Chief Financial Officer’s Pre-Close Statement for the financial year ending 31 December 2023

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')

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for the financial year ending 31 December 2023

Operational agility sees Thungela confirm its full year 2023 guidance despite continued rail challenges, while also achieving higher than expected production at Ensham

Dear Stakeholder

As we approach the end of 2023, we are proud to report that we have demonstrated resilience in the face of external challenges, made substantial progress in executing our strategic objectives, and continued to live up to our purpose - to responsibly create value together for a shared future.

Based on the Group's performance for the period 1 January 2023 to 30 November 2023 ("the year to date"(1)), we are set to achieve the full-year guidance metrics as outlined in our 2023 interim results released in August 2023.

The following are the key insights into our performance for the year to date and our expectations for the financial year ending 31 December 2023.

• Energy demand reduced in Europe, China and much of Asia following the milder 2023 Northern Hemisphere winter. This reduction in demand was further exacerbated by already high coal and gas stock levels in key import hubs. Inventory levels in the main coal supply hubs increased due to the low demand in Europe, with more producers shifting their focus to the Asian-Pacific market. Energy prices, including the price of coal, remain volatile and susceptible to ongoing geopolitical tensions.

• Benchmark coal prices softened markedly in 2023 following the record levels observed in 2022. The Richards Bay Benchmark coal price(2) has averaged

USD122.88/tonne for the year to date, compared to USD270.87/tonne for FY 2022. The Newcastle Benchmark coal price(3) has averaged USD175.15/tonne for the year to date, compared to USD360.19/tonne for FY 2022.

• Discount to the Richards Bay Benchmark coal price has been approximately 15% for the year to date, compared to 15% for FY 2022 and 18% for H1 2023. Discounts in the second half of the year narrowed as prices retracted. The average realised export price for product sold ex-Richards Bay Coal Terminal ("RBCT") for the year to date is USD104.85/tonne, compared to USD229.21/tonne for FY 2022.

• The premium achieved by Ensham to the Newcastle Benchmark coal price has been approximately 10.4% from completion of the acquisition on 31 August 2023 through to 30 November 2023. This premium is due primarily to the composition of the Ensham sales book which includes volumes sold at fixed prices. The average realised price for product from Ensham is USD153.44/tonne for the same period.

• Export saleable production relating to our South African operations is expected to be 12.1Mt for FY 2023, marginally higher than the mid-point of the guidance range of 11.5Mt to 12.5Mt issued in August 2023. The removal of three underground sections in response to poor rail performance resulted in a decrease of 7.6% compared to the prior year (FY 2022: 13.1Mt).

• Export saleable production at Ensham(4) for FY 2023 is expected to be 2.9Mt (on a 100% basis), higher than the expectation of 2.7Mt that prevailed upon completion of the acquisition - this increase is primarily due to an enhanced focus on productivity. The attributable export saleable production from Ensham for the Group in FY 2023 is expected to be 0.8Mt - this represents 85% of the total production for the four months from completion of the acquisition to the end of the year (refer to Annexure A).

• FOB cost per export tonne excluding royalties for the South African operations for FY 2023 is expected to be at the low end of the revised guidance range of R1,120 to R1,200/tonne issued in August 2023 - this is due to higher-than-expected domestic revenue offsets and a positive movement in the non-cash rehabilitation provisions. Including royalties, the FOB cost per export tonne is expected to be at the low end of the revised guidance range of R1,170 to R1,250/tonne.

• FOB cost per export tonne excluding royalties at Ensham(5)is expected to be approximately R1,947/tonne for the period from completion through to the end of the year (refer to Annexure A). Including royalties, the FOB cost per export tonne is expected to be R2,342/tonne.

• Export equity sales for the South African operations are expected to be relatively stable year-on-year with 12.1Mt for FY 2023, compared to 12.2Mt in FY 2022.

• Export equity sales for Ensham4 are expected to be 3.0Mt for FY 2023. The Group expects to recognise 1.2Mt of sales, representing 100% of the sales in the four months following completion of the transaction (refer to Annexure A).

