Chief Financial Officer’s Pre-close statement for the financial year ending 31 December 2024

Thungela Resources Limited
(Incorporated in the Republic of South Africa)
Registration number: 2021/303811/06
JSE share code: TGA
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ISIN: ZAE000296554
('Thungela' or the 'Company' and together with its affiliates, the 'Group')

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year ending 31 December 2024

Operational excellence drives improved cash generation in the second half of the year

Dear Stakeholder

We are pleased to report that, based on our performance for the period 1 January 2024 to 30 November 2024 (the year to date1), we are confident that we will exceed the full year export saleable production guidance in South Africa and Australia. Free-on-board (FOB) cost per export tonne is expected to be below the guidance range, reflecting higher production and a continued focus on cost efficiencies. Safety is our first priority and we are also proud to report that we have been operating a fatality-free business for 21 consecutive months. These achievements further reinforces our well-established track record of successfully executing against operational targets and demonstrates our single minded focus on controlling the controllables.

Our geographic diversification strategy into Australia2 continues to enhance the Group's production profile. We expect export saleable production in Australia to be approximately 4.0Mt (on a 100% basis), higher than the revised guidance range of 3.5Mt to 3.8Mt issued in August 2024, mainly due to productivity efficiencies and better than anticipated progress made in traversing geological features. Export saleable production in South Africa is expected to be at approximately 13.4Mt, higher than the guidance range of 11.5Mt to 12.5Mt, and approximately 9% higher year-on-year. This is in line with the improved mine productivity and rail performance in the second half of the year.

The various Transnet Freight Rail (TFR) initiatives, supported by the coal industry, have allowed for the annualised run rate to 30 November 2024 to increase to approximately 52Mt, or 56Mt since the annual maintenance shutdown period which ended in July 2024. TFR's improving performance can be attributed to several factors, including the impact of the fitment of the critical locomotive spares, the introduction of additional locomotives on the North Corridor line, as well as the ongoing line maintenance with enhancements to the signalling network. In the first half of the year, we reported TFR performance at 47Mt on an annualised industry basis, impacted by the two significant derailments, issues with the locomotives and security matters related to the rail line.

Energy markets remain impacted by the geopolitical tensions between Russia and Ukraine as well as in the Middle East. The conflicts in these regions have led to increased concerns around gas supply, which in turn have provided support to coal prices. The coal price support persists despite a challenging global macroeconomic environment, evidenced by a sluggish global steel sector and depressed oil prices. Premium Asian buyers continue to diversify their sourcing, reducing demand for high energy Australian coals.

The following are the key insights into our performance for the year to date and our expectations for the financial year ending 31 December 2024 (FY 2024 1).

• Benchmark coal prices have softened in 2024 with the Richards Bay Benchmark coal price3 averaging USD105.21 per tonne for the year to date, compared to USD121.00 per tonne for FY 2023. The Newcastle Benchmark coal price 4 has averaged USD135.59 per tonne for the year to date, compared to USD172.79 per tonne for FY 2023.

• Discount to the Richards Bay Benchmark coal price has resulted in price realisation of 87% against the benchmark, resulting in a discount of approximately 13% for the year to date, compared to 14% for FY 2023 and 15% for H1 2024. Discounts in the second half of the year narrowed mainly as a result of the 1% saving in commission, previously paid to Anglo American Marketing Limited in respect of the contractual marketing services. In addition, the improved price realisation reflects the higher premiums and lower discounts achieved by Thungela Marketing International, steered by its dedicated customer relationship management approach and broader exposure to key markets. The average realised export price for product sold through Richards Bay Coal Terminal for the year to date is USD90.94 per tonne, compared to USD103.67 per tonne for FY 2023.

• Discount to the Newcastle Benchmark coal price has resulted in price realisation of 92% against the benchmark, resulting in a discount of approximately 8% for the year to date, compared to an 11% premium achieved for the period 1 September 2023 to 31 December 2023, which at the time was driven by the calendar year 2023 fixed price contracts post acquisition. In Australia, we are seeing a greater disconnect between the Newcastle Benchmark coal price and the export sales prices as a result of lower demand in the traditional Asian markets due to the poor economic performance in countries such as China, Japan and Taiwan, coupled with buyers sourcing greater volumes from new suppliers. The average realised export price for product from Ensham is USD124.43 per tonne, compared to USD155.85 per tonne for the period 1 September 2023 to 31 December 2023. As reported at interim results, we have subsequently settled the Taipower price for the 2024 contract and expect to complete the refund of the overpaid payments by the end of the year.

• Export saleable production relating to our South African operations is expected to be approximately 13.4Mt for FY 2024, compared to 12.2Mt in FY 2023. The increase in production is mainly as a result of improved rail performance enabling the material step-up in operational performance at Khwezela and Zibulo.

• FOB cost per export tonne excluding royalties for South Africa for FY 2024 is expected to be marginally below the lower end of the guidance range of between R1,170 to R1,290 per tonne, due to the higher export saleable production. Including royalties, the FOB cost per export tonne is also expected to be below the guidance range of R1,180 to R1,300 per tonne.

• Export equity sales for South Africa is expected to be approximately 12.5Mt for FY 2024, compared to 11.9Mt for FY 2023. The increase is mainly due to the improved rail performance in the second half of the year and includes approximately 250kt of sales rolled over from December 2023.

• Export saleable production at Ensham5 for FY 2024 is expected to be approximately 4.0Mt (on a 100% basis). This is primarily due to improved productivity unlocked by the inclusion of a fault development crew in the second half of the year which has allowed the remaining production sections to continue to mine in better conditions.

