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2023 Annual results, final ordinary cash dividend declaration and the commencement of a share repurchase

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')

2023 Annual results, final ordinary cash dividend declaration and the commencement of a share repurchase

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

Thungela today announced solid financial results for the year ended 31 December 2023, against the backdrop of continued rail underperformance and coal price headwinds. These achievements underscore the Group's resilience, operational excellence and financial discipline. The combination of a final ordinary dividend distribution of R1.4 billion, and the commencement of a share repurchase (share buyback) of up to R500 million subject to market conditions, affirms our commitment to deliver superior shareholder returns.

The acquisition and ongoing integration of the Ensham Mine in Australia marks a seminal step on our path to diversification. We continue to make good progress on our production replacement and life extension projects in South Africa, Elders and Zibulo North Shaft, as we build momentum for a more competitive, longer-life portfolio. The successful execution of these strategic priorities emphasises Thungela's ambition to building a sustainable, long-life business across multiple geographies, paving the way for the Group to capitalise on the robust long-term fundamentals supporting coal globally.

KEY FEATURES

Resilient performance underpins strong cash generation and net cash* position, supporting total returns to shareholders of R3.3 billion for 2023 (49% of adjusted operating free cash flow*)

- Profit of R5.0 billion, including contribution of R448 million from the Ensham Business 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
- Commitment to superior shareholder returns honoured with a final cash dividend declared of R10.00 per share, taking full year dividend to R20.00 per share, or R2.8 billion, in dividends returned to shareholders in relation to 2023 performance
- Share buyback of up to R500 million announced

KEY FINANCIAL INFORMATION

Financial Overview

Rand million (unless otherwise stated) 31 December 2023 31 December 2022 % change
Revenue 30,634 50,753 (40)
Operating costs (23,737) (22,420) 5.9
Profit for the reporting period 4,970 18,205 (73)
Earnings per share (cents/share) 3,766 12,708 (70)
Headline earnings per share
(cents/share) 3,497 13,082 (73)
Dividend per share (cents/share) 2,000 10,000 (80)

Alternative Performance Measures*
(APMs)

Adjusted EBITDA 8,454 29,530 (71)
Adjusted EBITDA margin (%) 28 58 (30pp)
Adjusted operating free cash flow 6,806 18,096 (62)
Net cash 10,176 14,720 (31)
Capital expenditure 3,288 1,923 71

pp - percentage points change year on year

MESSAGE FROM JULY NDLOVU, CHIEF EXECUTIVE OFFICER

Thungela delivered resilient results in 2023. We achieved adjusted EBITDA* of R8.5

billion and net profit of R5.0 billion, despite a significant decline in benchmark coal prices and continued poor performance from Transnet Freight Rail (TFR). Earnings were also impacted by the late arrival of seven vessels in December, which resulted in the slippage of approximately 550kt of sales planned for December 2023 into January 2024.

2023 proved transformative for Thungela, with the acquisition of the Ensham Mine in Australia, approval of an extension to the life of our flagship Zibulo mine, and continued execution of the Elders project setting us on a path towards diversification, a more competitive portfolio and a longer life business.

Safety is our first value. As reported previously, our colleague Breeze Mahlangu tragically passed away in February 2023. While our overall safety performance (measured in total recordable case frequency rate) in South Africa is consistent with last year, we cannot waiver in our commitment to operating a business free from fatalities and injuries. We continued to spike on the social component of ESG, with contributions of R312 million to the Nkulo Community Partnership Trust and the Sisonke Employee Empowerment Scheme. In January 2024 we launched a R160 million, five-year education initiative in Mpumalanga seeking to improve access to quality education for grade R to grade four learners in 45 no-fee schools.

Shareholder returns reflect resilient performance in challenging conditions

Thungela successfully navigated several exogenous challenges, including the weaker benchmark coal prices and continued poor rail performance by TFR, as the business delivered operational results in line with our targets.

In South Africa, we achieved export saleable production of 12.2Mt, at a free on board (FOB) cost excluding royalties* of R1,084 per export tonne, while we spent R3.0 billion in capital expenditure. This performance is aligned to our guidance to the market at the release of our 2023 interim results.

