a result of the significant increase in the Benchmark coal price and the impact of a weaker US dollar exchange rate. The Group achieved an average realised export price of R3,752 per tonne in 2022 compared to R1,535 per tonne in the comparative period.

The realised export price as a percentage of the Benchmark coal price averaged 85% for 2022, an improvement from the 84% in 2021. The narrower discount of 15% is mainly due to premiums achieved on certain products as well as continued optimisation of the Group's export equity sales mix. The increase in revenue was further supported by the impact of the weaker average US dollar exchange rate of R16.37 (2021: R14.79).

OPERATING COSTS

Operating costs increased by 29% to R22.4 billion from R17.3 billion in 2021.

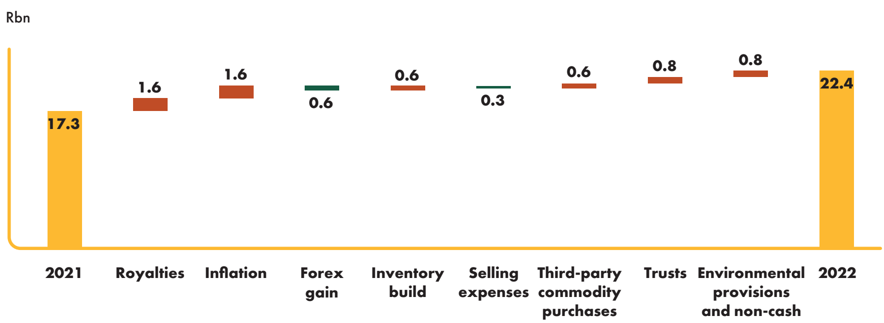
Royalties increased year on year by R1.6 billion on the back of the higher realised export prices achieved.

Total operating costs increased by R1.6 billion due to inflation and a significant rise in costs across the energy complex. The purchase price on our third-party commodity purchases fluctuates in line with Benchmark coal prices and accordingly increased.

As a result of the continued poor TFR performance and the and the continued curtailment of production, selling expenses reduced year on year, however, we continue to incur fixed costs as well as incremental stockpile management costs at all our operations.

The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust benefited from the strong financial performance of the Group and the expense recognised related to contributions made to the trusts amounted to R766 million. These contributions will continue to positively impact our employees and communities.

Operating costs were also impacted by a non-cash charge of R1.1 billion related to an increase in the environmental provisions through the annual assessment performed, compared to R306 million in 2021.



REVIEW OF FINANCIAL PERFORMANCE CONTINUED

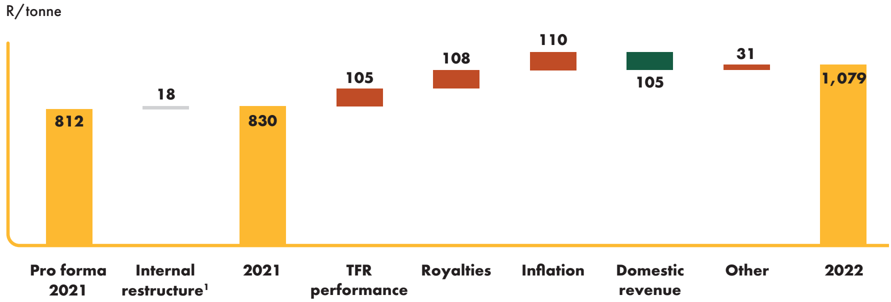
For the year ended 31 December 2022

FOB COST PER EXPORT TONNE^Δ

The FOB cost per tonne^Δ has increased to R1,079 per tonne from R830 per tonne in the comparative period (R812 per tonne on a pro forma basis), mainly due to the impact of lower volumes, higher royalties and inflation on our operating costs. The lower saleable volumes resulted from the poor TFR rail performance.

The positive impact on unit costs of the increased domestic revenue is mainly as a result of domestic sales that are linked to the Benchmark coal price. This impact is expected to moderate as Benchmark coal prices soften.

The FOB cost per export tonne excluding royalties^Δ of R929 per tonne, was 16% higher than the comparative period of R803 per tonne.

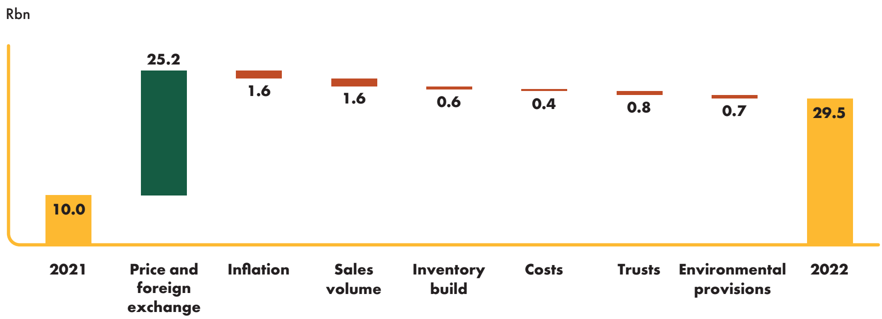


[1] Internal restructure of the Thungela Group before demerger, completed 31 March 2021

ADJUSTED EBITDA^Δ

The Group generated adjusted EBITDA^Δ of R29.5 billion for the year ended 31 December 2022 (2021: R10.0 billion). The material increase in earnings was driven by higher realised export prices and the impact of the weaker US dollar exchange rate. This was partially offset by, inter alia, the lower export sales volumes, the impact of higher inflation on operating costs and the non-cash charge relating to the environmental provisions.

The adjusted EBITDA margin^Δ improved to 58%, compared to 38% in 2021.



PROFIT FOR THE REPORTING PERIOD

Profit for the reporting period was R18.2 billion (2021: R6.9 billion), as the Benchmark coal price reached record highs in March 2022 and remained elevated for most of the year, although it started to soften in the fourth quarter.

Profit attributable to the equity shareholders of the Group is R17.0 billion (2021: R6.4 billion), while R1.2 billion (2021: R509 million) is attributable to non-controlling interests in AAIC and Butsanani Energy. Following the acquisition of the remaining 27% interest in AAIC in November 2022, the proportion of profit attributable to the equity shareholders of the Group is expected to increase.

Ahead of the demerger, a capital support agreement was put in place with Anglo American. This agreement ended on 31 December 2022, and did not result in any cash inflow or outflow for the Group for the year. A fair value loss of R347 million (2021: R569 million) was recognised related to this agreement. In line with the principle of securing a firm Benchmark coal price, the board resolved to take advantage of the favourable Benchmark coal price environment. The board accordingly approved a price risk management programme enabling the Group to enter into structured forward coal swap transactions from November 2021.

During 2022, the Group settled forward coal swap transactions of 1,515kt, representing 12% of our export saleable production, at a weighted average price of USD153 per tonne. The cash cost to settle these transactions for the year ended 31 December 2022 was R3.0 billion.

The fair value loss of R3.2 billion on these transactions was driven by the rapid increase in the Benchmark coal price to record levels from the onset of the conflict in Ukraine.

We have achieved a high net margin on these volumes and the Group continues to benefit from higher realised export prices on the remainder of our sales volumes.

The price risk management programme remains in place, within the mandate of the board, which is reassessed as market conditions change. At 31 December 2022, we have open positions of 181kt at a weighted average price of USD231 per tonne related to committed sales in the first half of 2023. The mark-to-market gain on these positions as at 31 December 2022 of R124 million is included in the total fair value losses recognised for the year.

Given the sustained production and cost challenges faced at Isibonelo, impairment losses of R656 million were recognised based on the reduction in the recoverable amount of this operation.

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 loss recognised on the FECs of R553 million is offset by gains recognised on our closing cash balance in US dollars of R377 million, as well as gains recognised on our US dollar denominated trade receivables of R835 million, included in operating costs.

The Group incurred an income tax expense of R5.9 billion for 2022 which results in an effective tax rate of 25%. Due to the sustained increase in the Benchmark coal price and resultant higher taxable income, we have utilised all available tax losses and unredeemed capital deductions by 31 December 2022. The Group has recognised the full impact of previously unrecognised deferred tax assets on this basis which has impacted the effective tax rate for the year.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Thungela generated earnings attributable to the equity shareholders of the Group of R17.0 billion, equivalent to R127.08 per share, for the period ended 31 December 2022. In the comparative period we generated earnings attributable to the equity shareholders of the Group of R6.4 billion (R61.08 per share).

Thungela generated headline earnings attributable to the equity shareholders of the Group of R17.5 billion, equivalent to R130.82 per share, for the period ended 31 December 2022. For the comparative period, we generated headline earnings of R7.0 billion (R66.57 per share).

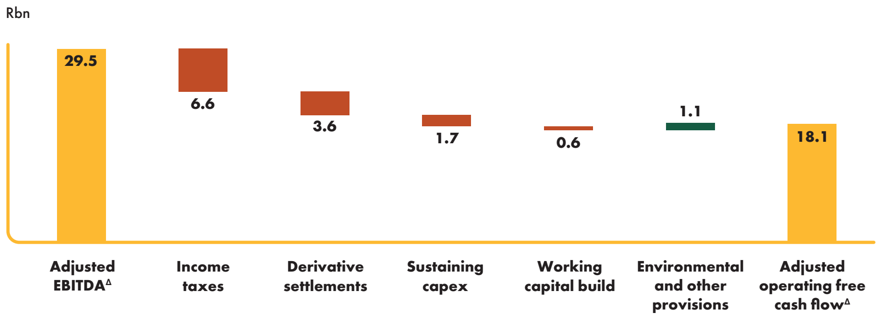
The per share figures above are based on a WANOS of 133,684,828 (2021: 105,260,339).

ADJUSTED OPERATING FREE CASH FLOW$^{\Delta}$ AND CASH AND CASH EQUIVALENTS

The Group generated adjusted operating free cash flow$^{\Delta}$ of R18.1 billion for the year ended 31 December 2022 (2021: R3.9 billion).

The difference between the adjusted EBITDA$^{\Delta}$ generated for the year and the adjusted operating free cash flow$^{\Delta}$ is mainly attributable to income tax payments to SARS of R6.6 billion, settlements of the derivatives related to the forward coal swap transactions and FECs of R3.6 billion, and sustaining capex of R1.7 billion.

The Group ended the period with cash and cash equivalents of R15.3 billion, which is reduced by cash held in the Sisonke Trust and the Nkulo Trust of R519 million and loans and borrowings of R60 million, resulting in net cash$^{\Delta}$ of R14.7 billion.



CAPITAL EXPENDITURE

The Group incurred capital expenditure of R1.9 billion for the period (2021: R2.3 billion) comprising both sustaining capex and expansionary capex.

Stay-in-business capex of R1.2 billion was spent mainly on machinery overhauls, infrastructure upgrades and mining fleet upgrades or replacements.

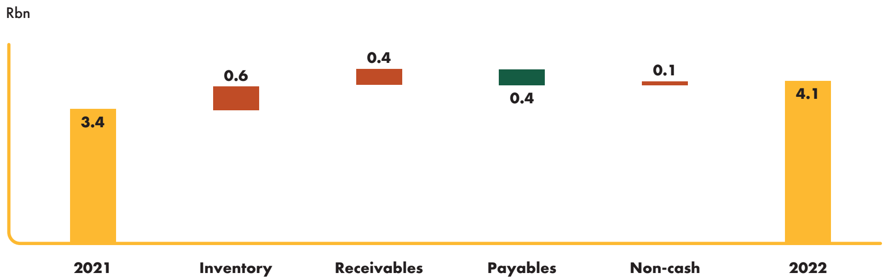
Stripping and development capex of R455 million was spent on activities to access LOM reserves.

Expansionary capex of R235 million includes R205 million spent on the Elders production replacement project and a further R30 million on feasibility study costs for the Zibulo North Shaft project.

NET WORKING CAPITAL

Net working capital at 31 December 2022 was R4.1 billion (2021: R3.4 billion), reflecting an increase of R724 million.

The working capital build-up is mainly driven by a further inventory build of R632 million due to the poor TFR rail performance. The increase in trade receivables was driven by higher realised export prices whereas payables increased marginally which reflects cost increases as a result of inflationary movements.



ENVIRONMENTAL PROVISIONS

The environmental provisions are comprehensively assessed on an annual basis and determined with assistance from specialist independent environmental consultants. At 31 December 2022 the environmental provisions recognised amount to R7.6 billion (2021: R6.8 billion). The increase in the environmental provisions is based on expected increases in costs to be incurred in future based on global and local inflationary pressures, as well as the impact of illegal mining on our sites which had previously been rehabilitated.

The Group has investments ringfenced in the environmental rehabilitation trusts and the green fund of R4.1 billion (2021: R3.5 billion). Environmental liability coverage$^{\Delta}$ has increased from 52% at 2021, to 54% at 31 December 2022, mainly as a result of our R438 million contribution to the green fund in 2022, well in excess of the required annual contribution.

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 (2021: R4.1 billion).

The difference between the financial provisioning required and the environmental provisions recognised is due to additional costs which the Group believes it is 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 have commissioned a demonstration scale plant 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 and most recently was deferred to 19 September 2023, however, there are several regulatory steps that are required to take place before this transition can be effective. An updated draft of these proposed regulations was published for comment on 11 July 2022, however, no feedback has been provided by the DFFE on the industry comments provided. Should the NEMA Financial Provisioning Regulations become effective as currently drafted, the level of financial provisioning required to be held is likely to increase, which may be sourced on similar terms to our existing financial provisioning held.

CAPITAL ALLOCATION AND LIQUIDITY

Thungela has a clear and prioritised capital allocation framework which seeks to prioritise returns to shareholders whilst collateralising our environmental liabilities over time and investing in sustaining capital to maintain asset integrity. Our dividend policy is to maintain a dividend payout of at least 30% of our adjusted operating free cash flow$^{\Delta}$ as a base dividend, followed by the allocation of capital to either projects which will enhance shareholder returns in the long-term, or additional returns to shareholders.

Another year of robust cash flow generation allowed the Group to improve the cash collateralisation of our environmental liabilities, fund sustaining capex needs, and end the year with net cash$^{\Delta}$ of R14.7 billion.

As a result, the board has declared a final dividend of R40 per share (R5.6 billion), which represents 61% of the adjusted operating free cash flow$^{\Delta}$ generated in the second half of the year. The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will also receive a further R396 million collectively.

Combined with the interim dividend of R60 per share declared in August 2022, the final dividend brings the total dividend declared for 2022 to R100 per share, and R13.8 billion in total. This represents 76% of adjusted operating free cash flow$^{\Delta}$, well in excess of the Group's stated dividend policy.