• Capital expenditure for the South African operations for FY 2023 is expected to be R3.0 billion, at the lower end of the guidance range. This consists of R1.4 billion relating to sustaining capital and R1.6 billion relating to expansionary capital for the Elders and Zibulo North Shaft projects.

• Capital expenditure at Ensham for FY 2023 is expected to be R1.0 billion (on a 100% basis) - this relates to sustaining capex only. The Group is expected to recognise R0.3 billion which represents the attributable capital expenditure incurred in the period from completion through to the end of the year on an 85% basis (refer to Annexure A).

• The Group had a net cash position of R10.5 billion on 30 November 2023. In December 2023 we received the Ensham economic benefit deed payment of R0.8 billion. We also expect to pay R2.1 billion in taxes and royalties in South Africa in December 2023. Taking into account these movements, as well as expected cash generation from operations and capital spend for December, net cash is expected to be approximately R9.6 billion at the end of 2023.

Managing the impact of continued poor rail performance

The inconsistent and poor Transnet rail performance continued to weigh heavily on the South African coal mining industry and indeed on the Group's results in the second half of the year. The annualised industry run rate dropped from 48.0Mtpa in H1 2023 to 45.9Mtpa in the second half of the year through to the end of November 2023. This results in an annualised run rate of 47.0Mtpa for the year to date, below the 50.3Mt railed in 2022.

The deterioration in the second half of the year has been primarily attributable to an increase in security related issues as well as locomotive failures. The coal industry, including Thungela, continues to work closely with Transnet to remedy the security situation and has been supporting Transnet through additional security coverage since November 2023. A sustainable solution is dependent on the procurement of spares for the locomotives supplied by the Chinese locomotive supplier CRRC, either directly from CRRC, or from alternative suppliers. Thungela and the coal industry recognises the need for urgent intervention and RBCT (on behalf of the industry) has placed orders with alternative suppliers for critical locomotive spares. Transnet is also in the process of procuring locomotive spares from alternative equipment manufacturers.

In response to the continued rail underperformance, we curtailed production at three underground sections earlier this year and instituted free-on-truck sales in order to better manage stockpile capacity at our operations. We continued to truck coal from our operations to nearby sidings, allowing for further rail loading options and reducing the risk of train cancellations. The wider distribution pattern and our rapid load-out terminals are physical infrastructure advantages which allow us to benefit from additional trains when TFR experiences problems on certain sections elsewhere on the line. As a result, the Group expects to rail 12.0Mt in 2023.

Update on the Ensham acquisition

Earlier this year, we announced the acquisition of the Ensham thermal coal mine in Queensland Australia, marking a significant milestone on our journey to geographic diversification, and we successfully completed the transaction on 31 August 2023.

It was imperative that the acquisition be value accretive for shareholders and the transaction was structured to enable Thungela to benefit from the economics of the Ensham Business from the lock-box date of 1 January 2023 through to completion. We are pleased to report that the Group has received R0.8 billion in cash through this mechanism, higher than initial estimates. Together with the final closing adjustments, this results in a reduction in the purchase price of the Ensham Business from the initial R4.1 billion, to approximately R3.2 billion.

The acquisition substantially increases Thungela's coal resource base and provides access to new markets, notably Japan, as well as exposure to the Newcastle Benchmark coal price. The Ensham sales book consists of volumes sold against the Newcastle Benchmark coal price, the Japanese Reference Price as well as fixed price contracts with large utilities.

Thungela assumed control of the operations on 1 September 2023, resulting in an enhanced focus on productivity. We are confident that the mine should produce 2.9Mt (on a 100% basis) in 2023, higher than our initial expectation of 2.7Mt at the time of completion of the transaction. The integration of Ensham into the Group has progressed well and we completed the transition of all services from the previous owner on 30 November 2023. Key areas of judgement in relation to the acquisition of the Ensham Business, and the impact thereof on the financial results for the year, are in the process of being finalised.

