



Media Release

18 March 2024

THUNGELA DELIVERS ON STRATEGIC OBJECTIVES AND ENTERS 2024 AS AN INTERNATIONAL COAL PRODUCER

KEY FEATURES

- Total Recordable Case Frequency Rate (TRCFR) remained at 1.40 for the South African operations.
- Profit of R5.0 billion, includes R448 million contribution from Ensham for the four months since completion of the transaction.
- Strong cash generation and balance sheet position maintained, with adjusted operating free cash flow of R6.8 billion and net cash of R10.2 billion.
- Declared final dividend of R10.00 per share, bringing total dividend for the year to R20.00 per share, amounting to R2.8 billion in dividends relating to 2023.
- Share buyback of up to R500 million announced, bringing total returns to shareholders to R3.3 billion.
- Delivering on our commitment to share value with a total distribution of R312 million to the Nkulo Community Partnership Trust and the Sisonke Employee Empowerment Scheme for 2023.

Thungela Resources Limited (“Thungela” or the “Group”), a leading South African thermal coal exporter with an international footprint, has announced its financial results for the twelve-month period ended 31 December 2023. Thungela has demonstrated a resilient performance that underpinned strong cash generation and a robust net cash position, which supports total returns to shareholders of R3.3 billion relating to 2023, equivalent to 49% of adjusted operating free cash flow, significantly higher than the minimum of 30% per the dividend policy.

Commenting on the results, July Ndlovu, CEO of Thungela, said: *“Safety is our first value. Although we have maintained a consistent TRCFR for our South African operations, we cannot waiver in our commitment to operating a business free from fatalities and injuries. As reported previously, our colleague Breeze Mahlangu regrettably passed away in February 2023.”*

“In 2023, Thungela experienced significant transformation with the acquisition of Ensham in Australia, a key milestone in the Group’s geographical diversification pathway, the approval of an extension to the life of our flagship Zibulo Colliery, and the continued execution of the Elders project. These advancements have set Thungela on a path towards a more competitive portfolio, and a longer-life business.”

“Our financial performance reflects agility in responding to market challenges, including weaker coal prices and continued rail under performance. Despite these challenges we have generated

an adjusted EBITDA of R8.5 billion, adjusted operating free cash flow of R6.8 billion, and ended the year with a net cash position of R10.2 billion.”

“Since listing, the Group has consistently fulfilled its promise to distribute a minimum of 30% of our adjusted operating free cash flow to shareholders. The board has declared a final ordinary cash dividend of R10.00 per share. Together with the interim dividend of R10.00 per share, this brings our total dividend distribution to R2.8 billion for the year. When taking into account the R500 million share buyback, this means that we are returning 49% of adjusted operating free cash flow to our shareholders, affirming Thungela’s commitment to delivering attractive shareholder returns.”

Building a sustainable and long-life business across multiple geographies

The acquisition of a controlling interest in the Ensham business is a significant step in Thungela’s geographic diversification strategy, extending its footprint beyond South Africa and enhancing its coal resource base by approximately one billion tonnes. This move opens-up new markets, notably Japan and Malaysia, diversifying the customer base and providing exposure to the Newcastle benchmark coal price.

Thungela has further solidified its international presence by establishing Thungela Marketing International (TMI) in Dubai. This move is designed to market the coal produced by its South African and Australian assets; it also gives Thungela direct access to seaborne markets. Through TMI, the Group is set to enhance its relationships with customers, reflecting its intention to stay attuned to their needs, the global commodities market, and to position itself as a coal producer with an international footprint.

Maximising value from existing assets will also be critical to shaping the future business. Through the Elders and Zibulo North Shaft projects, Thungela is transforming into a long-life business with a competitive portfolio measured by all-in sustaining cost.

Our ESG performance

Building on the momentum generated by its strategic initiatives, Thungela continues to spike on the social component of ESG. We have made further contributions of R156 million to the Nkulo Community Partnership Trust and the Sisonke Employee Empowerment Scheme, bringing total contributions to these trusts for the year to R312 million.

