

## 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 'Company' and, together with its affiliates, the 'Group')

### **2022 Annual Results short-form announcement and ordinary cash dividend declaration**

### **THUNGELA REPORTS OUTSTANDING PERFORMANCE FOR 2022 AND DECLARES FINAL CASH DIVIDEND**

#### **KEY FEATURES**

##### **Outstanding performance and balanced capital allocation**

- Profit for the reporting period of R18.2 billion
- Adjusted operating free cash flow of R18.1 billion and net cash of R14.7 billion
- Final cash dividend declared of R40.00 per share, taking full year dividend to R100.00 per share. R13.8 billion returned to shareholders in relation to 2022
- Secured access to R3.2 billion in credit facilities; liquidity buffer raised to R8.2 billion to reflect liquidity needs following Ensham acquisition and heightened levels of uncertainty related to Transnet Freight Rail (TFR) performance

##### **Driving our ESG aspirations**

- Sisonke Employee Empowerment Scheme and Nkulo Community Partnership Trust to receive contribution of R396 million in addition to the R500 million contributed in respect of the first half of 2022, delivering on our commitment to creating shared value
- Set intermediate emissions reduction targets in line with net zero pathway

##### **Effective execution against our strategic priorities**

- Maximising value from existing assets through board approval of the Elders production replacement project
- Creating geographic diversification through the acquisition of controlling interest in Ensham thermal coal mine in Australia, completion expected by mid-2023
- Optimising capital allocation through acquisition of remaining interest in Zibulo and Elders from Inyosi Coal

## KEY FINANCIAL INFORMATION

<b>Financial Overview</b>			
Rand million (unless otherwise stated)	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>% change</b>
Revenue	50,753	26,282	93
Operating costs	(22,420)	(17,322)	29
Profit for the reporting period	18,205	6,938	162
Earnings per share (cents/share)	12,708	6,108	108
Headline earnings per share (cents/share)	13,082	6,657	97
Dividend per share (cents/share)	10,000	1,800	456
<b>Alternative Performance Measures (APMs)</b>			
Adjusted EBITDA	29,530	9,978	196
Adjusted EBITDA margin (%)	58	38	20pp
Adjusted operating free cash flow	18,096	3,923	361
Net cash	14,720	8,663	70
Capital expenditure	1,923	2,323	(17)
Environmental liability coverage (%)	54	52	2pp

pp – percentage points change year on year

## MESSAGE FROM JULY NDLOVU, CHIEF EXECUTIVE OFFICER

In 2022 Thungela once again delivered exceptional results, achieving a significant increase in adjusted EBITDA 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 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 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 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 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.

### **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.

## **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.

## OPERATIONAL OUTLOOK

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

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 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 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.

## DIVIDEND DECLARATION

The board has declared a final ordinary cash dividend of R40.00 per share, payable to shareholders on the JSE and LSE in April and May 2023 respectively.

Further details regarding the dividend payable to shareholders of Thungela may be found in a separate announcement dated 27 March 2023 on SENS and RNS.

## **FORWARD-LOOKING STATEMENTS**

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.

Investors are cautioned not to rely on these forward-looking statements and are encouraged to read the full Annual Financial Statements for the year ended 31 December 2022, which are available from the Thungela website via the following web link: <https://www.thungela.com/investors/results>

## **ALTERNATIVE PERFORMANCE MEASURES**

Throughout this short-form announcement a range of financial and non-financial measures are used to assess our performance, including a number of financial measures that are not defined or specified under International Financial Reporting Standards (IFRS), which are termed 'Alternative Performance Measures' (APMs). Management uses these measures to monitor the Group's financial performance alongside IFRS measures to improve the comparability of information between reporting periods. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, they may not be comparable with similarly titled measures and disclosures by other companies.

## **SHORT FORM ANNOUNCEMENT**

This short-form announcement, including the forward-looking statements, is the responsibility of the directors of Thungela.

Shareholders are advised that this short-form announcement is only a select extract of the information contained in the full results announcement and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on a consideration of the full results announcement as a whole and investors and/or shareholders are encouraged to review the full results announcement which is available on the Thungela website via the following web link: <https://www.thungela.com/investors/results> and has been published on SENS, the Johannesburg Stock Exchange news service, at <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/TGAE/TGAFY2022.pdf>

The consolidated financial statements for the year ended 31 December 2022 were audited by PricewaterhouseCoopers Inc. who have issued an unqualified audit opinion. The following key audit matters were considered as part of their audit: impairment of long-lived assets and environmental restoration and decommissioning provisions, and the full independent auditor's report and Annual Financial Statements are available for viewing on the Thungela website via the following web link: <https://www.thungela.com/investors/results>

This short-form announcement has not been audited or reviewed by the Group's independent external auditor. Any reference to future financial performance included in this announcement has not been separately reported on by the Group's independent external auditor.

Copies of the full results announcement, as well as of the full Annual Financial Statements for the year ended 31 December 2022 may be requested by contacting Thungela investor relations by email at [ryan.africa@thungela.com](mailto:ryan.africa@thungela.com) and are also available for inspection at the Company's registered office and at the offices of the Company's sponsor, to investors and/or shareholders at no charge, on any business day between the hours of 08h00 – 17h00.

The Company's registered office is located at: 25 Bath Avenue, Rosebank, Johannesburg, 2196, South Africa. The Company's sponsor's office is located at: 1 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2196, South Africa.

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.

On behalf of the Board of Directors  
Sango Ntsaluba, Chairperson  
July Ndlovu, Chief executive officer  
Johannesburg (South Africa)

Date of SENS release: 27 March 2023

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