**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
('Thungela' or the 'Company' and together with its affiliates, the 'Group')

# Chief Financial Officer's Pre-Close and Trading Statement for the six-month period ending 30 June 2022

Robust cash generation driven by strong thermal coal fundamentals

## Dear Stakeholder

7 June 2022 marked a full year since Thungela's listing on the JSE and LSE and we are proud that during this period we have been able to deliver a solid first set of annual financial results. We have also concluded the distribution of our maiden dividend of R2.5 billion to shareholders and distributed R273 million to the SACO Employee and Nkulo Community Partnership Trusts.

The Group has seen continued strong earnings and cash generation for the period 1 January 2022 to 31 May 2022 ("year to date"[1]) driven primarily by the high average Benchmark[2] coal price and we are on course to achieve a strong set of results for the six-months ending 30 June 2022.

Thungela expects to report robust earnings and cash generation for the six-month period ending 30 June 2022 ("H1 2022"), reflecting its ability to mitigate the impact of the continued inconsistent and poor rail performance by Transnet Freight Rail ("TFR") which has impacted our ability to deliver export equity thermal coal to the seaborne market.

The following are key insights into our performance for the year to date and our expectations for H1 2022.

- **Demand for thermal coal remained firm** at the start of the year as global economic activity continued to recover from the COVID-19 pandemic. The unfortunate onset of the conflict between Russia and Ukraine further contributed to tightness in supply and resulted in a refocus on energy security in Europe and beyond. This tightness, coupled with sanctions on Russia, saw the price of the energy complex, including thermal coal, escalate rapidly from late February.
- **The Benchmark coal price has averaged $266/tonne for the year to date**, compared to $98/tonne in H1 2021 (being the six-month period ended 30 June 2021) but prices have been extremely volatile with large daily fluctuations in physical prices.
- **Discount to the Benchmark coal price has been ~15% for the year to date**, compared to 23% for H1 2021 and 13% in H2 2021, being the six-month period ended 31 December 2021. The discount for the year to date has widened slightly as a result of a more balanced sales mix compared to H2 2021.
- **Export saleable production** for H1 2022 is expected to be ~6.1 Mt, which is 14% lower than H1 2021 export saleable production of 7.1 Mt (on a Pro forma[3] basis). This is a direct result of actions implemented to mitigate the impact of reduced and inconsistent TFR rail performance. Steps taken have included the decision to curtail production where we are able to minimise stranded costs.
- **FOB cost per export tonne excluding royalties** for H1 2022 is expected to be approximately R957/tonne, compared to R787/tonne for H1 2021 (on a Pro forma basis). This unit cost is currently higher than the 2022 full year guidance of R850 to R870 per tonne (excluding royalties). At this stage we are not restating guidance as the increase in FOB cost per export tonne in H1 2022 is largely attributable to the denominator impact of the lower export saleable production expected to be achieved in H1 2022, and higher than planned energy input costs. At the time of writing, the 2022 full-year guidance assumes an improvement in export saleable production in H2 2022. Should export saleable production improve as expected in H2 2022 the full year 2022 guidance will remain appropriate.

Including royalties, the FOB cost per export tonne is expected to be R1,124/tonne, compared to R782/tonne in H1 2021 (on a Pro forma Basis).

- **Export equity sales for H1 2022 are expected to be approximately 6.4 Mt**, compared to 6.6 Mt (on a Pro forma basis) in H1 2021, a decrease of 3%.
- **Capital expenditure, including sustaining and expansionary capital, for H1 2022 is expected to be approximately R0.5 billion.** Historically capex spend has been higher in the second half of the year and this is expected to also be the case for 2022.
- **Cash flow generation** has been robust on the back of strong realised export coal prices. The strong cash generation has resulted in a **net cash position of approximately R15.3 billion** on 31 May 2022**.** Tax and royalty payments relating to H1 2022 will be made in June 2022.
- **Earnings per share ("EPS")**[4] for H1 2022 is expected to be at least R58.00. This represents an increase of R54.87 compared to H1 2021 EPS of R3.13. **Headline earnings per share ("HEPS")**[4] for H1 2022 is expected to be at least R58.00, an increase of R54.95 compared to H1 2021 HEPS of R3.05.

We are closely monitoring the previously issued export saleable production guidance in light of the inconsistent TFR rail performance. TFR's performance for the year to date has been 55 Mt on an annualised basis for the industry. In order for Thungela to achieve the lower end of the export saleable production guidance previously issued (14 Mt to 15 Mt), TFR needs to deliver a successful annual maintenance shut in July 2022 and a step-up in annualised rail performance of approximately 9% for H2 2022 compared to H1 2021 (i.e. a step-up to 60 Mt annualised performance for the industry as envisaged by TFR). TFR performance is expected to improve following the annual maintenance shut. Notwithstanding the expected improvement in rail performance, the Group also expects an inventory build-up of approximately 500 kt in H2 2022.