The Thungela board has resolved to fund the acquisition of the Ensham Coal Mine and related assets from cash on hand at 31 December 2022. We have accordingly reserved R4.2 billion of the net cash$^{\Delta}$ balance to fund the acquisition.

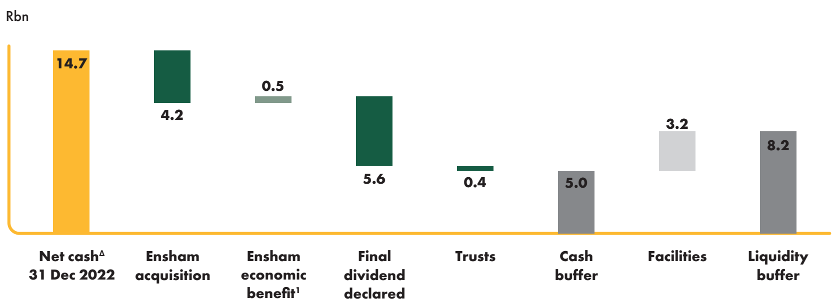
Given the lock-box mechanism included in the agreements, we expect the Ensham Business to deliver approximately R500 million in cash benefit by the time the transaction is completed in mid-2023. Thus the net cash outflow relating to the investment in the Ensham Business is expected be approximately R3.7 billion.

The board has consistently stated that it is appropriate to maintain liquidity of between R5 billion and R6 billion following periods of stronger market conditions.

However, the board recognises the softening coal prices we've seen in recent months, as well as the need to protect the Group's South African operations from the dire infrastructure challenges it faces. Furthermore, the acquisition of the Ensham Business materially changes the overall structure of the Group, including our liquidity needs. The board is therefore of the opinion that it is prudent to maintain a higher level of liquidity.

For this reason Thungela has secured access to R3.2 billion in credit facilities from two leading South African banks. Together with the cash of R5 billion, this results in an enhanced liquidity buffer of R8.2 billion which will enable the appropriate level of balance sheet flexibility.

In accordance with its balanced and disciplined approach to capital allocation, the Group will be adequately funded to execute its strategy, including the development of the Elders production replacement project, the funding of our pathway to net zero as well as additional contributions to the self-insurance programme. Most importantly the increased liquidity also reflects the change in the Group structure and the uncertainty relating to the eventual normalisation of TFR performance.



[1] Reflects the Ensham economics which would accrue to the Group for the period 1 January 2023 to the completion of the transaction, up to a maximum of AUD102 million.

This graph does not reflect historical financial information, other than the net cash$^{\Delta}$ balance at 31 December 2022. This is accordingly a conceptual representation of the intended utilisation of the net cash$^{\Delta}$ on hand at the reporting date.

OPERATIONAL OUTLOOK

	2023
Export saleable production (Mt)	10.5 – 12.5
FOB cost per export tonne$^{\Delta}$ (Rand/tonne)	1,131 – 1,264
FOB cost per export tonne excluding royalties$^{\Delta}$ (Rand/tonne)	1,047 – 1,180
Capital – sustaining (Rand billion)	1.3 – 1.5
Capital – expansionary (Rand billion)	1.6 – 1.8

Looking ahead our priority remains executing our strategy. A key part of this is maximising the value of our existing assets, while continuing to operate safely.

Thungela continues to be well positioned for the future as the fundamentals supporting coal demand remain strong. Our ability to create value for shareholders, employees, communities and the South African fiscus is inextricably linked to our ability to move coal from our mines to port, and ultimately to our customers.

However, given TFR's deteriorating performance since 2021, and the especially poor performance in 2022, we have had to reset our production outlook for 2023.

Our export saleable production guidance for 2023 is between 10.5Mt and 12.5Mt, as we plan to drawdown on the high on-mine stockpiles to the extent that the rail performance exceeds actual production levels.

Our guidance for FOB cost per export tonne$^{\Delta}$ for 2023 is between R1,047 and R1,180 excluding royalties. Including royalties the guidance range is between R1,131 and R1,264 per tonne using a forecast Benchmark coal price of USD130 per tonne.

Our sustaining capital expenditure for 2023 is expected to be 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 Elders and R0.5 billion for Zibulo North Shaft, should the latter be approved by the board.

While we will ensure that the business remains capable of continuing to deliver safe production and that we maintain operational flexibility to ramp volumes up should rail performance improve, we have instituted a program to reduce costs across our operations in an effort to manage the unit cost impact of the reduced production guidance. The expected impact of this program has been taken into account in the 2023 FOB cost per export tonne$^{\Delta}$ guidance.

Given the degree of uncertainty regarding TFR performance currently, we are not providing guidance for 2024. We continue to evaluate the potential for near-term improvements. Furthermore, we are actively involved in the collaborative effort between the Transnet board and the Minerals Council focused on stabilising and improving rail performance, and we remain hopeful that this matter of national importance will be resolved.

REVIEW OF OPERATIONAL PERFORMANCE

UNDERGROUND OPERATIONS

GOEDEHOOP COLLIERY

	2022	2021
Fatalities	**–**	1
TRCFR	**1.55**	2.38
Total saleable production (kt)	**3,224**	5,281
Export saleable production (kt)	**2,356**	2,191
Domestic production (kt)	**869**	3,090
FOB cost per tonne[Δ] (Rand/tonne)	**1,271**	1,001
FOB cost per tonne excluding royalties)[Δ] (Rand/tonne)	**1,057**	984
Capex (Rand million)	**91**	257

Safety

Goedehoop recorded a TRCFR of 1.55 compared to 2.38 for the comparative period as a result of a lower number of incidents following a safety campaign on the mine.

Performance

Export saleable production of 2,356kt at 31 December 2022 was 7.5% higher than the comparative period in line with the plan to mine in higher yielding areas and as a result of increased productivity across all sections. The mine was able to increase stockpile capacity and utilise third-party sidings to alleviate the impact of the poor rail performance.

Domestic saleable production reduced by 72% to 869kt as a result of lower domestic demand.

FOB cost per tonne excluding royalties[Δ] of R1,057 was 7.4% higher than the comparative period as a result of the impact of inflationary pressure and additional rehabilitation requirements.

GREENSIDE COLLIERY

	2022	2021
Fatalities	**–**	–
TRCFR	**2.21**	0.79
Total saleable production (kt)	**2,586**	3,456
Export saleable production (kt)	**2,586**	3,454
Domestic production (kt)	**–**	2
FOB cost per tonne[Δ] (Rand/tonne)	**1,166**	845
FOB cost per tonne excluding royalties[Δ] (Rand/tonne)	**957**	785
Capex (Rand million)	**209**	355

Safety

Greenside recorded a TRCFR of 2.21 compared to 0.79 for the prior period as a result of an increase in recordable injuries.

Performance

Export saleable production of 2,586kt at 31 December 2022 was 25% lower than the comparative period as more underground sections were deployed into the more geologically challenging East Block reserves, with moderate improvements recorded in the second half of the year.

FOB cost per tonne excluding royalties[Δ] of R957 is 22% higher than the comparative period mainly as a result of the lower production.

ZIBULO COLLIERY

	2022	2021
Fatalities	**–**	–
TRCFR	**0.21**	0.98
Total saleable production (kt)	**4,479**	5,553
Export saleable production (kt)	**4,318**	5,553
Domestic production (kt)	**161**	–
FOB cost per tonne[Δ] (Rand/tonne)	**1,177**	715
FOB cost per tonne excluding royalties[Δ] (Rand/tonne)	**1,012**	682
Capex (Rand million)	**664**	704

Safety

Zibulo recorded a TRCFR of 0.21 compared to 0.98 in the prior period. The mine operated the first three quarters of 2022 injury free. Regrettably, in February 2023 Mr Breeze Mahlangu tragically passed away following complications after an accident in December 2022.

Performance

Zibulo's production suffered from the poor rail performance as stockpiling facilities at the Phola Plant are at capacity. Export saleable production of 4,318kt in 2022 was 22% lower than the prior period. The Zibulo opencast pit was materially curtailed as a result of the TFR challenges. Further to being hampered by full stockpiles, the underground production was also impacted by challenging geological conditions in the year.

FOB cost per tonne excluding royalties[Δ] of R1,012 is 48% higher than the comparative period mainly as a result of the lower production levels and inflationary pressures.

OPENCAST OPERATIONS

KHWEZELA COLLIERY

	2022	2021
Fatalities	–	–
TRCFR	0.42	1.10
Total saleable production (kt)	2,150	3,207
Export saleable production (kt)	1,597	1,963
Domestic production (kt)	553	1,244
FOB cost per tonne^Δ (Rand/tonne)	2,174	1,240
FOB cost per tonne excluding royalties^Δ (Rand/tonne)	2,146	1,204
Capex (Rand million)	268	302

Safety

Khwezela recorded a TRCFR of 0.42 in compared to 1.10 in the prior period.

Performance

Export saleable production decreased by 19% to 1,597kt as the operation was curtailed due to the impact of the poor rail performance. Equipment and resources were redeployed to perform rehabilitation and other activities to alleviate the pressure on on-mine costs while maintaining the optionality to ramp-up production, which commenced in the second half of 2022.

Domestic saleable production at 553kt reduced by 56% due to the depletion of reserves from the Umlalazi pit and lower demand from domestic customers.

The FOB cost per tonne excluding royalties^Δ of R2,146 has increased by 78% compared to the prior period. Unit costs were mainly impacted by lower production and higher than inflation price increases on petroleum products and explosives.

MAFUBE COLLIERY (ATTRIBUTABLE)

	2022	2021 Pro forma
Fatalities	–	–
TRCFR	2.53	1.09
Total saleable production (kt)	1,834	1,796
Export saleable production (kt)	1,834	1,796
Domestic production (kt)	–	–
FOB cost per tonne^Δ (Rand/tonne)	955	786
FOB cost per tonne excluding royalties^Δ (Rand/tonne)	793	745
Capex (Rand million)	150	218

Safety

Mafube recorded a TRCFR of 2.53 in 2022 compared to 1.09 in the prior period mainly as a result of an increase in reportable injuries recorded in the first half of 2022.

Performance

Export saleable production at 1,834kt was in line with the prior year (on a pro forma basis). The stockpiles remain full and road hauling to other sidings ensured that production was not severely impacted by the poor rail performance.

FOB cost per tonne excluding royalties^Δ of R793 increased by 6.4% mainly due to higher than inflation price increases on petroleum products and explosives.

ISIBONELO COLLIERY

	2022	2021
Fatalities	–	–
TRCFR	1.83	2.99
Total saleable production (kt)	3,674	4,153
Export saleable production (kt)	–	–
Domestic production (incl coal purchases) (kt)	3,674	4,153
FOR cost per tonne (Rand/tonne)	527	380
Capex (Rand million)	133	173

Safety

Isibonelo recorded a TRCFR of 1.83 in 2022 compared to 2.99 in the prior year.

Performance

Saleable production was 12% lower at 3,674kt in 2022. This year has seen higher rainfall than the prior year which has impacted production. In addition, equipment availability has further impacted performance. An improvement plan has been concluded and we expect a gradual improvement in mine performance.

The FOR cost per tonne of R527 increased by 39% mainly due to higher than inflation price increases on explosives and petroleum products as well transportation costs related to coal purchases required to meet the contractual obligations.

DECLARATION OF DIVIDEND

The Thungela board of directors approved the declaration of a final gross ordinary cash dividend of 4,000.00 cents per share (South African rand). The dividend has been declared from retained earnings accrued during the year ended 31 December 2022. 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, 27 March 2023	Monday, 27 March 2023
Last day for trading to qualify and participate in the dividend	Tuesday, 18 April 2023	Wednesday, 19 April 2023
Trading ex-dividend commences	Wednesday, 19 April 2023	Thursday, 20 April 2023
Record date	Friday, 21 April 2023	Friday, 21 April 2023
Payment date to shareholders	Monday, 24 April 2023	Tuesday, 9 May 2023

No transfers of shareholdings to and from South Africa or the United Kingdom will be permitted between Tuesday, 18 April 2023 and Friday, 21 April 2023 (both dates inclusive). Share certificates may not be dematerialised or rematerialised between Wednesday, 19 April 2023 and Friday, 21 April 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:ZAR22.43694, being the 5-day (business days) average GBP:ZAR exchange rate (Bloomberg) up to Thursday, 23 March 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 3,200.00 cents per share (South African rand) – 4,000.00 cents gross dividend per share less 800.00 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, 21 April 2023.

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 142.62 pence per share (Pound sterling) – 178.28 pence gross dividend per share less 35.66 pence dividend withholding tax per share.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

Rand million	Notes	**2022**	2021
Revenue	3	**50,753**	26,282
Operating costs	4	**(22,420)**	(17,322)
Impairment losses	5	**(656)**	(808)
Fair value (losses)/gains on derivative financial instruments	14	**(3,207)**	348
Fair value loss on derivative asset – capital support	14	**(347)**	(569)
Restructuring costs and termination benefits		**(29)**	(422)
Profit before net finance costs and tax	4	**24,094**	7,509
Net finance costs		**49**	–
Investment income	6	**963**	503
Interest expense	6	**(738)**	(680)
Other net financing (losses)/gains	6	**(176)**	177
Profit before tax		**24,143**	7,509
Income tax expense	7	**(5,938)**	(571)
Profit for the reporting period		**18,205**	6,938
Attributable to:			
Non-controlling interests		**1,217**	509
Equity shareholders of the Group		**16,988**	6,429
Other comprehensive income/(loss)			
Items that will not be reclassified to the statement of profit or loss			
Remeasurement of retirement benefit obligations		**71**	27
Fair value losses on financial asset investments		**–**	(63)
Related tax	7	**(15)**	(6)
Net items that will not be reclassified to the statement of profit or loss		**56**	(42)
Total comprehensive income for the reporting period		**18,261**	6,896
Attributable to:			
Non-controlling interests		**1,217**	508
Equity shareholders of the Group		**17,044**	6,388
Earnings per share[1]			
Basic (cents/share)	8	**12,708**	6,108
Diluted (cents/share)	8	**12,487**	6,087

[1] The earnings per share has been calculated using a WANOS of 133,684,828 (2021: 105,260,339).