In Australia, export saleable production of 2.9Mt (on a 100%, full-year basis) exceeded our initial expectations of 2.7Mt. FOB cost excluding royalties* at Ensham for the period from completion of the acquisition through to the end of year was R1,544 per tonne. We spent R299 million in capital over the same period (on an 85% basis).

Our agility in responding to the various challenges helped us maintain strong cash generation which resulted in adjusted operating free cash flow* of R6.8 billion in

2023, and a net cash* position of R10.2 billion at year end, slightly ahead of our estimate in the December 2023 Pre-close Statement as a result of better cash conversion, providing room for improved returns to shareholders.

The successful execution of our two life extension projects is crucial to the Group's future competitiveness, and their funding requirements continue to determine the appropriate level of balance sheet flexibility. Accordingly, the board considers it appropriate to reserve the R2.6 billion yet to be spent on these projects, as well as the cash buffer of R5 billion at year end. Thungela remains able to access R3.2 billion in undrawn credit facilities, and plans to maintain this flexibility for as long as challenges to obtaining funding from international capital markets persist. The board has also set aside R500 million as cash collateral for the financial surety required for the Ensham rehabilitation liability, while we pursue acceptance into the Queensland Financial Provisioning Scheme.

Shareholder returns are a central focus of our capital allocation framework. We not only invest in initiatives which deliver attractive returns in the long-term, but also prioritise returning value to shareholders through dividends and share buybacks, the combination of which provides flexibility for the diverse preferences of our shareholders, while maintaining a strong financial position.

Since listing, we have consistently delivered on our commitment to distribute a minimum of 30% of adjusted operating free cash flow* to shareholders. This year is no different, and the board has, in line with the Group's capital allocation framework, declared a final ordinary cash dividend of R10.00 per share. Combined with the interim dividend of R10.00 per share, this amounts to a total dividend of R2.8 billion, representing 41% of adjusted operating free cash flow* for the year.

In addition, the board has approved a share buyback of up to R500 million (subject to market conditions), which will be executed up to the date of the Group's next AGM. Taking this into account, Thungela is returning 49% of adjusted operating free cash flow* for the full year to shareholders. The dividend and share buyback reflect our confidence in the Group's strong financial position and future prospects.

The long-term fundamentals for coal demand remain robust

Thermal coal prices declined much faster than market observers expected at the start of 2023. This was driven by a mild winter in the northern hemisphere, coupled with high coal and gas reserves - a result of the scramble to secure energy stocks in 2022, following the start of the Russia-Ukraine conflict.

While global efforts to reduce emissions from fossil fuels are underway, the demand for energy, including thermal coal, remains strong. This is reflected in record levels of global electricity generation from coal, as well as thermal coal exports. As Europe and North America pledge to phase down unabated coal, the use of coal for power generation will become concentrated in Asia, home to several of our key markets. Rapidly growing economies such as China, India, Vietnam, the Philippines and Indonesia remain reliant on coal as an affordable and reliable source of power. In its 'Coal 2023 Report' the International Energy Agency acknowledged that coal remained the largest energy source for electricity generation, steel-making and cement production - affirming that coal will continue to play a central role in the global economy.

Demand remains strong and responsive, but supply is presenting a growing challenge, with limited access to funding and insurance, increasingly stringent regulatory requirements, and widespread social and political opposition to the development of new coal mines. This provides companies like Thungela, with established high-quality coal operations and access to existing reserves, with a significant structural advantage.

Managing the impact of continued poor rail performance

Inconsistent and constrained TFR performance has once again significantly compromised the South African coal mining industry. In 2023, TFR railed 47.9Mt of thermal coal to the Richards Bay Coal Terminal (RBCT), compared to 50.3Mt in 2022, a decline of 4.8%.

