**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 2024

**Dear Stakeholder**

Thungela continues to deliver on the successful execution of our strategic priorities as we build a sustainable, long-life business across multiple geographies. This allows us to deliver on our purpose - to responsibly create value together for a shared future. We remain focused on operating a fatality-free business and have seen an improvement in safety performance across our operations during the period under review.

Our diversification journey into Australia is proving successful and we are pleased to report that Ensham is performing better than our initial expectations, particularly in terms of year to date[1] production.

The establishment of Thungela Marketing International in Dubai is progressing well and we expect to fully transition the marketing activities for our South African coal from Anglo American Marketing Limited on 1 July 2024. The marketing team has been successfully marketing Ensham coal since the acquisition date of 1 September 2023.

The underlying operating environment remains uncertain as macroeconomic and geopolitical headwinds persist, alongside continued rail performance challenges in South Africa. European and Asian winter energy demand did not meet expectations and thus coal and gas stock levels remained elevated at key import hubs. This resulted in reduced demand and softer benchmark coal prices for most of the first half of the year.

Thermal coal markets remain responsive to price movements within both the oil and gas markets, with a stronger correlation with the gas market. The ongoing war in Ukraine, coupled with recent tensions in the Middle East, has led to increased concerns around gas supply. This has led to a higher risk premium being factored into gas prices, which, in turn, has recently lent support to the Richards Bay Benchmark coal price[2]. Furthermore, the lack of availability of high quality coal and the expected restocking in South East Asia following the monsoon season is expected to support the Richards Bay Benchmark coal price, which remains range bound, while any further geopolitical escalation may result in the strengthening of coal prices.

The following are key insights into our performance for the year to date and our expectations for the six-months ending 30 June 2024 (H1 2024):

- **Benchmark coal prices have weakened** with the Richards Bay Benchmark coal price 18% lower compared to FY 2023. The Richards Bay Benchmark coal price averaged USD99.71 per tonne for the year to date, compared to USD121.00 per tonne for FY 2023[1]. The Newcastle Benchmark coal price[3] was 25% lower than FY 2023 and has averaged USD129.99 per tonne for the year to date, compared to USD172.79 per tonne for FY 2023.

- **Discount to the Richards Bay Benchmark coal price** is approximately 15% for the year to date, compared to 14% for FY 2023. The widening of the discount is mainly related to the increase of lower quality export coal in our sales mix (resulting in the draw down of inventory), offset to a degree by the narrowing of discounts between higher and lower quality coal as benchmark coal prices softened. The average realised export price for product sold ex-Richards Bay Coal Terminal for the year to date is USD84.66 per tonne, compared to USD103.67 per tonne for FY 2023.

- **Discount to the Newcastle Benchmark coal price** has been approximately 6.8% for the year to date, compared to a premium of 11% achieved for the period 1 September 2023 to 31 December 2023, and the discount is expected to be in the high single-digit range for the remainder of the year. The average realised price for product from Ensham is USD121.15 per tonne for the year to date, compared to USD155.85 per tonne for the period 1 September 2023 to 31 December 2023.

  Approximately 20% of Ensham's sales for the year to date is referenced against the Japanese Reference Price which has not yet been settled in the market. The majority of tonnes sold against the Japanese Reference Price has been invoiced and paid for at the prevailing price for 2023 (USD199.95 per tonne). Revenue pertaining to these sales was however, recognised at the average 2024 year to date realised price for the balance of the portfolio in order to reflect a more conservative view of the earnings to be realised. Settlement of the 2024 price will accordingly trigger an adjustment for tonnes already sold, which will impact both earnings and cash flow.

- **Export saleable production for H1 2024 relating to our South African operations** is expected to be 6.2Mt, which, on an annualised basis, remains within the guidance range of 11.5Mt to 12.5Mt.

- **Export saleable production at Ensham[4] for H1 2024** is expected to be 1.9Mt (on a 100% basis). The increase in production is mainly as a result of an additional mining section implemented from January 2024, alongside our continued focus on improving productivity. The attributable export saleable production from Ensham for the Group in H1 2024 is expected to be 1.6Mt - this represents 85% of the total production.

- **FOB cost per export tonne excluding royalties for the South African operations** for H1 2024 is expected to be at the lower end of the guidance range of R1,170 to R1,290 per tonne. This is in line with the production forecast being at the upper end of the guidance range. Including royalties, the FOB cost per export tonne is also expected to be at the lower end of the guidance range of R1,180 to R1,300 per tonne.