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Rand million	Notes	2022	2021
ASSETS			
Non-current assets			
Intangible assets		**82**	118
Property, plant and equipment	9	**10,656**	10,568
Environmental rehabilitation trusts	17	**3,446**	3,288
Investment in associate		**43**	63
Deferred tax assets	18	**503**	378
Financial asset investments		**755**	323
Investment in insurance structure	15	**1,226**	–
Trade and other receivables	11	**1**	64
Other non-current assets		**65**	109
Total non-current assets		**16,777**	14,911
Current assets			
Inventories	10	**3,181**	2,546
Trade and other receivables	11	**4,907**	4,320
Current tax assets	7	**231**	46
Financial asset investments		**31**	31
Derivative financial asset – capital support	14	**—**	347
Derivative financial instruments	14	**149**	348
Cash and cash equivalents	12	**15,299**	8,736
Total current assets		**23,798**	16,374
Total assets		**40,575**	31,285
EQUITY			
Stated capital		**11,323**	10,041
Contributed capital		**965**	965
Merger reserve		**2,606**	2,606
Treasury shares		**(302)**	(183)
Share-based payments reserve		**83**	16
Other reserves		**145**	89
Retained earnings		**11,453**	3,039
Equity attributable to the shareholders of the Group		**26,273**	16,573
Non-controlling interests		**(114)**	1,901
Total equity		**26,159**	18,474
LIABILITIES			
Non-current liabilities			
Lease liabilities		**62**	92
Retirement benefit obligations		**405**	449
Deferred tax liabilities	18	**1,421**	1,400
Environmental and other provisions	17	**7,179**	6,609
Total non-current liabilities		**9,067**	8,550
Current liabilities			
Trade and other payables	13	**3,997**	3,499
Loans and borrowings		**60**	63
Lease liabilities		**31**	29
Environmental and other provisions	17	**1,236**	392
Current tax liabilities	7	**25**	278
Total current liabilities		**5,349**	4,261
Total liabilities		**14,416**	12,811
Total equity and liabilities		**40,575**	31,285

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Rand million	Notes	Stated capital	Contributed capital	Merger reserve	Treasury shares
Balance at 1 January 2021		–	–	7,179	–
Issue of shares for assumed fair value of SACO	19	4,575	–	(4,575)	–
Issue of shares for cash	19	5,466	–	–	–
Purchase of shares by Group companies	19	–	–	–	(183)
Acquired through internal restructure		–	–	2	–
Total comprehensive (loss)/income for the reporting period		–	–	–	–
Movements in share-based payments reserve[2]		–	–	–	–
Reclassifications		–	–	–	–
Transfer of financial asset revaluation reserve on sale of investments[3]		–	–	–	–
Contributed capital – capital support agreement		–	916	–	–
Contributed capital – Anglo American retention awards		–	49	–	–
Balance at 31 December 2021		**10,041**	**965**	**2,606**	**(183)**
Purchase of shares by Group companies	19	**–**	**–**	**–**	**(165)**
Acquisition of additional interest in subsidiary	21	**1,282**	**–**	**–**	**–**
Total comprehensive income for the reporting period		**–**	**–**	**–**	**–**
Dividends paid	20	**–**	**–**	**–**	**–**
Movements in share-based payments reserve[4]		**–**	**–**	**–**	**–**
Treasury shares issued to employees on vesting of share awards		**–**	**–**	**–**	**46**
Balance at 31 December 2022		**11,323**	**965**	**2,606**	**(302)**

1 Includes the financial asset revaluation reserve of R3 million (2021: R3 million) and the retirement benefit obligation reserve of R142 million (2021: R86 million).

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

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

4 Includes movements as a result of share-based payment expenses of R113 million reduced by the impact of the vesting of shares of R46 million under the Thungela share plan.

Share-based payments reserve	Other reserves[1]	Retained earnings	Total equity attributable to share-holders of the Group	Non-controlling interests	Total equity
65	411	(4,894)	2,761	1,395	4,156
–	–	–	–	–	–
–	–	–	5,466	–	5,466
–	–	–	(183)	–	(183)
–	–	1,299	1,301	–	1,301
–	(41)	6,429	6,388	508	6,896
(49)	–	(76)	(125)	(2)	(127)
–	9	(9)	–	–	–
–	(290)	290	–	–	–
–	–	–	916	–	916
–	–	–	49	–	49
16	89	3,039	16,573	1,901	18,474
–	–	–	(165)	–	(165)
–	–	1,909	3,191	(3,191)	–
–	56	16,988	17,044	1,217	18,261
–	–	(10,483)	(10,483)	(42)	(10,525)
67	–	46	113	1	114
–	–	(46)	–	–	–
83	145	11,453	26,273	(114)	26,159

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

Rand million	Notes	2022	2021
Cash flows from operating activities			
Profit before tax		**24,143**	7,509
Net finance costs	6	**(49)**	–
Profit before net finance costs and tax		**24,094**	7,509
Impairment losses	5	**656**	808
Restructuring costs and termination benefits[1]		**—**	174
Fair value loss on derivative asset – capital support	14	**347**	569
Fair value losses/(gains) on derivative financial instruments	14	**3,207**	(348)
Depreciation and amortisation	4	**1,197**	1,018
Share-based payment charges		**113**	87
Increase in provisions[2]		**1,730**	127
Loss/(profit) on sale of property, plant and equipment	4	**17**	(8)
Other adjustments		**15**	33
Movements in working capital		**(618)**	(3,154)
Increase in inventories		**(632)**	(1,352)
Increase in trade and other receivables		**(381)**	(960)
Increase/(decrease) in trade and other payables		**395**	(842)
Cash flows from operations		**30,758**	6,815
Amounts applied to reduce environmental and other provisions[3]	17	**(846)**	(502)
Cash outflow on settlement of derivative financial instruments	14	**(3,561)**	–
Income tax paid	7	**(6,567)**	(197)
Net cash generated from operating activities		**19,784**	6,116
Cash flows from investing activities			
Expenditure on property, plant and equipment	3	**(1,923)**	(2,312)
Proceeds on sale of property, plant and equipment		**—**	9
Expenditure on intangible assets		**—**	(11)
Purchase of financial asset investments		**(443)**	(302)
Investment in insurance structure		**(1,224)**	–
Repayment of loans granted to investees		**31**	6
Loans granted to investees		**(8)**	(69)
Repayment of quasi-equity loans by associate		**20**	26
Investment income received		**707**	108
Acquired through internal restructure		**—**	158
Acquisition of joint operation		**—**	8
Net cash utilised in investing activities		**(2,840)**	(2,379)
Cash flows from financing activities			
Shares issued for cash	19	**—**	5,466
Interest expense paid		**(33)**	(58)
Capital repayment of lease liabilities		**(26)**	(32)
Repayment of loans and borrowings		**(9)**	(3,135)
Proceeds on loans from Anglo American		**—**	2,570
Purchase of shares by Group companies	19	**(165)**	(183)
Dividends paid to equity shareholders of the Group	20	**(10,483)**	–
Dividends paid to non-controlling interests	20	**(42)**	–
Net cash (utilised in)/generated from financing activities		**(10,758)**	4,628
Net increase in cash and cash equivalents		**6,186**	8,365
Cash and cash equivalents at the start of the reporting period		**8,736**	194
Net increase in cash and cash equivalents		**6,186**	8,365
Effects of changes in foreign exchange rates	6	**377**	177
Cash and cash equivalents at the end of the reporting period	12	**15,299**	8,736

1 Restructuring costs and termination benefits at 31 December 2021 of R174 million included the accelerated vesting of the Anglo American share awards on demerger and represented the non-cash portion of the expense.

2 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 R1,302 million (2021: R88 million) and contributions to the Nkulo Trust of R386 million (2021: R6 million). Refer to note 17 for further detail.

3 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 SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. BASIS OF PREPARATION

A. Basis of preparation

The summarised consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the requirements of IAS 34, the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the JSE Listings Requirements, as well as with the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules.

The summarised consolidated financial statements have been derived from the Annual Financial Statements for the year ended 31 December 2022. A copy of this document, and the independent external auditor's report on the consolidated and separate financial statements, including key audit matters is available for inspection at the Company's registered office and on the Group's website at www.thungela.com/investors/results, together with the Annual Financial Statements. These may be requested by contacting Thungela investor relations by email at ryan.africa@thungela.com and are also available for inspection at Thungela's registered office and at the offices of Thungela's sponsor, to investors and/or shareholders at no charge, on any business day between the hours of 08:00 – 17:00.

The summarised consolidated financial statements should be read in conjunction with the relevant sections of the Annual Financial Statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS.

The accounting policies applied in the preparation of the summarised consolidated financial statements are in accordance with IFRS, as disclosed in the Annual Financial Statements. These accounting policies are consistent with the accounting policies applied in the preparation of the consolidated and separate financial statements for the year ended 31 December 2021.

The summarised consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value. The summarised consolidated 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 summarised consolidated financial statements. The Group's net cash$^{\Delta}$ at 31 December 2022 was R14,720 million (2021: R8,663 million). The Group's net current asset position of R18,449 million (2021: R12,113 million) continues to be robust, bolstered by the strong Benchmark coal price environment experienced throughout the year ended 31 December 2022, 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 31 December 2022.

The directors have considered Thungela's cash flow forecasts for the period to the end of March 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 summarised consolidated financial statements.

C. Judgements and estimates

Thungela has made judgements, estimates and assumptions that may affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The critical accounting judgements and key sources of estimation uncertainty are similar to those applied in preparing the consolidated and separate financial statements for the year ended 31 December 2021.

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

- Internal restructure of the Thungela Group before demerger.
- Impairment of assets.
- Estimation of environmental provisions.
- Recognition of deferred tax assets.

Refer to note 2 of the Annual Financial Statements for the year ended 31 December 2022 for further details of the judgements and estimates used by the Group.

D. New, revised and amended accounting pronouncements

There were no new, revised and amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 January 2022 that had a material impact on the summarised consolidated financial statements.

E. Independent external auditor's opinion

The summarised consolidated financial statements have been derived from the consolidated and separate financial statements for the year ended 31 December 2022, which have been audited by our independent external auditor PricewaterhouseCoopers Inc., who has expressed an unqualified opinion thereon. A copy of the independent external auditor's report on the consolidated and separate financial statements, including key audit matters, is available for inspection at the Company's registered office and on the Group's website at www.thungela.com/investors/results, together with the Annual Financial Statements.

These summarised consolidated financial statements have not been audited, and the independent external auditor's report on the consolidated and separate financial statements does not necessarily report on all of the information contained in this document. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the independent external auditor's engagement, they should obtain a copy of that report together with the Annual Financial Statements from the Company's registered office or on the Group's website at www.thungela.com/investors/results. Any forward-looking statements have not been audited or reported on by the Group's independent external auditor.

2. INTERNAL RESTRUCTURE OF THE THUNGELA GROUP BEFORE DEMERGER

An internal restructuring process was undertaken to separate the SA Thermal coal operations and the various non-thermal coal operations within Anglo American in order to prepare the Group for the demerger, which was completed on 31 March 2021. This included consolidating all of the SA Thermal coal operations into a single group of companies and is referred to as the 'internal restructure'. As part of the internal restructure, a number of key steps were undertaken, which are fully described in the Thungela Annual Financial Statements for the year ended 31 December 2021.

After the internal restructure was completed on 31 March 2021, Thungela was demerged from the Anglo American Group with effect from 4 June 2021 through a series of independent steps, which resulted in the Thungela shares being distributed to Anglo American shareholders. Thungela listed on the JSE and the LSE on 7 June 2021.

The acquisition of SACO by Thungela with effect from 1 June 2021 is considered a group reorganisation as per IAS 27, rather than a business combination, and so the Group is presented as if Thungela has always owned SACO, rather than reflecting the acquisition of SACO by Thungela from 1 June 2021. The equity structure of the Group however reflects Thungela's capital structure, with shares issued in June 2021.

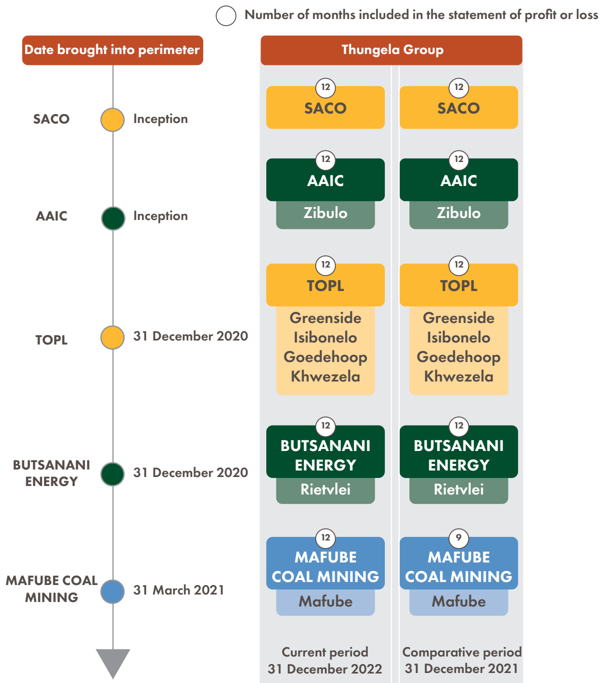
NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

2. INTERNAL RESTRUCTURE OF THE THUNGELA GROUP BEFORE DEMERGER CONTINUED

The acquisitions of TOPL, including Butsanani Energy, and Mafube Coal Mining on 31 December 2020 and 31 March 2021 respectively, were business combinations under common control. The Group has elected to account for both acquisitions by applying the predecessor accounting approach using the book values that were previously recognised in the Anglo American Group financial statements. The book values of the net assets of TOPL, Butsanani Energy and Mafube Coal Mining were recognised on the effective date of the business combinations and the comparative financial statements were not restated. The impact of the internal restructure is not material to the statement of profit or loss and other comprehensive income in the reporting periods presented.

The impact of the internal restructure on the summarised consolidated financial statements can be illustrated using the diagram below:



The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust

Thungela founded the Sisonke Trust (previously referred to as the EPP), and the Nkulo Trust (previously referred to as the CPP), (collectively the 'trusts') in June 2021. The trusts each purchased 5.0% of the issued ordinary share capital of SACO from Thungela immediately before the demerger. The purchase of the shares was funded by Thungela, with no repayment required of the contributed capital, meaning that the trusts were debt free from their inception. The trusts also subscribed for an E and C preference share in SACO respectively for a nominal amount.