Commitment to capital allocation framework and shareholder returns

In South Africa we also continue to make good progress on the Elders and Zibulo North Shaft projects which are on track with regard to both the expected completion schedule and total expected spend. By the end of 2023 we expect to have spent a total of R1.6 billion on the two projects, with a further R2.8 billion expected to be spent in future to complete the projects.

While agile operational performance has allowed the Group to navigate challenging rail and price headwinds this year, a degree of caution pertaining to balance sheet flexibility remains appropriate as softening coal prices have put the Group on a lower cash generation trajectory.

Disciplined capital allocation remains a cornerstone of Thungela's strategy, and our capital allocation strategy continues to be informed by the funding requirements for our projects as well as the continued uncertainty relating to rail performance. Accordingly, the board considers it appropriate to maintain a cash buffer of R5 billion as well as to continue to reserve the cash required for the ongoing execution of the Elders and Zibulo North Shaft projects.

The board also reaffirms that it is committed to shareholder returns in accordance with Thungela's stated dividend policy, which is to target a minimum payout of 30% of adjusted operating free cash flow(6), and the Group's capital allocation framework which prioritises the return of capital to shareholders while maintaining balance sheet flexibility.

Our disciplined capital allocation approach, agility and enhanced resilience have served us well in 2023, enabling us to execute on our strategic priorities, adapt to changing market conditions and ensure that we are able to continue to create superior returns for our shareholders in the long-term.

Deon Smith
Chief Financial Officer

Annexure A: Ensham accounting treatment

As a result of the 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 75% interest in Sungela Holdings, with the remaining 25% 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. The results of the Thungela Group for the year ended 31 December 2022 will not be updated to reflect the results of the Ensham Business before the date we obtained control thereof.

Annexure B: Operational performance

Table 1: Export saleable production by operation

Export saleable production Mt	2022 Actual (a)	2023 Forecast(7) (b)	% change (b-a)/a
South Africa			
Underground	9.7	9.0	-7%
Zibulo	4.3	4.2	-2%
Greenside	2.6	1.9	-27%
Goedehoop(8)	2.8	2.9	4%

Opencast 3.4 3.1 -9%
Khwezela 1.6 1.6 —
Mafube 1.8 1.5 -17%

Australia
Ensham (85%) 0.0 0.8 —

TOTAL 13.1 12.9 -2%

Table 2: Export sales by segment
Export sales 2022 2023 % change
Mt Actual Forecast(7)

South Africa 12.2 12.1 1%
Underground 8.8 9.3 6%
Opencast 3.4 2.8 -18%

Australia
Ensham (100%) 0.0 1.2 —
Export sales 0.0 1.0 —
Domestic sales 0.0 0.2 —

TOTAL 12.2 13.3 9%

Footnotes

1. All references to "year to date" refer to the period from 1 January 2023 to 30 November 2023 (FY 2023). FY 2022 refers to the period from 1 January 2022 to 31 December 2022.
2. Richards Bay Benchmark price reference for 6,000kcal/kg thermal coal exported from the Richards Bay Coal Terminal.
3. Newcastle Benchmark 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. Based on an average ZAR/AUD exchange rate of R12.05:AUD1.00 for the four months from the completion of the acquisition.
6. Adjusted operating free cash flow is net cash flows from operating activities less sustaining capex.
7. Based on the latest available management forecasts. Final figures may differ by ± 5%.
8. Export saleable production for Goedehoop includes approximately 715kt (2022: 372kt) attributable to the Nasonti operation.

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

A trading statement will be released once the Company has reasonable certainty on the expected ranges for EPS and HEPS and to the extent required by the JSE Listing Requirements.

Investor Call Details
A conference call and audio webinar relating to the details of this announcement will be held at 13:00 SAST on Wednesday, 13 December 2023. 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=2089702&linkSecurityString=57bdebc4a

Audio webinar registration:
https://themediaframe.com/mediaframe/webcast.html?webcastid=g3bZvNrt

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
13 December 2023

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