

## 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 Interim results short-form announcement and cash dividend declaration**

## **THUNGELA DECLARES INTERIM DIVIDEND ON BACK OF RECORD HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (“H1 2022”)**

### **KEY FEATURES**

- Thungela remains committed to operating a fatality-free business and has completed 12 months without a fatality.
- Profit for the reporting period of R9.6 billion in a volatile operating environment (H1 2021: R351 million).
- Adjusted operating free cash flow\* of R8.9 billion resulting in a robust net cash\* position of R14.8 billion (H1 2021: R3.0 billion).
- Interim ordinary cash dividend declared of R60 per share, resulting in R8.2 billion returned to shareholders.
- SACO Employee and Nkulo Community Partnership Trusts to receive a distribution of R500 million in keeping with commitment to create shared value
- Elders production replacement project approved by the board, enabling us to maximise the value of our existing assets and support livelihoods in the region.
- Full year guidance for export saleable production revised to 13.0Mt to 13.6Mt, reflecting the on-going inconsistent and poor rail performance by Transnet Freight Rail (TFR).

- Full year guidance for FOB cost per tonne\* revised to R1,025 to R1,065 per tonne including royalties, or R885 to R915 per tonne excluding royalties. Guidance for capital expenditure, both sustaining and expansionary, reiterated.

## KEY FINANCIAL INFORMATION

<b>Financial Overview</b>			
Rand million (unless otherwise stated)	<b>H1 2022</b>	<b>H1 2021</b>	<b>% change</b>
Revenue	26,176	10,046	161
Operating costs	(10,119)	(8,670)	17
Profit for the reporting period	9,630	351	4,427
Earnings per share (cents)	6,723	313	2,048
Headline earnings per share (cents)	6,723	305	2,104
Dividend per share (cents)	6,000	—	n/a
<b>Alternative Performance Measures*</b>			
Adjusted EBITDA	16,679	1,888	783
Adjusted EBITDA margin (%)	64	19	45pp
Adjusted operating free cash flow	8,934	(1,682)	n/a
Net cash	14,815	3,043	387
Capital expenditure	568	1,284	(56)

pp – percentage points change period on period

### Message from July Ndlovu, Chief Executive Officer

The first half of 2022 has been one of good progress on a number of fronts:

- We have continued our relentless pursuit of operating a fatality-free business and have not recorded a loss of life in the last 12 months.
- We have delivered another set of exceptional financial results driven by elevated Benchmark coal prices in a volatile operating environment.
- We launched the Thuthukani supplier and enterprise development programme to support local business and stimulate job creation.
- The board has approved the Elders project, a key element in delivering our strategy.

Demand for affordable energy sources such as thermal coal escalated amid the energy security crisis which was exacerbated by the escalation of the Russia-Ukraine conflict.

Coupled with supply constraints in major coal producing regions, this resulted in the price of thermal coal increasing to unprecedented levels.

Thungela's ability to fully take advantage of the strong price environment in the first half of 2022 was hindered by TFR's continued underperformance. A consistently well run logistics corridor between Mpumalanga and Richards Bay is crucial not only for coal exporters like Thungela, but also for the South African economy with coal exports generating billions of Rand in tax and royalty revenues.

Notwithstanding the impact of the rail performance on export equity sales volumes, we achieved record adjusted operating free cash flow\* of R8.9 billion. As a result the net cash\* position stands at R14.8 billion at 30 June 2022.

### **Creating value**

Delivering attractive shareholder returns while maintaining disciplined capital allocation remains a cornerstone of Thungela's strategy. Our robust cash flow generation and substantial net cash\* position allow us to declare an interim ordinary dividend of R60.00 per share. This represents a payout of 92% of adjusted operating free cash flow\*, once again substantially higher than the minimum payout ratio of 30% per our stated dividend policy.

Considering the increase in our share price, together with the 2021 final and 2022 interim dividends, Thungela has generated a total shareholder return of 1,138% from listing through to the end of June 2022.

The EPP and CPP will receive a distribution of R500 million, in addition to the R273 million received by the trusts in relation to 2021. These distributions cement our people as our partners and will allow us to create a lasting legacy for our communities.

Thungela is also committed to building sustainable livelihoods in our host communities and has launched an enterprise and supplier development programme called 'Thuthukani' which is focused on providing hands-on entrepreneurial business support and mentorship, loan funding and technical development to small enterprises in the regions in which we operate.

### **Operating responsibly**

We remain committed to operating responsibly. As a result, in addition to the R188 million contribution made to the Green Fund in the first half of 2022, we will make a further discretionary contribution of R200 million in the second half of the year to increase the quantum of cash set aside for future environmental obligations.

Remediation work in response to the uncontrolled release of water into the Kromdraaispruit and Wilge river on 14 February 2022 continues to progress well and we remain committed to restoring the river system.

### **Delivering on our strategy**

Aligned to our strategic pillars of maximising value from existing assets and optimising capital allocation, the board has approved the development of the Elders project which has been an integral part of Thungela's equity story from the outset. The project has been approved at a total capital cost of R2 billion (in 2022 money terms). The purpose of this project is not to add incremental volumes to our production profile, but to replace volumes from the adjacent Goedehoop operation as that mine comes to the end of its life. In keeping with our commitment to make environmental, social and governance considerations a key driver of our capital allocation strategy, the social implications relating to the project were carefully considered. Elders will sustain regional jobs and existing community suppliers.