In parallel, addressing environmental stewardship, the Group has undertaken remediation efforts, including the commissioning of a fish breeding facility, to restore aquatic life following the unfortunate environmental incident at the Kromdraai site in February 2022. Thungela has committed to executing remediation measures and averting a reoccurrence, with an end goal of achieving full ecological revival that reflects a return to pre-incident biodiversity and water quality levels.

Managing the impact of continued poor rail performance

Inconsistent and constrained performance by Transnet Freight Rail (TFR) has again severely affected the South African coal mining industry. In 2023, TFR railed 47.9Mt of thermal coal to the Richards Bay Coal Terminal (RBCT), marking a 4.8% decline compared to 2022.

Thungela continues to work closely with industry players and Transnet to remedy rail performance. Through the RBCT, industry collaborated with TFR to strengthen security measures by deploying additional security on the coal line for the past 18 months. RBCT is also helping

Transnet acquire the critical spare parts, necessary for the maintenance of locomotives, from alternative suppliers.

The cost of the spares and security deployment is recovered by the coal exporting parties through the mutual cooperation agreement signed between TFR and RBCT (representing the coal exporting parties). Further collaborative efforts will address critical systems, such as signaling, to improve overall performance.

We have responded to TFR's persistent poor performance by curtailing production at our underground mines, renting sidings to improve our distribution patterns and driving efficiencies at our rapid loading terminals. Acting swiftly and decisively in the face of rail challenges has allowed us to benefit from additional trains when they are available, and to rail 12.3Mt of export saleable volumes in 2023.

Outlook

Export saleable production guidance for South Africa in 2024 is set between 11.5Mt and 12.5Mt based on expected rail performance. FOB cost per export tonne is expected to be between R1,170 and R1,290 excluding royalties. Including royalties, the range is between R1,180 and R1,300 per tonne. Sustaining capital expenditure is expected to be between R900 million and R1,100 million. Expansionary capex is expected to be between R1,600 million and R1,900 million on the Elders and Zibulo North Shaft projects.

For the Ensham Business, export saleable production guidance is between 3.2Mt and 3.5Mt (on a 100% basis) based on our plans to ramp up production. FOB cost per tonne is expected to be between AUD130 and AUD140 excluding royalties. Including royalties, the range is between AUD150 and AUD160 per tonne. Sustaining capital expenditure is expected to be between AUD40 million and AUD70 million (on an 85% basis), based on historical sustaining capex spend.

Looking ahead, despite near-term headwinds, Thungela remains committed to delivering on its strategic priorities to take advantage of the long-term fundamentals supporting coal demand and stronger coal prices in key markets. In the short term, a sustainable solution to ensure efficient and reliable rail performance in South Africa is critical, and we will continue working with TFR to remedy the state of rail in South Africa.

Ndlovu concluded: "We will continue to evaluate our portfolio with a focus on strengthening our competitiveness and optimising capital allocation to maximise shareholder returns."

Ends

Contacts:

Media

Hulisani Rasivhaga

hulisani.rasivhaga@thungela.com

+27 83 370 2327

Investor Relations

Hugo Nunes

hugo.nunes@thungela.com

Bokgabo Tlhaku

bokgabo.tlhaku@thungela.com

+27 82 532 4406

Shreshini Singh

shreshini.singh@thungela.com

Editor's note:

Thungela, which means 'to ignite' in isiZulu, is a large pure-play producer and exporter of thermal coal, operating in South Africa and Australia.

The Group owns interests in, and produces its thermal coal from seven mining operations located in the Mpumalanga province of South Africa, which consist of both underground and opencast mines, 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).

In 2023, Thungela, through its newly registered subsidiary Sungela, acquired 85% of the Ensham Coal Mine in Queensland, Australia, marking a significant move towards executing one of the Group's strategic pillars of geographic diversification. Ensham is an underground operation, and it is the latest addition to Thungela's portfolio.

The establishment of Thungela Marketing International in the United Arab Emirates underscores Thungela's commitment to capturing the full margin on our products and engaging with the global commodities market as a global coal producer.

In other parts of the value chain, Thungela holds a 50% interest in Phola Coal Processing Plant and a 23% indirect interest in Richard's Bay Coal Terminal. The terminal 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 responsibly to ignite value for a shared future. We want to ensure that our mining activities positively impact our employees, shareholders and our communities.