We continue to work closely with other industry players and Transnet to remedy rail performance. Through RBCT, the industry has strengthened security measures by deploying additional security on the coal line for the past 18 months. While the impasse between TFR and Chinese locomotive supplier CRRC continues, RBCT (on behalf of the industry) is also helping Transnet to 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 signalling, 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 rail distribution pattern 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 rail 12.3Mt of export saleable volumes in 2023. Given the uncertain nature of TFR's performance, we have agreed to extend the existing long-term rail agreement by one year, to 31 March 2025, to allow TFR to demonstrate sufficient stability before the contract is renegotiated.

Building a sustainable and long-life business across multiple geographies

2023 was a year of significant accomplishments for Thungela as we executed our strategic priorities - successfully unlocking new markets and mitigating risk through our geographic diversification strategy, increasing the life of our business and building an organisation optimised for further diversification. These actions demonstrate our singular focus on creating long-term value for our stakeholders.

The acquisition of a controlling interest in the Ensham Business in Australia marked a significant milestone on our diversification journey, as it expands Thungela's presence beyond South Africa. This mitigates our reliance on a single operating geography and opens up new markets, notably in Japan and Malaysia, diversifying our customer base and providing exposure to the Newcastle Benchmark coal price.

Ensham will benefit from our operational expertise as it extracts coal using mechanised underground bord and pillar mining methods, similar to those used in our South African operations. Since we assumed operational control on 1 September 2023, our focus has been on improving productivity. Operational performance has stabilised at an annualised run-rate of 3.2Mtpa, up from 2.7Mtpa at the acquisition date. We believe there is opportunity for further improvement to approximately 3.6Mtpa through the introduction of an additional production section in 2024. Resource development studies are underway to define the full upside potential of the Ensham resource by identifying brownfield opportunities and their related capital requirements.

Thriving in a rapidly evolving energy landscape will require the creation of a robust Thungela with a long-life, cost competitive portfolio that is diversified and future-proof. We are confident that the depletion of existing reserves globally, coupled with a lack of new supply, will be price supportive in the long term, supporting cash generation and shareholder returns.

Accordingly, maximising value from our existing assets will be critical to shaping our future business. Through Ensham, and the Elders and Zibulo North Shaft projects, we will transform Thungela into a long-life business with a competitive portfolio measured by all-in sustaining cost.

The Elders project, which will replace export volumes when the Goedehoop Colliery reaches the end of its life, has progressed rapidly and on budget - delivering first coal on 1 March 2024, well ahead of initial estimates. The Zibulo North Shaft life extension project, which will increase the life of our flagship mine through to 2038, also continues to progress well.

By 2026, Thungela will be a c.15Mtpa export business (with an estimated 11Mtpa from South Africa and 4Mtpa from Australia). Our production footprint will change significantly in the coming years as production from Elders and Zibulo North is ramped-up and some of our existing mines naturally come to the end of their lives (Goedehoop and Isibonelo in 2025, and Greenside in 2026).

The complexity of managing an international business requires several changes to the Group's business model, particularly in how coal from our portfolio is marketed internationally. To meet this need, we have established Thungela Marketing International in the United Arab Emirates, one of the leading coal trading centres globally.

In anticipation of the expiration of the marketing agreement with Anglo American Marketing Limited in June 2024, Thungela Marketing International has commenced with some of the marketing functions. Thungela Marketing International will cater to both the South African and Australian assets, reinforcing our commitment to capturing the full margin on our products and actively participating in the international commodities market as a global coal producer.

Looking ahead

Despite near-term headwinds, our commitment to delivering on our strategic priorities remains unwavering, ensuring readiness to take advantage of the long-term fundamentals supporting coal demand, and ultimately stronger coal prices, in our key markets. In the short term, a sustainable solution to ensure efficient and reliable rail performance is critical and we will continue working with TFR to remedy the state of rail in South Africa.

We continue to evaluate our portfolio with a focus on strengthening the Group's competitiveness, optimising capital allocation and ultimately maximising shareholder returns. We will continue to create sustainable value for all our stakeholders and to deliver on our purpose - to responsibly create value together for a shared future.