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

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

3. SEGMENTAL INFORMATION

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

Accounting policy

Reportable segments

Operating segments with similar economic characteristics are aggregated into reportable segments. The economic characteristics considered include 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

Revenue

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

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

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

3. SEGMENTAL INFORMATION CONTINUED

Accounting policy continued

Revenue

Export sales

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

Domestic sales

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

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

Rand million	Opencast	Underground	Services	2022 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 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)
Other	21	(703)	(552)	(1,234)
Adjusted EBITDA$^{\Delta}$	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	(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

Rand million	Opencast	Underground	Services	2021 Total
Revenue	9,780	16,502	–	26,282
Operating costs excluding depreciation and amortisation[1]	(7,212)	(8,759)	(333)	(16,304)
Employee costs	(984)	(2,331)	(797)	(4,112)
Third-party purchases	(1,380)	–	–	(1,380)
Consumables used in production	(881)	(744)	(21)	(1,646)
Maintenance expenditure	(1,131)	(1,328)	(257)	(2,716)
Production input costs	(1,621)	(932)	(30)	(2,583)
Inventory production movement	437	785	–	1,222
Logistics costs	(980)	(2,255)	–	(3,235)
Royalties	(105)	(426)	137	(394)
Other	(567)	(1,528)	635	(1,460)
Adjusted EBITDA[Δ]	2,568	7,743	(333)	9,978
Depreciation and amortisation	(261)	(733)	(24)	(1,018)
Impairment losses	(757)	–	(51)	(808)
Fair value gains on derivative financial instruments	–	–	348	348
Fair value loss on derivative asset – capital support	–	–	(569)	(569)
Restructuring costs and termination benefits	(137)	(51)	(234)	(422)
Net finance costs[1]	(191)	(15)	206	–
Investment income	221	153	129	503
Interest expense	(412)	(168)	(100)	(680)
Other financing gains	–	–	177	177
Income tax expense	(163)	(391)	(17)	(571)
Profit/(loss) after tax	1,059	6,553	(674)	6,938

1 Enhanced disclosure of operating costs and net finance costs 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 summarised consolidated financial statements.

3. SEGMENTAL INFORMATION CONTINUED

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	Total capital expenditure 2022
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

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

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

Revenue

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

Revenue by product and segment

Rand million	Opencast	Underground	2022 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

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

Revenue by destination

Rand million	2022	2021
United Kingdom	45,756	22,813
South Africa	4,997	3,469
Total revenue	50,753	26,282

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

Revenue by customer

Rand million	2022	2021
Sales to AAML	45,756	22,813
Other – domestic sales[1]	4,997	3,469
Total revenue	50,753	26,282

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

4. PROFIT BEFORE NET FINANCE COSTS AND TAX

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

Accounting policy

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

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

4. PROFIT BEFORE NET FINANCE COSTS AND TAX CONTINUED

Profit before net finance costs and tax can be analysed as follows:

Rand million	Notes	2022	2021
Revenue	3	**50,753**	26,282
Employee costs		**(4,750)**	(4,112)
Depreciation	9	**(1,169)**	(989)
Amortisation		**(28)**	(29)
Third-party commodity purchases		**(2,114)**	(1,380)
Commodity purchases from Mafube Coal Mining[1]		**—**	(137)
Consumables used in production		**(1,995)**	(1,646)
Maintenance expenditure		**(3,040)**	(2,716)
Production input costs		**(3,940)**	(2,583)
Inventory production movement		**587**	1,222
Logistics costs		**(2,782)**	(3,235)
Demurrage and other expenses		**(216)**	(204)
Increase in provisions for expected credit losses	11	**(51)**	(67)
Royalties		**(1,955)**	(394)
Exploration and evaluation[2]		**(54)**	(124)
Exploration expenditure		**(28)**	(27)
Evaluation expenditure		**(26)**	(97)
Foreign exchange gains		**835**	214
(Loss)/profit on sale of property, plant and equipment		**(17)**	8
Audit fees		**(6)**	(9)
Audit services		**(6)**	(9)
Non-audit services[3]		**—**	*
Professional fees		**(144)**	(84)
Learnership and development expenses		**(254)**	(169)
Information management expenses		**(292)**	—
Temporary staff		**(173)**	(138)
Contributions to the Nkulo Trust		**(386)**	—
Recharged costs from Anglo American		**(256)**	(605)
Administration expenses		**(239)**	(331)
Operating expenses		**(17)**	(274)
Other administration expenses		**(128)**	(49)
Other operating expenses		**(92)**	(96)
Total operating costs		**(22,420)**	(17,322)
Impairment losses	5	**(656)**	(808)
Fair value (losses)/gains on derivative financial instruments	14	**(3,207)**	348
Fair value loss on derivative asset – capital support	14	**(347)**	(569)
Restructuring costs and termination benefits		**(29)**	(422)
Profit before net finance costs and tax		**24,094**	7,509

* Represents amounts less than R1 million.

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

2 Exploration and evaluation expenditure excludes associated employee costs, which are considered immaterial.

3 Fees from the independent external auditor of R20 million for the year ended 31 December 2021 related to work performed to support the demerger are included in restructuring costs and termination benefits.

5. IMPAIRMENT LOSSES

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

Accounting policy

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

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

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

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

Subsequent changes to the CGU allocation, to the timing of the forecasted cash flows or to the assumptions used to determine the forecasted cash flows could impact the recoverable amounts of the respective CGUs. There have been no changes in the CGU allocation for the year ended 31 December 2022.

Impairment losses recognised

Impairment losses comprise an impairment in relation to the Isibonelo operation, as well as an appropriate allocation of centrally held assets.

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

Rand million	Notes	**2022**	2021
Property, plant and equipment	9	**648**	786
Intangible assets		**8**	22
Impairment losses		**656**	808
Tax impact	18	**(167)**	(224)
Net impairment losses		**489**	584

5. IMPAIRMENT LOSSES CONTINUED

Goodwill impairment testing

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

Assessing impairment indicators for CGUs without goodwill

Export operations

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

Domestic operations

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

Centrally held assets

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

Determining recoverable amounts

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

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

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

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

Coal prices

The estimated coal prices used are based on the latest internal forecasts, benchmarked with external sources of information, to ensure that they are within the range of available external forecasts. The estimated realised price for export operations is calculated using the forecasted Benchmark coal price, with adjustments to reflect the quality and calorific value of the product, to reflect the estimated realised price at each CGU. There has been significant volatility experienced in the Benchmark coal price in the year ended 31 December 2022 based on the conflict experienced in Ukraine and the resultant global energy security crisis. This volatility is likely to continue over the short to medium term. The forecasted Benchmark coal prices in real terms used in the estimation of cash flows over the forecast period range from USD210 per tonne in the short-term and USD91 per tonne in the medium to long-term (2021: USD85 per tonne to USD94 per tonne).

In estimating the forecasted cash flows, the Group also considers the expected realised prices from existing contractual arrangements for the domestic operations where relevant, ranging from R450 per tonne to R540 per tonne (2021: R380 per tonne to R540 per tonne) over the forecast period.

Foreign exchange rates

Foreign exchange rates are based on the latest internal forecasts, benchmarked with external sources of information. For the year ended 31 December 2022 the estimated foreign exchange rates were based on external forecasts in real terms, in line with the approved budget assumptions. The foreign exchange rates used in the estimation of cash flows over the forecast period range from R14.44:1USD to R15.81:1USD. For the year ended 31 December 2021, the estimated foreign exchange rates utilised were also based on internal forecasts and were kept flat in real terms at R14.75:1USD over the forecast period. Operations supplying solely into the domestic market are not directly exposed to fluctuations in the foreign exchange rate.

Discount rate

The discounted cash flow models used to determine the recoverable amounts are discounted based on a real post-tax discount rate, assessed annually, of 9.5% (2021: 9.5%). Adjustments to the discount rate are made for any risks that are not reflected in the underlying cash flows, including the risk profile of the CGU.

Operating costs, capital expenditure and other operating factors

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

Climate change

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

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

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

The DFFE declaration of greenhouse gases as priority air pollutants in 2017 was followed by the promulgation of a regulatory framework for greenhouse gas emission reporting. This formed the basis and input for the promulgation of the Carbon Tax Act on 1 June 2019, which introduced a carbon tax on identified affected sectors based on their greenhouse gas emissions.

On 29 July 2022 National Treasury published the draft 2022 Taxation Laws Amendment Bill (the 'Draft 2022 TLAB'), alongside various other tax bills, which contains tax proposals made in the 2022 National Budget, for public comment. The Draft 2022 TLAB proposes amendments to the Carbon Tax Act to bring into effect the policy set out under South Africa's climate change response and carbon tax price path as released by National Treasury in February 2022. The proposed amendments include a progressive increase in the carbon tax rate from 2023 to a US dollar based tax of USD20 in 2026 increasing to USD30 by 2030 per tonne of CO_2. The proposed amendments seek to align South Africa's carbon tax rate with global carbon prices. The amendments contained in the Draft 2022 TLAB do not materially impact on the applied assumptions at 31 December 2022.

The Group has expensed a total of R4 million (2021: R3 million) in relation to carbon tax.

A carbon fuel levy was introduced under the Customs and Excise Act, as part of the current South African fuel levy regime. The carbon fuel levy now includes a carbon levy, which applies to stationary and non-stationary mobile emissions resulting from the use of liquid fuels, mostly petrol and diesel. The carbon fuel levy on diesel and petrol, which came into effect on 5 June 2019, is 10c per litre and 9c per litre respectively. In addition, a notice published in the South African Government Gazette on 31 May 2019 provided that the carbon fuel levy was excluded from the diesel refund regime.

5. IMPAIRMENT LOSSES CONTINUED

Impairment loss assessments

Export operations

The mining operations carried out at Goedehoop, Khwezela, Greenside, Mafube and Zibulo represent the export operations of the Group. The export operations are largely dependent on the ability to rail coal to the RBCT in order to realise the sales forecast for each of the CGUs, and this has a concomitant impact on the forecasted production of the CGUs. We have not identified any impairment indicators for our export operations at 31 December 2022 based on the improved market conditions, particularly in relation to the increased Benchmark coal price.

Throughout 2021 and 2022 the export operations have encountered problems in railing coal to the RBCT due to the continued underperformance of TFR. The rail operator's performance challenges are attributable to theft of infrastructure, equipment failures mainly related to locomotives, and late in 2022 a strike by Transnet employees and a significant derailment. This has led to some of our operations becoming stock-bound, and impacting forecasted production to manage stockpile capacity. The impact of the rail constrained environment on our operations is expected to continue in the short to medium term.

All of our export operations have been affected by the constrained rail capacity, however our continued optimisation of the available rail capacity has ensured continued performance for these operations. As a result, the recoverable amounts of these CGUs are estimated to be higher than the carrying amounts of the non-current assets. The significantly improved Benchmark coal price environment has not led to impairment reversals at other previously impaired operations held within TOPL on the basis of the rail constrained environment, and the resultant risk to the Group's forecasted production.

At 31 December 2021, production at the Khwezela Colliery had been curtailed in response to the rail constrained environment which, combined with placing the Bokgoni pit on care and maintenance, led to an impairment loss of R317 million being recognised on the CGU.

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

Rand million	Reporting segment	Goodwill	2022 Carrying amounts other than goodwill[1]
Zibulo	Underground	–	5,290
Greenside	Underground	9	2,029
Goedehoop	Underground	–	352
Khwezela	Opencast	–	268
Mafube	Opencast	–	1,853
Total		9	9,792

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

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

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

Sensitivities

The recoverable amounts, based on the discounted cash flow models, are sensitive to changes in input assumptions, particularly in relation to forecasted Benchmark coal prices and foreign exchange rates. Given the continued impact of the rail constrained environment, the recoverable amounts have become more sensitive to forecasted saleable production in the short to medium term. In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in key assumptions. The most significant inputs to the discounted cash flow models are the short to medium-term forecasted Benchmark coal price used to calculate the estimated realised prices across the CGUs, discount rates applied and forecasted saleable production across the CGUs. Due to the volatility experienced in the Benchmark coal price throughout 2022 the sensitivity related to price has been adjusted to reflect a wider range of reasonably possible movement in the Benchmark coal price.

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

			2022			2021
Rand million	**10% decrease in saleable production**	**10% decrease in estimated prices**	**0.5% increase in discount rate**	5.0% increase in estimated prices	5.0% decrease in estimated prices	0.5% increase in discount rate
Zibulo	**(1,861)**	**(3,159)**	**(80)**	1,050	(1,053)	(65)
Greenside	**(1,139)**	**(1,886)**	**(18)**	518	(535)	(20)
Goedehoop	**(634)**	**(1,138)**	**(18)**	190	(216)	*
Khwezela	**(1,113)**	**(1,748)**	**28**	558	(581)	(10)
Mafube	**(1,251)**	**(1,931)**	**(35)**	357	(344)	(33)
Total	**(5,998)**	**(9,862)**	**(123)**	2,673	(2,729)	(128)

* Represents an amount less than R1 million.

For the year ended 31 December 2022, the impact of the sensitivities shown above is as follows:
- Decrease in saleable production of 10%: this sensitivity would result in an impairment possibly being recognised at Khwezela (limited to its carrying amount), and a reduction of headroom at the remaining CGUs.
- Decrease in estimated prices of 10%: this sensitivity would result in an impairment possibly being recognised at Khwezela (limited to its carrying amount), and a reduction of headroom at the remaining CGUs.
- Increase in discount rate of 0.5%: this sensitivity would not result in an impairment at any of the CGUs.

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

The recoverable amounts are the most sensitive to changes in the estimated prices and production used over the forecast period. The Group has prioritised our operations throughout 2022 to ensure that higher margin products are railed to the RBCT, which has increased the on-mine stockpiles of lower margin products. Should the rail constrained environment not improve, production may need to be further curtailed, which may impact the recoverable amounts of the CGUs. The rail constrained environment, coupled with supply constraints in thermal coal producing regions and the conflict in Ukraine, have led to significant volatility being experienced in the Benchmark coal price throughout the year ended 31 December 2022. On this basis we have determined that the estimated prices used in the determination of the recoverable amounts are appropriate.

5. IMPAIRMENT LOSSES CONTINUED

Impairment loss assessments continued

Domestic operations

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

Rietvlei has a fixed-term coal supply agreement in place with its customer, and throughout 2022 it delivered on its contractual commitment. Rietvlei is currently in the process of evaluating alternative markets for coal supply to supplement its fixed-term agreement and increase the optionality at the operation.

Isibonelo's sales are made under a fixed-term offtake agreement with committed production per year. Prices are contractually agreed and impacted by mining inflation and other inputs. Based on the approved budget for Isibonelo, there is a reduction in forecasted production based on the achieved rates of production throughout 2021 and 2022. The forecasted production is sufficient to meet the committed production per year, however, due to an increase in the cost profile of the mine based on geological factors continuing to influence production, there has been a further decrease in the recoverable amount of the CGU. Based on the impairment assessment performed, an impairment loss of R613 million has been recognised on the Isibonelo CGU (2021: R440 million).

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

Rand million	Reporting segment	2022 Goodwill	2022 Carrying amounts other than goodwill[1]	2021 Goodwill	2021 Carrying amounts other than goodwill[1]
Rietvlei	Opencast	–	301	–	315
Total		**–**	**301**	–	315

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

Sensitivities

As domestic sales prices are largely fixed with annual input cost inflation adjustments, recoverable amounts are the most sensitive to production volumes and cost increases not catered for in the annual sales price adjustment. The sensitivities applied in 2022 have widened to reflect ongoing cost and production challenges at the CGUs.