Thungela and the industry continue to engage TFR in order to collaborate in finding solutions to the issues affecting TFR rail performance which include locomotive unavailability and cable theft in particular, as well other issues affecting the rail network. Following the SENS/RNS announcement relating to the contractual arrangements with TFR released on 14 April 2022, discussions with TFR continue in order to clarify the contractual position of both parties. Thungela also continues to evaluate alternative transport options to mitigate the impact of poor TFR rail performance.

Notwithstanding the persistent operational challenges posed by the rail constraints, the Board remains committed to delivering attractive shareholder returns, while maintaining disciplined capital allocation. The Board continues to believe that in the current economic environment it is appropriate to maintain the liquidity buffer at the upper end of the range of R5 billion to R6 billion. The special resolution to authorise a share buyback was not passed at the annual general meeting of shareholders held on 25 May 2022, but Thungela's capital allocation policy remains unchanged, and the Board accordingly remains committed to return additional cash to shareholders above the targeted minimum pay-out ratio of 30% of Adjusted operating free cash flow[5]. With this in mind, the Company expects to declare an interim dividend for the six-month period ending 30 June 2022 at the release of its interim results on or about 15 August 2022.

**Deon Smith**
Chief Financial Officer

## Annexure A: Operational Performance

As disclosed in the Annual financial statements for the year ended 31 December 2021, the Internal restructure[3] had a significant impact on the comparatives presented for 31 December 2020. The Internal restructure was completed on 31 March 2021, and from that date all operations owned by the Group were reflected in full. For the six months ending 30 June 2022, the financial statements will reflect the Group as it is likely to exist on a forward-looking basis and can be compared to the performance of the Group that was presented on a Pro forma basis for the six months ended 30 June 2021. No additional Pro forma financial information will be presented for the six months ending 30 June 2022.

Table 1: Export saleable production by operation

| Export saleable production Mt | H1 2021 Actual IFRS (a) | H1 2021 Actual Pro Forma (b) | H1 2022 Forecast[6] (c) | % change (c-b)/b |
|---|---|---|---|---|
| | | | | |
| **Underground** | **5.4** | **5.4** | **4.7** | **-13%** |
| Zibulo | 2.6 | 2.6 | 2.0 | -23% |
| Greenside | 1.7 | 1.7 | 1.3 | -24% |
| Goedehoop | 1.1 | 1.1 | 1.4 | 27% |
| | | | | |
| **Opencast** | **1.3** | **1.7** | **1.4** | **-18%** |
| Khwezela | 0.8 | 0.8 | 0.5 | -38% |
| Mafube | 0.5 | 0.9 | 0.9 | - |
| | | | | |
| TOTAL | **6.7** | **7.1** | **6.1** | **-14%** |

Table 2: Export sales by segment

| Export sales Mt | H1 2021 Actual | H1 2022 Forecast[6] | % change |
|---|---|---|---|
| | | | |
| **Equity sales** | **6.6** | **6.4** | **-3%** |
| Underground | 4.8 | 4.8 | - |
| Opencast | 1.8 | 1.6 | -11% |
| | | | |
| **Third party sales** | **0.9** | **-** | **-** |
| | | | |
| TOTAL | **7.5** | **6.4** | **-15%** |

### Footnotes

1) All references in this document to “year to date” refer to the period from 1 January 2022 to 31 May 2022
2) Benchmark price reference for 6,000kcal/kg thermal coal exported from the Richards Bay Coal Terminal
3) The Internal restructure was completed on 31 March 2021 and had an impact on financial and non-financial information of the Group. Refer to note 2A in the Annual financial statements for the year ended 31 December 2021 at https://www.thungela.com/investors/results for full detail related to the Internal restructure. Information disclosed on a Pro forma basis for the comparative period reflects the Pro forma information presented in 2021
4) EPS and HEPS for H1 2022 is based on a WANOS of approximately 133.2 million shares, while EPS and HEPS for H1 2021 is based on a WANOS of approximately 62.1 million shares.
5) Adjusted operating free cash flow is net cash flows from operating activities less sustaining capex
6) Based on the latest available management forecasts. Final figures may differ by ±5%

### Review of Pre-Close and Trading Statement

The information in this Pre-Close and Trading Statement, including the Pro forma information, is the responsibility of the directors of Thungela Resources Limited and has not been reviewed or reported on by the Group's independent auditors.

The Pro Forma financial information has been prepared for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

### Investor Call Details

A conference call and audio webinar relating to the details of this announcement will be held at 12:00 SAST on Monday 13 June 2022. A recording of the webinar will be made available on the Thungela website from 15:00 on the same date.

Conference Call registration:
https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=2018246&linkSecurityString=437aa029a

Audio webinar registration: https://services.themediaframe.com/links/thungela-10042538.html

### Disclaimer

This document includes forward-looking statements. All statements other than statements of historical facts included in this document, 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 Reserve and Resource positions), are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Thungela or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Group assumes no responsibility to update forward-looking statements in this announcement except as required by law.

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

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**Sponsor**
Rand Merchant Bank
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Johannesburg
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