• FOB cost per export tonne excluding royalties at Ensham for FY 2024 is expected to be below the lower end of the guidance range of between R1,590 to R1,710 per tonne, mainly as a result of the higher export saleable production and better negotiated contractual rates, leading to improved cost in the second half of the year. Including royalties, the FOB cost per export tonne is also expected to be below the guidance range of R1,830 to R1,950 per tonne.

• Export equity sales for Ensham5 is expected to be approximately 4.0Mt for FY 2024, on a 100% basis.

• Capital expenditure for the South African operations for FY 2024 is expected to be approximately R2,700 million. This consists of R1,000 million relating to sustaining capital, in line with the guidance range of between R900 to R1,100 million, and expansionary capital of R1,700 million relating mainly to the Elders and Zibulo North Shaft projects, in line with the guidance range of between R1,600 to R1,900 million.

• Sustaining capital expenditure at Ensham for FY 2024 is expected to be approximately R550 million (on an 85% basis), which is below the lower end of the guidance range of between R600 to R900 million, mainly due to rephasing of the capital expenditure into the 2025 financial year.

Commitment to capital allocation framework

Disciplined capital allocation remains a cornerstone of Thungela's strategy, prioritising shareholder returns through a combination of dividends and share buybacks. We have completed the share buyback that was announced at our interim results in August 2024, and have purchased 1,203,000 shares, representing 0.9% of issued share capital, for a total consideration of R159.6 million. These shares will be held as treasury shares by a subsidiary of the Group. The impact of the maiden share buyback completed in June 2024, is expected to enhance earnings per share (EPS) in the second half of the year while the most recent buyback is expected to impact EPS in 2025.

The Elders and Zibulo North Shaft life extension projects, which the Board approved for a total of R4.2 billion, remain on-track and on budget. In August 2024, we reported that, cash of R1.7 billion was reserved for the completion of our life extension projects. By the end of the year, we expect total aggregate expansionary capital expenditure to be R3.4 billion for these two projects since commencement. The ramp-up at Elders is progressing well, with the deployment of two production sections to date. The mine is anticipated to produce at a run rate of 4Mt of run of mine coal per annum, upon reaching steady state in 2026.

In line with prior periods, several transactions that typically conclude in December 2024 are expected to impact our 31 December 2024 net cash 6 position. These include the green fund contribution in Australia, provisional tax payments in South Africa and Australia, and the final settlement of the Japanese Reference Price. Our net cash at 31 December 2024 is accordingly expected to range between R8.0 billion and R8.5 billion.

The board reaffirms its commitment to the dividend policy, which is to distribute a minimum of 30% of adjusted operating free cash flow[7] to shareholders, while maintaining balance sheet flexibility, and this guides our capital allocation decisions. We will continue to review the green funds in line with our environmental liabilities, cash required to complete the Elders and Zibulo North Shaft projects and an appropriate cash buffer.

According to the report 'World Energy Outlook 2024', that was published by the International Energy Agency in October 2024, global demand for coal in 2024 is expected to be slightly higher than in 2023, as strong energy demand in China and India result in higher coal demand, that more than offsets the decline in the use of coal in Europe. Domestic in-country supply in key markets, for example in China and India, may impact the seaborne market supply. The Northern Hemisphere remains well stocked on both gas and coal ahead of the winter season. While rail performance remains constrained in South Africa, it is encouraging to note the recent improved TFR performance and we expect further improvements in 2025. Notwithstanding the underlying operating environment with continued volatile market conditions and geopolitical headwinds, the Group expects, in line with the net cash range set out above, to report an improved cash generation in the second half of the year.

The Group expects to release its annual results on or about 17 March 2025.

Deon Smith
Chief Financial Officer

Annexure A: Operational performance

Table 1: Export saleable production by operation
Export saleable 2023 2024 % change
production Actual Forecast(8)
Mt
(a) (b) (b-a)/a
South Africa
Underground 9.1 9.5 4%
Zibulo 4.2 4.9 17%
Greenside 1.9 2.3 21%
Goedehoop[9] 3.0 2.2 -27%
Elders 0.0 0.1 —

Opencast 3.1 3.9 26%
Khwezela 1.6 2.2 38%

Mafube 1.5 1.7 13%

Australia
Ensham (85%) 0.9 3.4 278%

Total 13.1 16.8 28%

Table 2: Export sales by segment
Export sales 2023 2024 % change
Mt Actual Forecast(8)
South Africa 11.9 12.5 5%
Underground 9.1 9.1 —
Opencast 2.8 3.4 21%

Australia
Ensham (100%) 0.9 4.0 344%
Underground 0.9 4.0 344%

Total 12.8 16.5 29%

Footnotes

1. "Year to date" refers to the period from 1 January 2024 to 30 November 2024.
FY 2024 refers to the period from 1 January 2024 to 31 December 2024.
FY 2023 refers to the period from 1 January 2023 to 31 December 2023.
2. For full details relating to the accounting treatment applied to the acquisition of the Ensham Business in Australia, refer to note 2A of the Annual Financial Statements for the year ended 31 December 2023.
3. Richards Bay Benchmark price reference for 6,000kcal/kg thermal coal exported from the Richards Bay Coal Terminal.
4. 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.
5. 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.
6. Net cash, an alternative performance measure, is cash and cash equivalents less cash held in the Nkulo Community Partnership Trust and the Sisonke Employee

Empowerment Scheme and loans and borrowings.
7. Adjusted operating free cash flow is net cash flows from operating activities less sustaining capex.
8. Based on the latest available management forecasts. Final figures may differ by ± 5%.
9. Export saleable production for Goedehoop includes approximately 456kt (2023: 720kt) 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 earnings per share and headline earnings per share and to the extent required by the JSE Listings 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 Tuesday, 10 December 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=4239538&linkSecurityString=11861d67e2

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
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