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

Rand million	2022 10% increase in operating expenditure	2022 10% decrease in saleable production	2021 5.0% increase in operating expenditure	2021 5.0% decrease in saleable production
Isibonelo	(363)	(411)	(114)	(297)
Rietvlei	(261)	(327)	(154)	(179)
Total	**(624)**	**(738)**	(268)	(476)

For the year ended 31 December 2022, the impact of the sensitivities shown above is as follows:

- Increase in operating expenditure of 10%: This would have resulted in an additional impairment at Isibonelo, limited to the carrying amount of the CGU, and a potential impairment at Rietvlei.
- Decrease in saleable production of 10%: This would result in an additional impairment at Isibonelo, limited to the carrying amount of the CGU, and a potential impairment at Rietvlei.

For the year ended 31 December 2021, the impact of the sensitivities shown above is as follows:

- Increase in operating expenditure of 5.0%: This would have resulted in an additional impairment at Isibonelo as the CGU was carried at its recoverable amount, and a reduction of the headroom available at Rietvlei.
- Decrease in saleable production of 5.0%: This would have resulted in an additional impairment at Isibonelo as the CGU was carried at its recoverable amount, and a reduction in the headroom available at Rietvlei.

Centrally held assets

The assets held centrally by the Group are allocated to all CGUs on an appropriate proportionate basis. Due to the impairment recognised at Isibonelo, an impairment of R43 million (2021: R51 million) has been recognised on these centrally held assets.

6. NET FINANCE COSTS

The Group's net finance costs include various costs relating to the investing activities of the Group, as well as the unwinding of the discount on environmental and other provisions.

Accounting policy

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

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

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

Foreign exchange gains and losses relate to the translation of cash and cash equivalents held by the Group denominated in US dollars from the receipt of export revenue.

Fair value losses on derivative financial instruments relate to losses on FECs entered into in order to manage the Group's exposure to exchange rate volatility.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

6. NET FINANCE COSTS CONTINUED

The net finance costs can be analysed as follows:

Rand million	Notes	2022	2021
Investment income			
Interest income on cash and cash equivalents		**775**	114
Growth on environmental rehabilitation trusts' assets	17	**158**	385
Growth on other environmental investments	17	**16**	4
Growth on investment in insurance structure	15	**2**	–
Other interest income		**12**	–
Total investment income		**963**	503
Interest expense			
Interest and other finance expenses		**(35)**	(65)
Net interest costs on retirement benefit obligations		**(48)**	(43)
Interest expense on loans from Anglo American		**–**	(35)
Unwinding of discount on environmental and other provisions	17	**(655)**	(537)
Total interest expense		**(738)**	(680)
Other financing (losses)/gains			
Foreign exchange gains on cash and cash equivalents		**377**	177
Fair value losses on derivative financial instruments	14	**(553)**	–
Total other financing (losses)/gains		**(176)**	177
Net finance costs		**49**	–

7. 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.

Accounting policy

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

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

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

Analysis of income tax expense

Rand million	Note	**2022**	2021
Current tax expense		**(6,057)**	(521)
Charged in respect of the current reporting period		**(6,000)**	(504)
Charged in respect of prior reporting periods		**(57)**	(17)
Deferred tax credit/(expense)		**119**	(50)
Credited in respect of deferred tax assets	18	**156**	384
Charged in respect of deferred tax liabilities	18	**(37)**	(434)
Total income tax expense for the reporting period		**(5,938)**	(571)

Given the significantly higher average Benchmark coal price experienced throughout the reporting period, all entities in the Group have achieved a high level of taxable income. This has led to a significant increase in the income tax expense and resultant provisional tax payments in the year ended 31 December 2022. Refer to note 18 for further detail related to the deferred tax assets recognised as a result of the improved market conditions.

7. INCOME TAX EXPENSE CONTINUED

Factors affecting income tax expense

The income tax expense has been impacted by various transactions and can be analysed as follows:

Rand million	2022	2021
Profit before tax	**24,143**	7,509
Tax at the applicable rate (South African corporation tax rate) of 28%	**(6,760)**	(2,103)
Adjusted for the tax effects of:		
Items non-deductible for tax purposes	**(383)**	(226)
Depreciation of mineral rights	**(8)**	(4)
Impairment on mineral rights and land	**(10)**	(2)
Legal and professional fees	**—**	(3)
SARS penalties and interest	**—**	(3)
Royalty and carbon tax prior year adjustment	**(10)**	–
Fair value loss on biological assets	**(5)**	(1)
Fair value loss on derivative asset – capital support	**(97)**	(159)
Non-deductible items considered capital in nature	**(26)**	(38)
Expenses related to contributions to the Sisonke Trust and the Nkulo Trust	**(214)**	–
Expenses not incurred in the production of income	**(7)**	(4)
Acquisition of joint operation	**—**	(12)
Accounting adjustments not deductible	**(6)**	–
Items non-taxable for tax purposes	**15**	23
Contribution to other environmental investments	**1**	1
Accounting adjustments not taxable	**14**	–
Royalty and carbon tax prior year adjustment	**—**	22
Other items	**1,206**	1,594
Donations	**—**	30
Effect of higher tax rates for trusts	**(1)**	–
Tax rate change	**31**	–
Deferred tax assets previously not recognised	**1,177**	1,569
Other	**(1)**	(5)
Prior year adjustments	**(16)**	141
Current tax	**(57)**	(17)
Deferred tax	**41**	158
Total income tax expense	**(5,938)**	(571)

The effective tax rate for the year of 25% (2021: 7.6%) is lower than the applicable statutory rate of corporation tax in South Africa of 28%.

On 23 February 2022, the South African corporate tax rate was reduced from 28% to 27% with effect from 1 January 2023.

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

Tax amounts included in other comprehensive income/(loss)

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

Rand million	2022	2021
Tax (expense)/credit on items that will not be reclassified to profit or loss		
Remeasurement of retirement benefit obligations	(15)	(7)
Fair value losses on financial asset investments	—	1
Total income tax expense recognised in other comprehensive income/(loss)	(15)	(6)

Current tax assets/(liabilities)

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

Rand million	2022	2021
Current tax assets	231	46
Current tax liabilities	(25)	(278)
Net current tax assets/(liabilities)	206	(232)

Income tax paid

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

Rand million	2022	2021
Balance at the start of the reporting period	(232)	122
Income tax – current tax charge	(6,057)	(521)
Acquired through internal restructure	—	(19)
Non-cash movements	—	(11)
Interest capitalised	3	—
Reclassifications	(75)	—
Balance at the end of the reporting period	(206)	232
Income tax paid	(6,567)	(197)

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

8. 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 1/2021 and the JSE Listings Requirements, and reconciled to the profit attributable to the equity shareholders of the Group in each reporting period.

Accounting policy

The Group calculates and presents basic and diluted earnings per share and basic and diluted headline earnings per share for its ordinary shares.

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

Diluted earnings per share and headline earnings per share are determined by adjusting the basic and headline earnings attributable to the equity shareholders of the Group and the WANOS for the effects of all dilutive potential ordinary shares at the reporting date, which comprise share awards granted to employees.

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	**2022**	2021
Net shares in issue at the start of the reporting period	**133,599,202**	62,110,182
Adjusted for the weighted average impact of shares:		
Issued in the reporting period	**366,534**	43,504,515
Acquired in the reporting period[1]	**(673,262)**	(354,358)
Vested in the reporting period	**392,354**	–
WANOS at the end of the reporting period	133,684,828	105,260,339
Adjusted for dilutive potential ordinary shares relating to:		
Conditional share awards	**1,547,889**	171,790
Forfeitable share awards	**812,771**	184,861
Diluted WANOS at the end of the reporting period	136,045,488	105,616,990
Number of shares in issue[2]	**140,492,585**	136,311,808
Treasury shares held by Group companies	**(2,943,136)**	(2,712,606)
WANOS[2]	**133,684,828**	105,260,339
Diluted WANOS[2]	**136,045,488**	105,616,990

[1] Shares acquired in the reporting period relate to shares purchased in line with the requirements of the Thungela share plan.
[2] Refer to note 19 for details of the stated capital issued, and judgement applied to the calculation of WANOS for the year ended 31 December 2021.

Earnings per share

Earnings per share can be analysed as follows:

Rand million (unless otherwise stated)	2022	2021
Profit attributable to the equity shareholders of the Group	**16,988**	6,429
Profit used in the calculation of diluted earnings per share[1]	**16,988**	6,429
Earnings per share		
Basic (cents/share)	**12,708**	6,108
Diluted (cents/share)	**12,487**	6,087

[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)	Notes	2022	2021
Profit attributable to equity shareholders of the Group		**16,988**	6,429
Adjusted for:			
Excluded remeasurements		**673**	800
Impairment of property, plant and equipment	5	**648**	786
Impairment of intangible assets	5	**8**	22
Loss/(profit) on sale of property, plant and equipment	4	**17**	(8)
Tax effects of excluded remeasurements		**(172)**	(222)
Impairment of property, plant and equipment	5	**(165)**	(218)
Impairment of intangible assets	5	**(2)**	(6)
(Loss)/profit on sale of property, plant and equipment		**(5)**	2
Headline earnings[1]		**17,489**	7,007
Headline earnings used in the calculation of diluted headline earnings per share[2]		**17,489**	7,007
Headline earnings per share			
Basic (cents/share)		**13,082**	6,657
Diluted (cents/share)		**12,855**	6,634

[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.

9. PROPERTY, PLANT AND EQUIPMENT

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

Accounting policy

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

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

Deferred stripping

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

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

Right-of-use assets

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

Depreciation

Mining properties and items of plant and equipment for which the consumption of economic benefits is linked to production are depreciated to their residual values using the unit of production method based on proved and probable coal reserves.

Land is not depreciated. Buildings and items of plant and equipment for which the consumption of economic benefits is linked primarily to utilisation or to throughput rather than production, are depreciated to their residual values at varying rates on a straight-line basis over their estimated useful lives, or the reserve life, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings.

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

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

							2022
		Land and buildings		Plant and equipment			
Rand million	Mining properties	Owned	Right-of-use	Owned	Right-of-use	Capital work-in-progress	Total
Cost							
Balance at the start of the reporting period	6,863	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

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

10. 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.

Accounting policy

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

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

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

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

The NRV per product is estimated using actual realised prices for the month, based on the quality, grade and calorific value of the finished products, and deducting costs to sell including transport costs from the mine to the RBCT, where relevant. Any write down to NRV is recognised in profit or loss in the month incurred.

Inventories can be analysed as follows:

Rand million	**2022**	2021
Consumables	**654**	593
Finished products	**2,527**	1,953
Total inventories	**3,181**	2,546

The cost of inventories recognised as an expense and included in operating costs amounted to R17,519 million (2021: R12,635 million).

The write-down of inventories to NRV recognised throughout the reporting period amounted to Rnil (2021: R60 million).

The Group's ability to rail coal to the RBCT continues to be severely hampered by the inconsistent and poor performance of TFR throughout the past two years. Throughout 2021 and 2022, 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 in order to resolve these challenges.

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

11. TRADE AND OTHER RECEIVABLES

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

Accounting policy

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost.

Expected credit losses

For trade receivables only, the simplified expected credit loss approach included in IFRS 9 is applied, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. Expected credit losses are in general recognised where there is a failure to make contractual payments for a period of greater than 60 days, along with an appropriate assessment of forward-looking information.

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

Trade and other receivables can be analysed as follows:

Rand million	2022	2021
Net trade receivables	3,216	2,982
Trade receivables	3,339	3,081
Provision for expected credit losses	(123)	(99)
Other tax receivables[1]	1,105	966
Prepayments	314	325
Net other receivables	273	111
Other receivables	359	170
Provision for expected credit losses	(86)	(59)
Total trade and other receivables	4,908	4,384
Classified as:		
Current	4,907	4,320
Non-current	1	64

[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 R2,496 million (2021: R2,569 million) due from AAML, which represents 75% (2021: 83%) 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.

11. TRADE AND OTHER RECEIVABLES CONTINUED

Prepayments include, among other items, insurance premiums of R79 million (2021: R114 million), ordinary course deposits to secure supply of critical consumables of R128 million (2021: R47 million) and a payment made in relation to educational development activities in host communities of R7 million (2021: R61 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.

Trade receivables do not incur any interest, are principally short-term in nature and are measured at their nominal value, net of the appropriate provision for expected credit losses.

The provision for expected credit losses on trade receivables can be analysed as follows:

Rand million	Gross carrying amount – trade receivables	Expected loss rate (%)	2022 Provision for expected credit losses
Current	**3,043**	**0.3**	**(9)**
Between 1 – 2 months	**157**	**8.3**	**(13)**
Between 3 – 4 months	**10**	**10**	**(1)**
Between 5 – 12 months	**84**	**68**	**(57)**
Greater than 12 months	**45**	**96**	**(43)**
Total trade receivables	**3,339**	**3.7**	**(123)**

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

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

The movement in the provisions for expected credit losses can be analysed as follows:

Rand million	2022	2021
Balance at the start of the reporting period	**(158)**	(91)
Increase in provisions for expected credit losses	**(51)**	(67)
Trade receivables	**(24)**	(8)
Other receivables	**(27)**	(59)
Balance at the end of the reporting period	**(209)**	(158)

12. CASH AND CASH EQUIVALENTS

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

Accounting policy

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

Cash and cash equivalents can be analysed as follows:

Rand million	**2022**	2021
Short-term investments	**11,918**	7,082
Cash held in bank	**2,862**	1,644
Cash held in the Sisonke Trust and the Nkulo Trust	**519**	10
Total cash and cash equivalents	**15,299**	8,736

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.

The investments are held in low-risk interest bearing instruments, across three of the five largest South African banks, with an appropriate liquidity spread to support the Group's requirements. The spread of funds between banks was done in order to partially mitigate counterparty risk and the global credit ratings for these investments range between AA- and AA+. The investments earn interest at rates of between 6.8% – 7.9% (2021: 3.9% – 4.5%).

Cash held in bank

Included in cash held in bank is R2,202 million (2021: R1,247 million) held in US dollars, related to proceeds on export revenue which is settled in US dollars. This cash, along with the cash held in South African rand of R660 million (2021: R397 million) is held across two of the major South African banks with global credit ratings of AA+.

Cash held in Trusts

Cash held in the Sisonke Trust and the Nkulo Trust relates to cash held by the trusts, which is not available for the general use of the Group and so is considered restricted cash for the Group.