OPERATIONAL OUTLOOK

South African operations 2024
Export saleable production (Mt) 11.5 – 12.5
FOB cost per export tonne* (Rand/tonne) 1,180 – 1,300
FOB cost per export tonne excluding royalties* (Rand/tonne) 1,170 – 1,290
Capital – sustaining (Rand million) 900 – 1,100
Capital – expansionary (Rand million) 1,600 – 1,900

Ensham operation 2024 2024
Export saleable production (Mt) (on a 100% basis) 3.2 – 3.5 3.2 – 3.5
FOB cost per export tonne* (Rand/tonne) | (AU$/tonne) 1,830 – 1,950 150 – 160
FOB cost per export tonne excluding royalties* (Rand/tonne) | 1,590 – 1,710 130 – 140 (AU$/tonne)
Capital – sustaining* (on an 85% basis) (Rand million) | (AU$ 600 – 900 40 – 70 million)
Capital – expansionary (Rand million) | (AU$ million) nil nil

Figures in the table above are based on an exchange rate of ZAR12.20:AUD1. Royalties are calculated using an assumed
Richards Bay Benchmark coal price of USD100 per tonne and a Newcastle Benchmark coal price of USD120 per tonne.

As the timing of a sustained improvement in rail performance in South Africa is still uncertain, we have adopted the same approach to guidance as last year and will provide guidance only for 2024. This approach remains appropriate when considering the agreement between Thungela and Transnet to postpone the renegotiation of the long-term rail agreement by one year in order to allow Transnet to demonstrate sufficient stability before the contract is renegotiated.

With regards to Ensham, as we only assumed operational control on 1 September 2023, we are currently identifying the potential step-up in performance, establishing high confidence cost estimates and understanding the appropriate level of capital expenditure beyond 2024. Accordingly, we have only provided guidance for 2024 at this stage.

DIVIDEND DECLARATION AND SHARE REPURCHASE

The board has declared a final ordinary cash dividend of R10.00 per share, payable to shareholders on the Johannesburg Stock Exchange and London Stock Exchange in April 2024 and May 2024, respectively.

In addition, the board has authorised a share repurchase of up to R500 million, subject to market conditions. The program will be executed in the period commencing 19 March 2024 and, unless revised or terminated earlier, ending 3 June 2024, being the last trading day prior to the Group's next AGM, scheduled for Tuesday, 4 June 2024, and will be subject to market conditions and applicable legal and regulatory requirements.

Further details regarding the dividend payable to shareholders of Thungela as well as the share repurchase can be found in a separate announcement dated 18 March 2024 on the Johannesburg Stock Exchange News Services (SENS) and London Regulatory News Services (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 2023, which are available from the Thungela website via the following web link: https://www.thungela.com/investors/results.

ALTERNATIVE PERFORMANCE MEASURES

Throughout this results 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 Accounting Standards), which are termed 'Alternative Performance Measures' (APMs). Management uses these measures to monitor the Group's financial performance alongside IFRS Accounting Standards 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 Accounting Standards. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies. In this Results Announcement, APMs are denoted with an asterisk (*).

RESULTS ANNOUNCEMENT

This Results Announcement, including the forward-looking statements, is the responsibility of the directors of Thungela.

Shareholders are advised that this Results Announcement is only a select extract of the information contained in the full Annual Financial Statements 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 Annual Financial Statements as a whole and investors and/or shareholders are encouraged to review the full Annual Financial Statements, which are 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/2024/JSE/ISSE/TGAE/TGAFY2023.pdf

A conference call and audio webinar relating to the details of this announcement will be held at 12:00 SAST (10:00 GMT) on Monday, 18 March 2024. Details to register for the webinar and conference call are available below:

Conference Call registration:
https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=1552324&linkSecurityString=48259d3f0

Webinar registration:
https://78449.themediaframe.com/links/thungela240318_1200.html

The consolidated financial statements for the year ended 31 December 2023 were audited by PricewaterhouseCoopers Inc. who have issued an unqualified audit opinion. 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 Results 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.

The Company's registered office is located at: 25 Bath Avenue, Rosebank, Johannesburg, 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: 18 March 2024

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