- **FOB cost per export tonne excluding royalties at Ensham** is expected to be at the lower end of the guidance range of AUD130 to AUD140 per tonne issued in March 2024, in line with the higher end of the production forecast. Including royalties, the FOB cost per export tonne is expected to be at the lower end of the guidance range of AUD150 to AUD160 per tonne.

- **Export equity sales for H1 2024 from the South African operations** are expected to be 6.0Mt compared to 6.3Mt in H1 2023, a decrease of 4.8%. This is mainly as a result of the lower rail performance in H1 2024 compared to the prior period.

- **Export equity sales at Ensham[4]** are expected to be 2.0Mt for H1 2024 (on a 100% basis).

- **Capital expenditure (capex) for the South African operations** for H1 2024 is expected to be R1.3 billion. This consists of approximately R500 million relating to sustaining capital and approximately R800 million relating to expansionary capital for the Elders and Zibulo North Shaft projects.

- **Capex at Ensham** for H1 2024 is expected to be approximately AUD23 million (on a 100% basis) - this relates to sustaining capex only. Similar to the capital spend profile in South Africa, we expect higher capital spend in H2 2024.

- **Earnings per share** (EPS)[5] for H1 2024 is expected to be between R7.00 and R10.00, thus between R12.45 and R15.45 lower than the H1 2023 EPS of R22.45 per share - a decrease of between 55% and 69%. The decrease in our earnings is mainly attributable to the decrease in the benchmark coal prices compared to the prior period compounded by a drawdown on stockpiles from December 2023 as well as an increase in lower quality export coal in the export sales mix.

- **Headline earnings per share** (HEPS)[5] for H1 2024 is expected to be between R7.00 and R10.00, thus between R12.46 and R15.46 lower than the H1 2023 HEPS of R22.46 per share - a decrease of between 55% and 69%.

The forecast EPS and HEPS ranges are calculated at an average exchange rate of USD:ZAR18.60 for the month of June 2024. The current post-election developments in South Africa may impact the exchange rate, resulting in an impact on reportable earnings.

## The key constraint on our business remains rail performance

Transnet Freight Rail (TFR) is expected to rail 46Mt on an annualised industry basis based on the first half of the year. Rail performance was negatively impacted for the year to date by two derailments which resulted in the Group losing approximately 650kt of export equity sales. Should TFR performance remain at the current run rates, we expect on-mine inventory to increase approximately by 1.1Mt to the end of the year.

The South African coal industry, including Thungela, continues to support TFR in the procurement of critical locomotive spares and TFR has made good progress installing the compressors and batteries that have been delivered. We expect to see improvements related to the installation of these spares and other initiatives from 2025.

## Disciplined capital allocation framework remains a cornerstone of Thungela's strategy

The Elders and Zibulo North Shaft life extension projects remain on-track and on budget. We expect to spend a further R800 million on these projects in H2 2024, in line with our initial estimates. These investments secure the future of our South African operations, and the remaining forecast spend of R1.8 billion through to completion of these projects remains in line with our previously communicated capital allocation commitment.

Several transactions in June 2024 are expected to impact our 30 June 2024 net cash position. These include the finalisation of the Ensham rehabilitation surety bond (which will require partial cash collateralisation), provisional tax payments in Australia and South Africa, as well as the potential impact of the settlement of the Japanese Reference Price. As a result, net cash at 30 June 2024 is expected to range between R7.1 billion and R7.4 billion, including the cash reserved to complete the capital projects of R1.8 billion.

The board remains committed to prioritising shareholder returns, through dividends and share buybacks, while maintaining balance sheet flexibility. Our dividend policy, which is to distribute a minimum of 30% of adjusted operating free cash flow[6] to shareholders, continues to guide our capital allocation decisions.

The Group expects to release its interim results on or about 19 August 2024.