As described in note 2, the trusts are entitled to 10% collectively of the dividends declared on ordinary shares by SACO. For the year ended 31 December 2022, SACO declared ordinary dividends of R773 million to the trusts.

A total of R265 million was paid to the eligible employees through the Sisonke Trust in December 2022, excluding tax at the beneficiaries' marginal tax rates, and R519 million remains in the trusts at 31 December 2022.

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.

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13. TRADE AND OTHER PAYABLES

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

Accounting policy

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

Trade and other payables can be analysed as follows:

Rand million	**2022**	2021
Trade payables	**2,089**	1,713
Accruals	**946**	867
Other tax and employee related payables	**838**	749
Other payables[1]	**124**	170
Total trade and other payables	**3,997**	3,499

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

Included within other payables is deferred income of R23 million (2021: R25 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.

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

Accounting policy

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

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

The derivative asset was fair valued using the Clewlow and Strickland pricing model for the valuation of average rate commodity options. The fair value movements were mainly impacted by differences between the Benchmark coal price forwards, the assumed Benchmark coal price volatility and the ZAR discount factor assumed for the purposes of determining the fair value of the derivative, as well as the realised price in South African rand over the duration of the capital support agreement. The fair value was determined by independent experts using external sources of information with reference to the forecasted quoted Benchmark coal prices and exchange rates.

A fair value loss of R347 million (2021: R569 million) on the derivative asset has been recognised in profit or loss on the basis of the recovery in the Benchmark coal price to 31 December 2022. No amount of the available capital support has been utilised by the Group and the contract came to an end at 31 December 2022.

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

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

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 commenced in November 2021 and 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 financial 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. 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 losses of R3,207 million (2021: fair value gains of R348 million) have been recognised on the forward coal swap transactions. These losses are based on fluctuations in the forward curve of the Benchmark coal price from the date the transactions were entered into, the settlement date of the transactions or the reporting date for open transactions.

Following the onset of the unfortunate conflict in Ukraine, the Benchmark coal price increased significantly, to an average of USD271 per tonne (2021: USD124 per tonne) leading to a significant loss being realised on the forward coal swap transactions. The forward coal swap transactions undertaken post the significant increase in the Benchmark coal price have been committed to at a higher average price, which has led to the fair value losses on these instruments reducing as they matured. 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.

14. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Forward coal swap transactions continued

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

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

	Benchmark coal price swaps	Secondary index price swaps	2021 Total
Volume committed (kt)	194	725	919
Weighted average committed price (US$/tonne)	126	131	130
Settlement dates	January – June 2022	January – June 2022	January – June 2022
Weighted average benchmark coal price forward curve at the reporting date (US$/tonne)	103	106	105
Fair value gains on derivative financial instruments (Rand million)	73	275	348

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

A fair value loss of R553 million (2021: Rnil) has been recognised on these contracts based on the volatility of the South African rand against the US dollar throughout the second half of 2022.

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

	2022
Total currency contracted (US$ million)	**845**
Contractual conversion rate (ZAR:US$)	**15.71 – 18.54**
Spot rate on settlement (ZAR:US$)	**16.54 – 18.28**
Settlement dates (2022)	**July – November**
Cash outflow on settlement (Rand million)	**(578)**

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

	2022
Total currency contracted (US$ million)	**55**
Contractual conversion rate (ZAR:US$)	**17.25 – 17.81**
Forward exchange rate at the reporting date (ZAR:US$)	**17.02**
Settlement dates (2023)	**January**
Fair value gains on derivative financial instruments (Rand million)	**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	**2022**	2021
Amounts included in profit before net finance costs and tax	**(3,554)**	(221)
Fair value loss on capital support agreement	**(347)**	(569)
Fair value (losses)/gains on forward coal swap transactions	**(3,207)**	348
Amounts included in net finance costs	**(553)**	–
Fair value losses on forward sales of foreign currency	**(553)**	–
Total fair value losses on derivative financial instruments	**(4,107)**	(221)

14. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Impact of derivative financial instruments continued

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

Rand million	**2022**	2021
Derivative financial asset - capital support	**–**	347
Derivative financial instruments	**149**	348
Forward coal swap transactions	**124**	348
Forward sales of foreign currency	**25**	–
Total derivative financial instruments	**149**	695

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

Rand million	**2022**	2021
Cash outflow on settlement of forward coal swap transactions	**(2,983)**	–
Cash outflow on settlement of forward sales of foreign currency	**(578)**	–
Total cash outflow on settlement of derivative financial instruments	**(3,561)**	–

15. INVESTMENT IN INSURANCE STRUCTURE

The Group has invested in a self-insurance structure with an independent financial institution through a cell captive mechanism. This has been completed through an investment in preference shares in an identifiable cell captive with the financial institution.

Accounting policy

The Group does not have control of the insurance cell captive arrangement, referred to as the 'cell', based on the rights conferred by the preference shares and underlying agreements. The results of the cell have not been consolidated on this basis.

The terms of the agreements related to the cell do not result in the Group being exposed to insurance risk, as cover is limited to a maximum of the amount contributed, adjusted for movements in the fair value of the cell. The transaction is thus considered an investment in preference shares and is a financial asset measured at FVPL.

The investment in preference shares is measured at fair value at each reporting date, with changes in the fair value recognised within net finance costs.

Details of the investment in the insurance structure can be analysed as follows:

Rand million	2022
Balance at the start of the reporting period	—
Investment in the reporting period	1,224
Growth on investment	2
Balance at the end of the reporting period	**1,226**

In December 2022, Thungela, through its wholly owned subsidiary TTPL, entered into a self-insurance arrangement through an investment into the preference shares of a separately identifiable cell captive structure. The cell is managed by an external financial institution and provides insurance cover for first-party risks, up to a maximum amount of the initial contribution, adjusted for changes in the fair value of the underlying investment.

An amount of R1,224 million was contributed to the cell in December 2022, for a minimum period of insurance of three years, which can be extended at the end of the current term. Each year the Group, along with the financial institution, will assess the value of assets held in the cell against the required levels of insurance cover, and make additional contributions as needed. Additional contributions may also be required to the extent that claims are made. If the value of claims made exceed the total assets held in the cell, the Group will have the option to either recapitalise the cell, or to unwind the structure.

The investment into the cell was made to reduce the Group's exposure to the traditional insurance market, and to reduce the cost of insuring our operating assets in the long-term. The cell may enter into re-insurance agreements to cover potential losses, which will either impact the fair value of the investment, or be expensed as incurred by the Group.

The amount contributed by the Group into the cell is pooled by the financial institution with other available funds to maximise the return on investment. Fair value movements on the investment may comprise interest, dividends and capital growth, and are externally confirmed at the reporting date. These fair value movements are recognised within net finance costs as incurred.

Sensitivity analysis

The Group's investment in the insurance structure is exposed to interest rate fluctuations and other market factors linked to the contributed funds that are pooled by the financial institution. The initial contribution was made in December 2022, therefore a reasonably possible change in the inputs used to value the investment would not be considered to have a significant impact on the amounts recognised in the statement of financial position and the statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

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For the year ended 31 December 2022

16. FINANCIAL INSTRUMENTS

Accounting policy

Financial instruments held by the Group have been disclosed in notes 11 to 15 and 17 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:

						2022
		Financial assets			Financial liabilities at amortised cost	
Rand million	Notes	Amortised cost[1]	FVPL	FVOCI		Total
Financial assets						
Environmental rehabilitation trusts	17	—	3,446	—	—	3,446
Financial asset investments		95	658	33	—	786
Investment in insurance structure	15	—	1,226	—	—	1,226
Derivative financial instruments	14	—	149	—	—	149
Trade and other receivables[2]	11	3,489	—	—	—	3,489
Cash and cash equivalents	12	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]	13	—	—	—	(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.

Rand million	Notes	Financial assets: Amortised cost[1]	FVPL	FVOCI	Financial liabilities at amortised cost	2021 Total
Financial assets						
Environmental rehabilitation trusts	17	–	3,288	–	–	3,288
Financial asset investments		122	199	33	–	354
Derivative asset – capital support	14	–	347	–	–	347
Derivative financial instruments	14	–	348	–	–	348
Trade and other receivables[2]	11	3,093	–	–	–	3,093
Cash and cash equivalents	12	8,736	–	–	–	8,736
Total financial assets		11,951	4,182	33	–	16,166
Financial liabilities						
Lease liabilities		–	–	–	(121)	(121)
Loans and borrowings		–	–	–	(63)	(63)
Trade and other payables[3]	13	–	–	–	(2,725)	(2,725)
Total financial liabilities		–	–	–	(2,909)	(2,909)
Net financial assets		11,951	4,182	33	(2,909)	13,257

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

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 assets carried at fair value can be analysed in terms of the fair value hierarchy as follows:

Rand million	Level 2	Level 3	2022 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 assets carried at fair value	4,253	1,259	5,512

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

16. FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy continued

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

Rand million	Level 2	Level 3	2021 Total
Financial assets			
Environmental rehabilitation trusts	3,288	–	3,288
Financial asset investments at FVOCI	–	33	33
Financial asset investments at FVPL	199	–	199
Derivative asset – capital support	347	–	347
Derivative financial instruments	348	–	348
Total financial assets carried at fair value	4,182	33	4,215

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	2022	2021
Balance at the start of the reporting period	**33**	33
Additions	**1,224**	–
Fair value gain	**2**	–
Balance at the end of the reporting period	**1,259**	33

For the 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. For the investment in insurance structure, refer to note 15 for further detail.

17. 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, restructuring provisions in relation to formal restructuring activities undertaken by the Group, and various other provisions in relation to contractual obligations.

Accounting policy

Environmental provisions

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when environmental disturbances are caused by the development or ongoing production of a mining asset. Costs for the restoration of site disturbances, rehabilitation, remediation and environmental monitoring activities, including water treatment costs, are estimated using the work of external consultants in conjunction with internal experts.

Such costs arising from the decommissioning of infrastructure and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in the statement of profit or loss and other comprehensive income over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for the restoration of subsequent site disturbances which are created on an ongoing basis during production are provided for at their net present values and recognised in the statement of profit or loss and other comprehensive income as extraction progresses.

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

Environmental rehabilitation trusts

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

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

Other environmental investments

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

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

Nkulo Community Partnership Trust

The Group founded the Nkulo Trust in June 2021 as disclosed in note 2, which subscribed for 5.0% of the ordinary shares, as well as a C preference share, issued by SACO. The C preference share entitles the trust to a preference dividend of a minimum of R6 million per annum up to 2024, subject to the availability of cash flows in SACO. The Nkulo Trust is also entitled to 5.0% of the dividends declared by SACO on ordinary shares. The Group recognises a provision for the constructive obligation it has to the beneficiaries of the Nkulo Trust at the point that the dividends on ordinary shares or preference dividends are declared by SACO.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

17. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Accounting policy continued

Restructuring provisions

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

Other provisions

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

Environmental and other provisions can be analysed as follows:

					2022
	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Nkulo 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 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.

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

1 The restructuring provision relates to a decision taken to place the Bokgoni pit at the Khwezela Colliery on care and maintenance effective from the first quarter of 2021. The restructuring process has been completed and no further costs are expected.
2 Other provisions primarily relate to provisions raised for contractual obligations and servitudes.
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.

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 each year and any required change in the environmental provisions is recognised on the completion of the assessment. An amount of R1,093 million (2021: R306 million) has been recognised in the statement of profit or loss and other comprehensive income, and a credit to the decommissioning assets of R83 million (2021: R57 million) has been recognised related to the annual assessment performed by the independent consultants, and other factors influencing the provisions.

The increase in the environmental provisions in the year ended 31 December 2022 is as a result of the following key considerations:

- Increases in the expected costs to be incurred based on inflationary pressures, particularly related to energy complex costs, as well as a refinement of the required costs based on ongoing remediation activities.
- The impact of illegal mining on our sites, some of which had previously been rehabilitated, where additional work is now required.

17. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

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 finally in July 2022 and the transition date has again been deferred until 19 September 2023. The fourth draft of the updated set of proposed replacement NEMA Financial Provisioning Regulations was published on 11 July 2022 for public comment, but no feedback has been received on comments submitted by industry.

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 (2021: R4,108 million), compared to the total environmental provisions recognised by the Group of R7,566 million (2021: R6,751 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 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 NEMA Financial Provisioning Regulations require the treatment of water to be provided for using the costs of currently available technologies which the DMRE has approved, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements.

Thungela is actively working to prove the efficacy of passive water treatment technologies in collaboration with academia and the relevant government departments. In the year ended 31 December 2022, the Group commissioned a 50,000 litre per day demonstration plant to prove that passive treatment can effectively manage coal's water risks post-mine closure. The demonstration 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. The process requires minimal, if any, electrical power, minimal chemicals and infrequent but regular operational input and maintenance. 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 Colliery, and is the forerunner to a much larger initiative that will involve the planting of a million trees over the next three 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	2022	2021
Investments in unit trusts	3,446	3,288
Total environmental rehabilitation trusts	**3,446**	**3,288**
Balance at the start of the reporting period	3,288	2,880
Acquired through internal restructure	—	23
Growth on assets	158	385
Balance at the end of the reporting period	**3,446**	**3,288**

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 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 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. These 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	2022	2021
Balance at the start of the reporting period	199	3
Contributions during the reporting period[1]	443	192
Growth on assets	16	4
Balance at the end of the reporting period	**658**	**199**

[1] Includes contributions to the green fund of R438 million (2021: R188 million).

The Group has invested an additional R438 million (2021: R188 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 is related to fees which are not considered part of the investment.

17. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

***Other environmental investments** continued*

The annual requirement for funding is expected to decrease as the investment value increases, however the Group is able to contribute to these funds in excess of the required annual investment amount in order to increase our financial provisioning held, and to maximise our return on these investments. In the year ended 31 December 2022, an additional R200 million was contributed to the green fund, above the required annual investment amount, in order to further fund the environmental provisions.

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	**2022**	2021
Environmental provisions	**(7,566)**	(6,751)
Environmental rehabilitation trusts	**3,446**	3,288
Other environmental investments	**658**	199
Guarantees	**3,102**	3,153
Total financial provisioning available	**7,206**	6,640
Real pre-tax discount rate (%)	**4.0 - 4.8**	3.6 - 4.3

The guarantees of R3,102 million (2021: R3,153 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 by the current transition date of 19 September 2023, 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.

Sensitivity analysis

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

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

Rand million	**2022**	2021
5.0% increase in expected cash flows	**411**	468
0.5% increase in discount rate	**(238)**	(256)

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 R3,128 million (2021: R3,268 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.

