

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-months ending 30 June 2023

Dear Stakeholder

On the basis of the first five months of 2023, Thungela expects to deliver positive earnings and cash generation for the six-month period ending 30 June 2023, notwithstanding a sharp decline in coal prices and continued rail underperformance by Transnet Freight Rail (TFR).

Seaborne coal prices have receded from record highs in 2022 and have fallen sharply since the start of the year. Following a milder winter in Europe, coupled with softer gas prices, European coal and gas stocks continued to be elevated, resulting in the redirection of coal volumes to Asia. This added significant supply to Asian markets which also showed signs of weaker demand, especially from China. Russian coal also continued to flow into the region at discounts. However, LNG prices are now starting to find support, which could make coal more competitive as a fuel source towards the end of the year as the European winter approaches. Other short term price support factors include the impact of coal supply cuts, including lower volumes of low grade South African export coal and reduced export volumes from western Russia.

By early May 2023, TFR performance had stabilised at approximately 48Mtpa for the industry following a very weak start to the year. This stability was interrupted by two derailments in May which resulted in the loss of approximately 300kt in railed volumes for Thungela. For Thungela to achieve the upper end of our export saleable production guidance range (i.e. 12.5Mt) we require an industry run rate of 53Mtpa in the second half of the year. Thungela and the industry continue to work closely with TFR on a series of on-going interventions aimed at improving rail performance.

Thungela is currently not materially affected by the challenges relating to Eskom’s inability to provide a consistent supply of electricity, however this could become an area of concern in the event that we see further deterioration in the supply of electricity.

The following are the key insights into our performance for the year to date¹ and our expectations for the six-months ending 30 June 2023 (H1 2023):

- **The Benchmark coal price**² has averaged USD135.47 per tonne for the year to date, compared to USD270.87 per tonne for FY 2022.
- **Discount to the Benchmark coal price** has been approximately 17% for the year to date, compared to 15% for FY 2022. The average realised export price for the year to date is USD112.40 per tonne, compared to USD229.21 per tonne for FY 2022.
- **Export saleable production** for H1 2023 is expected to be 5.8Mt, in line with the guidance range of 10.5Mt to 12.5Mt for the full year issued in March 2023, and 5% lower than H1 2022 export saleable production of 6.1Mt.
- **FOB cost per export tonne** is expected to be R1,230 in H1 2023, compared to R1,093 per tonne in H1 2022. FOB cost per export tonne excluding royalties for H1 2023 is expected to be R1,155, in line with the full year guidance range of R1,047 to R1,180 per tonne. This compares to R927 per tonne for H1 2022. The increase is primarily attributable to lower production coupled with energy input price escalation.
- **Export equity sales** for H1 2023 are expected to be 6.2Mt, compared to 6.5Mt in H1 2022, a decrease of 5%. This is a result of the forecast rail performance of 6.0Mt in the first half of 2023 coupled with a draw down in port stocks.
- **Capital expenditure** for H1 2023 is expected to be R0.7 billion. This consists of R0.4 billion in sustaining capital and R0.3 billion in expansionary capital. Capital expenditure has historically been weighted towards the second half of the year.
- The Group had a **net cash position of R14.0 billion** on 31 May 2023. The Group expects to pay taxes and royalties of approximately R1.0 billion relating to H1 2023 in June 2023.
- **Earnings per share (“EPS”)**³ for H1 2023 is expected to be between R17.00 and R23.00, thus between R44.23 and R50.23 lower than the H1 2022 EPS of R67.23 per share - a decrease of between 66% and 75%.
- **Headline earnings per share (“HEPS”)**³ for H1 2023 is expected to be between R17.00 and R23.00, thus between R44.23 and R50.23 lower than the H1 2022 HEPS of R67.23 per share - a decrease of between 66% and 75%.

Thungela has continued to advance its strategic priorities. The board has approved the Zibulo North Shaft life extension project at a capital cost of R2.4 billion which, together with the investment in the Elders production replacement project, will underpin the cost competitiveness of our business into the future. The Group also continues to make progress on fulfilling the conditions precedent relating to the Ensham acquisition and we are confident that the transaction will complete within the next three months. The Ensham operation will further enhance the resilience of our portfolio.

We are focused on controlling the controllables and we are working to eliminate costs where we have curtailed production as a result of rail underperformance, coupled with driving productivity where production has not been curtailed. We will also continue to closely monitor the thermal coal prices and rail performance, the likely trajectory of improvements and the impact this may have on our future portfolio.

Thungela remains focused on disciplined capital allocation and committed to our stated dividend policy, which is to target a minimum payout of 30% of adjusted operating free cash flow⁴. In this context, the Group's balance sheet remains robust and together with the actions we are taking to further bolster the resilience of our business, we are confident that we will be able to navigate the current headwinds and to continue delivering superior returns for our shareholders over the long-term.

Deon Smith
Chief Financial Officer

Annexure A: Operational Performance

Table 1: Export saleable production by operation

Export saleable production Mt	H1 2022 Actual (a)	H1 2023 Forecast ⁵ (b)	% change (b-a)/a
Underground	4.5	4.3	-4%
Zibulo	2.3	2.0	-13%
Greenside	1.2	0.9	-25%
Goedehoop ⁶	1.0	1.4	40%
Opencast	1.6	1.5	-6%
Khwezela	0.6	0.8	33%
Mafube	1.0	0.7	-30%
TOTAL	6.1	5.8	-5%

Table 2: Export sales by segment

Export sales Mt	H1 2022 Actual	H1 2023 Forecast ⁵	% change
Equity sales	6.5	6.2	-5%
Underground	4.8	4.7	-2%
Opencast	1.7	1.5	-12%
Third party sales	0.0	0.0	-
TOTAL	6.5	6.2	-5%

Footnotes

1. All references in this document to “year to date” refer to the period from 1 January 2023 to 31 May 2023.
2. Benchmark price reference for 6,000kcal/kg thermal coal exported from the Richards Bay Coal Terminal.
3. Expected EPS and HEPS for H1 2023 is based on a WANOS of approximately 137.2 million shares. EPS and HEPS for H1 2022 is based on a WANOS of approximately 133.3 million shares. The lower end of the forecast EPS and HEPS ranges are calculated at an average exchange rate of USD:ZAR R18.00 for the month of June 2023.
4. Adjusted operating free cash flow is net cash flows from operating activities less sustaining capex.
5. Based on the latest available management forecasts. Final figures may differ by $\pm 5\%$.
6. Export saleable production for Goedehoop includes approximately 300kt attributable to the Nasonti operation.

Review of Pre-Close and Trading Statement

The information in this Pre-Close and Trading Statement is the responsibility of the directors of Thungela and has not been reviewed or reported on by the Group’s independent external auditors.

The Group expects to release its interim results on or about 21 August 2023.

Investor Call Details

A conference call and audio webinar relating to the details of this announcement will be held at 11:00 SAST on Monday 12 June 2023. A recording of the audio webinar will be made available on the Thungela website from 15:00 SAST on the same date.

Conference Call registration:

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=8399487&linkSecurityString=1556933ae1>

Audio webinar registration:

<https://services.themediaframe.com/links/thungela10044564.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, or may be deemed to be, 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 may be 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.

Investor Relations

Ryan Africa

Email: ryan.africa@thungela.com

Media Contacts

Tarryn Genis

Email: tarryn.genis@thungela.com

UK Financial adviser and corporate broker

Liberum Capital Limited

Tel: +44 20 3100 2000

Sponsor

Rand Merchant Bank

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