**Deon Smith**
Chief Financial Officer

## Annexure A: Operational performance

**Table 1: Export saleable production by operation**

| Export saleable production | H1 2023 Actual Mt (a) | H1 2024 Forecast[7] Mt (b) | % change (b-a)/a |
|---|---|---|---|
| **South Africa** | | | |
| **Underground** | **4.4** | **4.5** | **2.3** |
| Zibulo | 2.0 | 2.3 | 15 |
| Greenside | 1.0 | 1.1 | 10 |
| Goedehoop[8] | 1.4 | 1.1 | (21) |
| | | | |
| **Opencast** | **1.7** | **1.7** | **—** |
| Khwezela | 1.0 | 0.9 | (10) |
| Mafube | 0.7 | 0.8 | 14 |
| | | | |
| **Australia** | | | |
| Ensham (85%)[4] | 0.0 | 1.6 | - |
| | | | |
| **TOTAL** | **6.1** | **7.8** | **28** |

**Table 2: Export sales by segment**

| Export sales | H1 2023 Actual Mt | H1 2024 Forecast[7] Mt | % change |
|---|---|---|---|
| **South Africa** | **6.3** | **6.0** | **(4.8)** |
| Underground | 4.8 | 4.7 | (2.1) |
| Opencast | 1.5 | 1.3 | (13) |
| | | | |
| **Australia** | | | |
| **Ensham (100%)[4]** | **0.0** | **2.0** | **-** |
| Underground | 0.0 | 2.0 | - |
| | | | |
| **TOTAL** | **6.3** | **8.0** | **27** |

**Annexure B: Ensham accounting treatment**

As a result of the Ensham acquisition, Thungela, through its subsidiary Sungela Holdings, obtained an 85% interest in the Ensham Business, with the remaining 15% owned by LX International, through its subsidiary Bowen Investment (Australia).

Thungela holds a 73.5% interest in Sungela Holdings, with the remaining 26.5% held by Audley Energy and Mayfair Corporations Group (the co-investors). The co-investors' purchase of equity in Sungela Holdings was funded through a mezzanine loan provided by Thungela, which is repayable in February 2025. The co-investors are required to apply 90% of any distributions from Sungela Holdings towards repayment of the loan.

The results of the Ensham Business have been included in the Thungela Group results from the date the Group obtained operational control, being 1 September 2023. The contractual agreements governing the Ensham Business result in Thungela recognising 85% of the results of the mine on a line-by-line basis, including saleable production. Thungela is responsible for marketing all coal produced by the Ensham Business and thus sales volumes are recognised at 100%. Attributable metrics from Ensham represent the Group's 85% interest therein, other than sales metrics which are at 100%. The incremental costs relating to the 15% of sales volumes are recognised as coal purchased from our joint venture partner within operating costs.

For full details relating to the accounting treatment applied to the Ensham Business, refer to note 2A of the Annual Financial Statements for the year ended 31 December 2023.

**Footnotes**

1. All references to “year to date” refer to the period from 1 January 2024 to 31 May 2024. FY 2023 refers to the period from 1 January 2023 to 31 December 2023.
2. Richards Bay Benchmark coal price reference for 6,000kcal/kg thermal coal exported from the Richards Bay Coal Terminal.
3. Newcastle Benchmark coal price reference for 6,000kcal/kg coal exported from Newcastle, Australia. The NEWC Index is the main price reference for physical coal contracts in Asia and is the settlement price for a significant volume of index-linked contracts.
4. Production at Ensham is crushed and screened before being sold into either the export or Australian domestic market. Sales into the Australian domestic market are at export parity prices and, as a result, all production at Ensham is considered to be export saleable production.
5. Expected EPS and HEPS for H1 2024 is based on a WANOS of approximately 135.4 million shares. EPS and HEPS for H1 2023 is based on WANOS of approximately 137.2 million shares.
6. Adjusted operating free cash flow is net cash flow from operating activities less sustaining capex.
7. Based on the latest available management forecast. Final figures may differ by approximately 5%.
8. Export saleable production for Goedehoop includes approximately 300kt (H1 2023: 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 auditor.

**Investor call details**
A conference call and audio webinar relating to the details of this announcement will be held at 12:00 SAST on Tuesday, 18 June 2024. A recording of the audio webinar will be made available on the Thungela website from 17:00 SAST on the same date – www.thungela.com/investors.

Conference Call registration:
https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=2121727&linkSecurityString=7384866e9

Audio webinar registration:
https://themediaframe.com/mediaframe/webcast.html?webcastid=gpbc9pvD

**Disclaimer**

This announcement includes forward-looking statements. All statements other than statements of historical facts contained in this announcement, 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 in 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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Rosebank
18 June 2024