18. DEFERRED TAX

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

Accounting policy

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

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

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

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

Deferred tax assets and liabilities are offset by legal entity.

Deferred tax assets

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

Rand million	Note	**2022**	2021
Balance at the start of the reporting period		**378**	*
Credited to profit or loss	7	**156**	384
Charged to other comprehensive income/(loss)	7	**(15)**	(6)
Reclassification		**(16)**	–
Balance at the end of the reporting period		**503**	378

* Represents an amount less than R1 million.

At 31 December 2021, only a portion of the available unredeemed capital expenditure was recognised as a deferred tax asset, on the basis of the expected utilisation thereof at old order mines, combined with the pairing back of production at our higher-cost operations. This resulted in the Group not recognising deferred tax assets of R1,177 million at 31 December 2021. The unrecognised deferred tax assets related to the Group's wholly owned subsidiary, TOPL. Given the sustained increase in the Benchmark coal price in 2022, the taxable income for TOPL has increased significantly, resulting in all of the available unredeemed capital expenditure being utilised at our old older mines. On this basis the Group has recognised the full impact of the previously unrecognised deferred tax assets. There is no available unredeemed capital expenditure for the Group at 31 December 2022.

18. DEFERRED TAX CONTINUED

Deferred tax assets continued

The deferred tax assets at 31 December 2022 are primarily driven by deductible temporary differences arising from the environmental and other provisions. 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 budget process which included a detailed calculation of the estimated taxable income for each financial year up to 2024. The budget reflects a substantial taxable income being generated, and therefore sufficient future taxable temporary differences against which to utilise these deductible temporary differences. The budget tax calculation does not result in any capital expenditure being unredeemed over the next two years and no additional tax losses have been carried forward or created in the year ended 31 December 2022.

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

Rand million	2022	2021
Environmental and other provisions	2,177	1,829
Retirement benefit obligations	110	127
Tax losses	2	1
Other temporary differences	24	(1)
Share-based payments	(11)	(1)
Fair value adjustments	(24)	(98)
Capital allowances in excess of depreciation	(863)	(577)
Environmental rehabilitation trusts	(912)	(902)
Total deferred tax assets	**503**	378

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

Rand million	2022	2021
Environmental and other provisions	298	(65)
Retirement benefit obligations	(2)	7
Tax losses	(1)	1
Other temporary differences	26	(78)
Share-based payments	(10)	17
Fair value adjustments	74	(43)
Capital allowances in excess of depreciation	(386)	427
Environmental rehabilitation trusts	(10)	(106)
Impairment losses	167	224
Deferred tax credited to profit or loss	**156**	384
Deferred tax charged to other comprehensive income/(loss)	(15)	(6)
Deferred tax credited to total comprehensive income	**141**	378

Deferred tax liabilities

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

Rand million	Note	2022	2021
Balance at the start of the reporting period		**(1,400)**	(581)
Acquired through internal restructure		**—**	(385)
Charged to profit or loss	7	**(37)**	(434)
Reclassification		**16**	—
Balance at the end of the reporting period		**(1,421)**	(1,400)

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

Rand million	2022	2021
Capital allowances in excess of depreciation	**(1,788)**	(1,788)
Other temporary differences	**(25)**	(68)
Environmental rehabilitation trusts	**(19)**	(19)
Tax losses	**202**	240
Environmental and other provisions	**209**	235
Total deferred tax liabilities	**(1,421)**	(1,400)

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

Rand million	2022	2021
Capital allowances in excess of depreciation	**22**	(610)
Other temporary differences	**8**	(60)
Environmental rehabilitation trusts	**—**	(3)
Tax losses	**(10)**	(63)
Environmental and other provisions	**(57)**	2
Fair value adjustments	**—**	302
Share-based payments	**—**	(2)
Deferred tax charged to profit or loss	**(37)**	(434)
Deferred tax charged to total comprehensive income	**(37)**	(434)

On 23 February 2022 a change in the South African corporate tax rate from 28% to 27% was announced. The current tax impact of this rate change for the Group will only take effect from 1 January 2023. However deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date. Consequently, the impact of the change in the statutory tax rate on deferred tax has been recognised as a credit to profit or loss of R31 million.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

19. STATED CAPITAL

Thungela has one class of authorised and issued shares, being ordinary shares. Thungela's ordinary shares were issued on completion of the demerger, and 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.

Accounting policy

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

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

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

Number of shares	**2022**	2021
Authorised		
Ordinary no par value shares	**10,000,000,000**	10,000,000,000
Issued		
Ordinary no par value shares	**140,492,585**	136,311,808
Reconciliation of shares in issue		
Shares in issue at the start of the reporting period	**136,311,808**	–
Issue of ordinary no par value shares	**4,180,777**	136,311,808
Shares in issue at the end of the reporting period	**140,492,585**	136,311,808
Adjusted for:		
Treasury shares held by Group companies	**(2,943,136)**	(2,712,606)
Net shares in issue at the end of the reporting period	**137,549,449**	133,599,202

Rand million		
Balance at the start of the reporting period	**10,041**	–
Issue of ordinary no par value shares	**1,282**	10,041
Balance at the end of the reporting period	**11,323**	10,041
Adjusted for:		
Treasury shares held by Group companies	**(302)**	(183)
Net balance at the end of the reporting period	**11,021**	9,858

As detailed in note 2, and fully described in note 2A of the Thungela Annual Financial Statements for the year ended 31 December 2021, although Thungela is considered a continuation of the SACO Group, the Company was only incorporated in January 2021, and issued shares in June 2021. The capital structure of Thungela reflects the structure of the legal entity, and thus no shares are reflected as issued for the Group until 2021. The value of the SACO Group was reflected in the merger reserve until the date the shares were legally issued, when it was transferred into stated capital.

For the purpose of determining the WANOS in the year ended 31 December 2021, Thungela applied judgement in determining how many shares were issued in substance for no corresponding increase in the economic value of the Group. Of the total stated capital of R10,041 million issued in June 2021, R5,466 million was received in cash from ASA. The issue of these 74,201,626 shares (as a proportion of the total shares issued based on the proportion of cash consideration to total consideration received) reflect a direct increase in the economic value of the Thungela Group. The remaining stated capital issued amounting to R4,575 million (reflective of 62,110,182 shares, as a proportion of non-cash consideration to total consideration received) is considered in substance to have been issued in consideration for the pre-existing SACO Group. The WANOS at 31 December 2021 has been calculated to reflect the issue of these shares as if it occurred at the start of the earliest comparative period presented. This has not impacted the WANOS at 31 December 2022.

In the year ended 31 December 2022, 909,155 (2021: 2,712,606) treasury shares were purchased by subsidiaries of the Group at an average price of R181.49 per share (2021: R67.42 per share) in relation to share awards granted under the Thungela share plan. The purchase was made in terms of Thungela's MOI and the shares are held in separate broker accounts of the Group for employees in terms of the rules of the Thungela share plan until vesting date. A total of 678,625 share awards vested in the year ended 31 December 2022, which reduced the number of treasury shares held by the Group.

Of the treasury shares held by the Group, 1,955,113 (2021: 1,363,119) 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 138,537,472 (2021: 134,948,689).

The shareholders, at the AGM held on 24 May 2022, approved that the unissued shares, limited to 5.0% of the number of shares in issue at that date, or 6,815,590 shares, be placed under the control of the board at their discretion. The approval is subject to compliance with the MOI, the Companies Act of South Africa, the JSE Listings Requirements and the UK Listing Rules, and this authority is valid for the shorter of 15 months or until the next AGM. For the year ended 31 December 2022, Thungela issued 4,180,777 shares in terms of this authority as fully described in note 21.

20. DIVIDENDS

Thungela declared and paid ordinary dividends to shareholders in the year ended 31 December 2022 from retained earnings.

Accounting policy

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

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

20. DIVIDENDS CONTINUED

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.

The Thungela board believes it is appropriate to maintain a liquidity buffer of between R5,000 million and R6,000 million during and following periods of stronger market conditions, and all else being equal, between R2,000 million and R3,000 million during and following periods of weaker market conditions. The board will continue to review the required level of liquidity in line with changes in the overall context of the Group, including the acquisition of the Ensham Business and continued infrastructure constraints.

Dividends paid

Dividends paid can be analysed as follows:

Rand million	**2022**	2021
Dividends paid to the shareholders of the Group	**10,483**	–
Dividend declared on 22 March 2022 of R18 per ordinary share	**2,448**	–
Dividend declared on 15 August 2022 of R60 per ordinary share	**8,035**	–
Dividends paid to non-controlling interests	**42**	–
Total dividends paid	**10,525**	–

Dividend declaration

A final ordinary cash dividend relating to the year ended 31 December 2022 of R40 per share (2021: R18 per share), was declared by the board on 27 March 2023. The dividend, amounting to a return of R5,620 million to shareholders has not been recognised as a liability in these summarised consolidated financial statements. The final dividend was declared from retained earnings and will be paid in April 2023 to shareholders on the South African register and May 2023 to shareholders on the UK register. Together with the interim dividend of R60 per share, this equates to a total dividend of R100 per share for the year ended 31 December 2022.

21. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY

The Group, through its wholly owned subsidiary TRH, acquired the remaining 27% shareholding in AAIC, an existing subsidiary of the Group, from Inyosi. The transaction resulted in AAIC becoming a wholly owned subsidiary of the Group, although it does not represent a change in control of AAIC. The acquisition was completed through the issue of 4,180,777 Thungela shares.

The 27% interest was previously held by Inyosi on the basis of an empowerment transaction undertaken in 2010. Thungela and Inyosi reached agreement on 30 November 2022 in relation to the purchase of the AAIC shares through the issue of Thungela shares, thereby allowing Inyosi to obtain an interest in Thungela while simultaneously transforming its interest into a more liquid position in a publicly traded entity. The transaction was undertaken through TRH, a direct subsidiary of Thungela. The Thungela shares were admitted to trading on the JSE and the LSE on the effective date of 30 November 2022.

A reference price of R306.76 per share issued was calculated using the closing Thungela share price on 29 November 2022, the day before the shares were admitted to trading on the JSE and the LSE. This represents purchase consideration for the transaction R1,282 million.

At the effective date of the transaction, the value of the non-controlling interest held by Inyosi was R3,191 million representing their historical proportion of earnings in AAIC, excluding the impact of equity loans from the Thungela Group.

The value of the non-controlling interest on the effective date of the transaction can be analysed as follows:

Rand million	2022
Balance at the start of the reporting period	1,983
Total comprehensive income attributable to non-controlling interest[1]	1,247
Dividends paid to non-controlling interest[1]	(40)
Movement in share-based payments reserve[1]	1
Balance at 30 November 2022	3,191

[1] Represents movements up to the effective date of 30 November 2022.

The difference between the carrying value of the non-controlling interest at the effective date of the transaction and the value of the consideration amounts to R1,909 million, which has been recognised directly in retained earnings. This results in the relative interest of the Group in AAIC being correctly reflected.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

22. 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.

Although the demerger was effective from 4 June 2021, and Anglo American no longer holds any interest in the Group, transactions with Anglo American were still considered to be related party transactions in the year ended 31 December 2021. A number of agreements were signed with Anglo American prior to the demerger in order to support the operations of Thungela in the medium-term post demerger, and transactional activity is continuing. However, Anglo American is no longer considered a related party for the year ended 31 December 2022, and transactions with Anglo American are no longer disclosed as related party transactions.

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
Ingagane Colliery Proprietary Limited
Springfield Collieries Limited
Thungela Inyosi Coal Sercurityco Proprietary Limited
Newshelf 1316 Proprietary Limited
Main Street 1756 (RF) Proprietary Limited
Blue Steam Investments Proprietary Limited

Indirect 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

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	Notes	2022	2021
Loans to related parties			
Zimele[1]		—	29
Pamish[2]		30	18
RBCT[3]		23	43
Derivative asset – capital support			
Anglo American	14	—	347
Trading balances			
Trade and other receivables[4]	11	—	2,569
Trade and other payables[5]		—	(55)
Transactions recognised in the statement of profit or loss and other comprehensive income			
Anglo American			
Export revenue	3	—	22,813
Expenses for services provided	4	—	(605)
Fair value loss on derivative asset – capital support	14	—	(569)
RBCT			
Expenses for services provided		(414)	(391)
Pamish			
Expenses for services provided		(33)	—
Investment income		6	—

1 The loan to Zimele was granted for the purposes of funding small business enterprises. The loan was non-interest bearing and had no fixed repayment terms. This loan was partially settled, with the remaining amount being reclassified to trade and other receivables as Thungela will now be responsible for collection of these amounts directly from the small businesses rather than Zimele.
2 The loan to Pamish earns interest at prime plus 3.0% and has a repayment term of 18 months.
3 The loan to RBCT is deemed part of the equity investment in RBCT.
4 Trade and other receivables include trade receivables for export sales to AAML at 31 December 2021.
5 Trade and other payables at 31 December 2021 were due within one year, consistent with the external trade and other payables.

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

23. EVENTS AFTER THE REPORTING PERIOD

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

Accounting policy

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

Acquisition of controlling shareholding in the Ensham Coal Mine and related assets

On 3 February 2023, we announced that we have entered into an agreement with Audley Capital and Mayfair (collectively the 'co-investors') in terms of which, inter alia, Thungela, through its wholly owned subsidiary Thungela Australia, will acquire a controlling interest in Sungela Holdings and will loan fund a portion of the co-investors equity contributions (the 'transaction').

Sungela Holdings will, in turn, through its wholly owned subsidiary Sungela, acquire an 85% interest in the Ensham Joint Venture from Idemitsu, as well as Idemitsu's 85% shareholding in Ensham Coal Sales, its 100% shareholding in Ensham Resources (the operator of the Ensham coal mine) and its 85% shareholding in Nogoa Pastoral and Nogoa Pastoral Joint Venture (collectively, the 'Ensham Business') (the 'acquisition').

The transaction is subject to the fulfilment of a number of conditions precedent before becoming effective, including, among others:

- The Treasurer of the Commonwealth of Australia has exercised its powers in terms of the Foreign Acquisitions and Takeovers Act 1975 and has not objected to the acquisition.
- The Australian Competition Consumer Commission has not objected to the acquisition or provided notification of its intent to restrain or prevent completion of the acquisition.
- Approval of the acquisition by the relevant regulatory authority in terms of the Queensland Mineral Resources Act 1989 and the Queensland Mineral and Energy Resources (Common Provisions) Act 2014.
- Receipt of a notification from the scheme manager in terms of section 33(2) of the Queensland Mineral and Energy Resources (Financial Provisioning) Act 2018.
- Waiver of pre-emptive rights by the co-shareholder in Bowen of its pre-emptive right to acquire Idemitsu's interest in the Ensham Business.
- The receipt of all necessary governmental and regulatory approvals or consents including the Financial Surveillance Department of the South African Reserve Bank.