We also rigorously evaluated the potential environmental impacts of the project. While initial plans were for the development of an opencast mine, we have since opted for and approved the construction of an underground operation which will result in superior returns and a materially reduced environmental footprint. Furthermore, we are undertaking a study to evaluate the viability of a solar-powered energy solution for the complex which should result in both cost and emissions efficiencies.

We continue to strive towards reducing our carbon intensity. The targets set prior to the demerger have been met and we have started the journey towards setting more ambitious intermediate carbon reduction goals as we chart our path to net-zero by 2050. Our disclosure and reporting processes are constantly improving and it is our intention to be compliant with the recommendations set by the Task Force on Climate Related Financial Disclosures (TCFD) by the time we publish our 2022 full year results and announce our new targets.

### **Looking ahead**

Energy security, reliability and affordability concerns in Europe have highlighted the importance of coal in the energy transition. Coal is set to remain a critical input for affordable and reliable power generation, not only in the developing world, but also in highly industrialised and developed nations which have recently increased their reliance on coal to meet their energy needs. We are monitoring these trends and their

implications for Thungela's strategy in the short to medium term, with particular attention given to exploring opportunities for geographic diversification.

The Zibulo North Shaft life extension project studies are progressing well and we expect this project to be tabled for board consideration in early 2023.

Operating a fatality-free business and ensuring exceptional shareholder returns are crucial to earning the trust and support of our stakeholders. We remain committed to delivering on our purpose of responsibly creating value together for a shared future.

## Group Operational Outlook

	<b>2022 Revised</b>	<b>2022 Previous guidance</b>
Export saleable production (Mt)	<b>13.0 – 13.6</b>	14.0 – 15.0
FOB cost per export tonne* (Rand/tonne)	<b>1,025 – 1,065</b>	870 – 890
FOB cost per export tonne excluding royalties* (Rand/tonne)	<b>885 – 915</b>	850 – 870
Capital – sustaining (Rand billion)	<b>Unchanged</b>	1.6 – 1.8
Capital – expansionary (Rand billion)	<b>Unchanged</b>	0.1 – 0.2

*Rand amounts in the table above are in real money terms*

In response to TFR's inconsistent and poor rail performance we have curtailed production, thus affecting our ability to take full advantage of the strong pricing environment.

Taking into consideration TFR's execution since our Pre-Close and Trading Statement issued on 13 June 2022, the anticipated rail performance for the remainder of the year remains of concern. While we continue to implement mitigating actions, this uncertainty has necessitated a review of our full-year guidance for export saleable production and unit cost.

We have accordingly taken the view that the level of rail performance has not improved sufficiently to warrant confirmation of our original guidance for export saleable production. This guidance is accordingly revised to a range of 13.0Mt to 13.6Mt for 2022 (down from 14.0Mt to 15.0Mt previously guided).

This range assumes a potential stockbuild of between 0.4Mt and 1.0Mt for the full year should TFR only be able to rail 53.3Mt on an annualised basis for the industry for the remainder of 2022 (viz. August to December).

Our revised guidance range for export saleable production also implies a step-up in production of 13% to 23% in the second half of the year. We are comfortable that this step-up will be achieved as first-half production was lower due to curtailments already in place. Furthermore, the business is seasonal and we are typically able to achieve higher second-half production due to fewer interruptions and rain events.

Recognising that improvements at TFR are likely to be gradual, we continue to use the levers at our disposal to mitigate the impact on our operations and financial performance. We have commenced with trucking volumes between sites in order to further optimise stockpile management and train distribution patterns. We have also initiated a trial to assess the viability of trucking coal volumes to ports as an alternative to rail transport.

As a result of the change in export saleable production guidance as well as materially higher royalties, the Group is now likely to incur FOB cost per tonne\* of R1,025/tonne to R1,065/tonne including royalties or R885/tonne to R915/tonne excluding royalties. This represents a measured increase over the guidance originally provided, reflecting our ability to optimise our cost profile in an environment characterised by inflation and lower production.

We confirm that we are likely to meet the lower end of the capital expenditure guidance range of between R1.7 billion and R2.0 billion for total capex (including sustaining and expansionary) for 2022. The bulk of the spend is expected to occur in the second half of the year in line with historical seasonality relating to planning and execution.

We will provide guidance for 2023 at the release of our 2022 annual results in March 2023, or earlier as may be appropriate.

### **Interim dividend**

The board has declared an interim ordinary cash dividend of R60.00 per share payable in September 2022 and October 2022 to shareholders on the JSE and LSE respectively. Further details regarding the dividend payable to shareholders of Thungela may be found in a separate announcement on SENS and RNS dated 15 August 2022.

## **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, or 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, it may not be comparable with similarly titled measures and disclosures by other companies. In this short form announcement, APMs are denoted with an asterisk (\*).

## **ABOUT THIS SHORT FORM ANNOUNCEMENT**

This short-form announcement is the responsibility of the board of 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/2022/JSE/ISSE/TGAE/Int2022.pdf>

A conference call and audio webinar relating to the details of this announcement will be held at 12:00 SAST on Monday 15 August 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=7257076&linkSecurityString=f59556630>

Webinar registration:

[https://78449.themediaframe.com/links/thungela220815\\_1200.html](https://78449.themediaframe.com/links/thungela220815_1200.html)

The condensed consolidated interim financial statements for the six months ended 30 June 2022 were reviewed by PricewaterhouseCoopers Incorporated who have issued an unmodified review report.

This short-form announcement and the Group operational outlook have not been audited or reviewed by the Group's independent external auditor.

Copies of the full results announcement, as well as of the condensed consolidated interim financial statements for the six months ended 30 June 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: 15 August 2022

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