Securing of banking facilities

In February 2023 Thungela secured access to banking facilities of R3.2 billion with two leading South African banks. The facilities have not been drawn on at the date of authorisation of the Summarised Annual Financial Statements for issue.

Dividend declaration

The board declared a final ordinary cash dividend of R40 per share, or R5,620 million, from retained earnings on 27 March 2023. Combined with the interim dividend for 2022, this represents a total dividend payment of R13,799 million to shareholders, amounting to 76% of the adjusted operating free cash flow$^{\Delta}$ generated in the year ended 31 December 2022.

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

ANNEXURES

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES$^{\Delta}$

For the year ended 31 December 2022

INTRODUCTION

When assessing and discussing Thungela's reported financial performance, financial position and cash flows, the directors may make reference to APMs of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS.

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

PURPOSE

Thungela uses APMs to improve the comparability of information between reporting periods, either by adjusting for uncontrollable factors or items such as impairments, restructuring costs and other transactions which impact upon IFRS measures or, by aggregating measures, to aid the user of the summarised consolidated 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, other than as noted below.

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 costs and tax, adjusted for: • Impairment losses • Restructuring costs and termination benefits • Fair value (losses)/gains on derivative financial instruments • Fair value loss on derivative asset – capital support • Depreciation and amortisation	• 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 the Sisonke Trust the and Nkulo Trust and loans and borrowings	• None	• None
Statement of cash flows			
Capex (note 3)	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[1]	• 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

[1] Contributions to the trusts are excluded from the determination of FOB cost as these costs are not direct costs incurred in producing thermal coal. The contributions to the trusts for the reporting period ended 31 December 2021 are immaterial and the APM has not been restated to reflect this.

ALTERNATIVE PERFORMANCE MEASURES^Δ CONTINUED

For the year ended 31 December 2022

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

A. Adjusted EBITDA

Rand million	Notes	2022	2021
Profit before net finance costs and tax per the statement of profit or loss and other comprehensive income	4	**24,094**	7,509
Add – depreciation	9	**1,169**	989
Add – amortisation		**28**	29
Add – impairment losses	5	**656**	808
Add/(less) – fair value losses/(gains) on derivative financial instruments	14	**3,207**	(348)
Add – fair value loss on derivative asset – capital support	14	**347**	569
Add – restructuring costs and termination benefits		**29**	422
Adjusted EBITDA		**29,530**	9,978

B. Adjusted EBITDA margin

Rand million (unless otherwise stated)	Notes	2022	2021
Adjusted EBITDA	A	**29,530**	9,978
Revenue	3	**50,753**	26,282
Adjusted EBITDA margin (%)		**58**	38

C. Net cash

Rand million	Note	2022	2021
Cash and cash equivalents	12	**15,299**	8,736
Less – cash held in the Sisonke Trust and the Nkulo Trust	12	**(519)**	(10)
Less – loans and borrowings		**(60)**	(63)
Net cash		**14,720**	8,663

D. Sustaining capex

Rand million	Note	2022	2021
Stay-in-business capex		**1,233**	1,682
Property, plant and equipment	3	**1,233**	1,671
Intangible assets	3	**–**	11
Stripping and development capex	3	**455**	511
Sustaining capex		**1,688**	2,193

E. Adjusted operating free cash flow

Rand million	Note	2022	2021
Net cash generated from operating activities		**19,784**	6,116
Sustaining capex	D	**(1,688)**	(2,193)
Adjusted operating free cash flow		**18,096**	3,923

F. FOB cost

Rand million	Notes	2022	2021
Operating costs	4	**22,420**	17,322
Less – industrial and domestic revenue	3	**(4,997)**	(3,469)
Less – depreciation	4	**(1,169)**	(989)
Less – amortisation	4	**(28)**	(29)
Less – third-party commodity purchases	4	**(2,114)**	(1,380)
Less – commodity purchases from Mafube Coal Mining	4	**—**	(137)
Add – inventory production movement	4	**587**	1,222
Less – demurrage and other expenses	4	**(216)**	(204)
Less – exploration and evaluation	4	**(54)**	(124)
Add – foreign exchange gains	4	**835**	214
(Less)/add – (loss)/profit on sale of property, plant and equipment	4	**(17)**	8
Less – recharged costs from Anglo American – administration expenses	4	**(239)**	(331)
Less – fair value loss on biological assets[1]		**(18)**	(3)
Less – expenses related to contributions to the Sisonke Trust and the Nkulo Trust[2]		**(766)**	—
Less – other administration expenses	4	**(128)**	(49)
FOB cost		**14,096**	12,051

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 Trust of R386 million, as well as expenses recognised for the Sisonke Trust based on services rendered by employees of R380 million. The contributions to the trusts in the year ended 31 December 2021 are immaterial, and the APM has not been restated to reflect this.

G. FOB cost per export tonne

Rand million (unless otherwise stated)	Note	2022	2021
FOB cost	F	**14,096**	12,051
Export saleable production (kt)		**13,062**	14,511
FOB cost per export tonne (Rand/tonne)		**1,079**	830

H. FOB cost excluding royalties

Rand million	Notes	2022	2021
FOB cost	F	**14,096**	12,051
Less – royalties	4	**(1,955)**	(394)
FOB cost excluding royalties		**12,141**	11,657

ALTERNATIVE PERFORMANCE MEASURES$^{\Delta}$ CONTINUED

For the year ended 31 December 2022

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

I. FOB cost per export tonne excluding royalties

Rand million (unless otherwise stated)	Note	2022	2021
FOB cost excluding royalties	H	12,141	11,657
Export saleable production (kt)		13,062	14,511
FOB cost per export tonne excluding royalties (Rand/tonne)		**929**	803

J. Environmental liability coverage

Rand million (unless otherwise stated)	Note	2022	2021
Environmental provisions	17	7,566	6,751
Investments held to fund closure activities		4,104	3,487
Environmental rehabilitation trusts	17	3,446	3,288
Other environmental investments	17	658	199
Environmental liability coverage (%)		**54**	52

ANNEXURE 2

GLOSSARY

For the year ended 31 December 2022

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

Term used	Definition
AAIC	Anglo American Inyosi Coal Proprietary Limited
AAML	Anglo American Marketing Limited
AASAF	Anglo American South Africa Finance Limited
AGM	Annual general meeting
Anglo American	The Anglo American plc Group, and its subsidiaries
AOPL	Anglo Operations Proprietary Limited, also referred to as TOPL
APM	Alternative performance measure
ASA	Anglo South Africa Proprietary Limited
Audley Capital	Audley Energy Limited
Benchmark coal price	Benchmark price reference for 6,000kcal/kg thermal coal exported from the RBCT
Bowen	Bowen Investment (Australia) Proprietary Limited
Butsanani Energy	Butsanani Energy Investment Holdings Proprietary Limited
Capital support agreement	The agreement concluded between ASA and Thungela regulating the terms and conditions upon which ASA will support the thermal coal sales of the Group
Carbon Tax Act	Carbon Tax Act 15 of 2019
CA (SA)	Chartered Accountant South Africa
CEO	Chief executive officer
CFO	Chief financial officer
CGU	Cash generating unit
Circular 1/2021	Circular 1/2021: Headline earnings issued by SAICA detailing the requirements for determining headline earnings
Coal reserves	Modified indicated and measured coal resources, including consideration of modifying factors that affect extraction. This represents the economically extractable material
Coal resources	The in-situ coal for which there are reasonable prospects for eventual economic extraction
CODM	Chief operating decision maker
Colliery Training College	Colliery Training College Proprietary Limited
Conditional shares	Shares or share awards granted to participants under the Thungela share plan which are subject to certain performance conditions and employment conditions
Customs and Excise Act	Customs and Excise Act 91 of 1964
Demerger	The process to separate Thungela from Anglo American, as fully described in the PLS
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Mineral Resources and Energy
EcoStatus	A term used by the Department of Water Affairs to describe the totality of the features and characteristics of the river and its riparian areas that bear upon its ability to support an appropriate natural flora and fauna and its capacity to provide a variety of goods and services
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 Coal Sales	Ensham Coal Sales Proprietary Limited
Ensham Resources	Ensham Resources Proprietary Limited

ANNEXURE 2

GLOSSARY CONTINUED

For the year ended 31 December 2022

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

Term used	Definition
Environmental provisions	The Group's obligations to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental disturbances are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on the operating sites
EPS	Earnings per share
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
FIFO	First in, first out
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
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
GRI	Global Reporting Initiative
Group	Thungela and its subsidiaries, joint arrangements and associates
Hawks	South African police services' directorate for priority crime investigation, which targets organised crime, economic crime, corruption, and other serious crime referred to it by the President or another division of the South African police service
HDP	Historically disadvantaged persons
HEPS	Headline earnings per share
IAS	International Accounting Standard, referencing a specific standard to be applied
IAS 2	Inventories
IAS 12	Income Taxes
IAS 27	Separate Financial Statements
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IASB	International Accounting Standards Board
IBC	Inside back cover
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 9	Financial Instruments
IFRS 13	Fair Value Measurement
IFRS 15	Revenue from Contracts with Customers
Idemitsu	Idemitsu Australia Proprietary Limited and its subsidiary, Bligh Coal Limited

Term used	Definition
Internal restructure	The internal restructuring of the Group undertaken in preparation for the Demerger, as fully described in note 2A
Inyosi	Inyosi Coal (RF) Proprietary 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
King IV	The King IV Report on Corporate Governance™ for South Africa, 2016. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.
kt	A measure representing 1,000 tonnes
LOM	Life-of-mine
LOM plan	A design and financial/economic study of an existing operation in which appropriate assessments have been made of existing geological, mining, social, governmental, engineering, operational, and all other modifying factors, which are considered in sufficient detail to demonstrate that continued extraction is reasonably justified
LSE	London Stock Exchange
LTIP	Long-term incentive plan
LXI	LX International
Mafube Coal Mining	Mafube Coal Mining Proprietary Limited
Mainstreet 1756	Main Street 1756 (RF) Proprietary Limited
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and the delegated acts, implementing acts, technical standards and guidelines thereunder as modified and as such legislation forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and as modified by UK domestic law from time to time
Mayfair	Mayfair Corporations Group Proprietary Limited
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 Regulation	Mineral and Petroleum Resources Development Regulations, 2004, published under the Mineral and Petroleum Resources Development Act 28 of 2002
MRD	Mineral residue deposit
Mt	Million tonnes
Mtpa	Mt per annum
Nagoa Pastoral	Nagoa 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 Trust	The Nkulo Community Partnership Trust, also referred to as the Community Partnership Plan (CPP)
NRV	Net realisable value

GLOSSARY CONTINUED

For the year ended 31 December 2022

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

Term used	Definition
OCI	Other comprehensive income
Offtake agreement	The offtake agreement between the Company, TOPL and AAML, dated 6 March 2021
Old order mines	Old order mines reference to Goedehoop, Isibonelo and Khwezela, which are separately ring-fenced for tax purposes in line with relevant tax legislation applicable to mining companies in South Africa
Pamish	Pamish Investments No. 66 Proprietary Limited
Performance condition	A performance condition to be satisfied in order for conditional awards to vest under the Thungela share plan
Phola	Phola Processing Plant Proprietary Limited
PLS	Combined prospectus and pre-listing statement of Thungela, published on 8 April 2021
Pro forma financial information	The pro forma consolidated statements of profit or loss for the years ended 31 December 2021 and 31 December 2020, along with supporting pro forma analyses of profit/(loss) before net finance costs and tax and pro forma APMs
Proved and probable coal reserves	Proved coal reserves are modified measured coal resources, including consideration of modifying factors that affect extraction. It is the economically extractable material. Probable coal reserves are modified indicated or measured coal resources, including consideration of modifying factors that affect extraction
RBCT	Richards Bay Coal Terminal Proprietary Limited 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
SACO Group	SACO and its subsidiaries, joint arrangements and associates
SAICA	South African Institute of Chartered Accountants
SAMREC Code	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 Edition
SARS	The South African Revenue Service
SA Thermal coal operations	Anglo American's South African thermal coal operations which were the subject of the demerger, as defined in the PLS
Secondary index price	Benchmark price reference for 6,000kcal/kg thermal coal at point of discharge in Northwest Europe
Sisonke Trust	The Sisonke Employee Empowerment Scheme Trust (previously the SACO Employee Partnership Plan Trust), also referred to as the Employee Partnership Plan (EPP)
Sungela	Sungela Proprietary Limited
Sungela Holdings	Sungela Holdings Proprietary Limited
TCFD	Task Force on Climate Related Financial Disclosures
The Companies Act of South Africa	The Companies Act 71 of 2008 (as amended)
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

Term used	Definition
TOPL	Thungela Operations Proprietary Limited (known as AOPL until the name was formally changed on 1 March 2022)
TRH	Thungela Resources Holdings Proprietary Limited
Trusts	The Sisonke Trust and the Nkulo Trust, collectively
TRCFR	Total recordable case frequency rate per million man hours
TTPL	Thungela Treasury Proprietary Limited
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
USD	United States Dollar
VAT	Value added tax
VIU	Value in use
WANOS	Weighted average number of shares outstanding
ZAR	South African Rand
Zimele	Anglo American Zimele Loan Fund Proprietary Limited

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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Saxonwold
2132

This report is available at: **www.thungela.com**

DIRECTORS

Executive

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

Independent non-executive

Sango Siviwe Ntsaluba (chairperson)
Kholeka Winifred Mzondeki
Thero Micarios Lesego Setiloane
Benjamin Monaheng (Ben) Kodisang
Seamus Gerard French (Irish)[1]
Yoza Noluyolo Jekwa (appointed 12 August 2022)

[1] Seamus Gerard French resigned from Anglo American on 31 December 2021 and is independent from 1 January 2022.

PREPARED UNDER THE SUPERVISION OF

Gideon Frederick (Deon) Smith CA (SA)

GROUP COMPANY SECRETARY

Francois Klem

INVESTOR RELATIONS

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MEDIA CONTACTS

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SA TRANSFER SECRETARIES

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Rosebank, 2196
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Saxonwold, 2132
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Tel: +27 11 370 5000

UK TRANSFER SECRETARIES

Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street, St Helier
Jersey, Channel Islands
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Tel: +44 03 7070 2000

SPONSOR

Rand Merchant Bank
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Tel: +27 11 282 8000
Email: sponsorteam@rmb.co.za

UK FINANCIAL ADVISER AND CORPORATE BROKER

Liberum Capital Limited
Tel: +44 20 3100 2000

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