



Prospectus
and Pre-Listing
Statement
8 April 2021





Thungela Resources Limited

(formerly K2021303811 (South Africa) Proprietary Limited and Thungela Resources Proprietary Limited)

(Incorporated in the Republic of South Africa)

(Registration number: 2021/303811/06)

JSE Share Code: TGA ISIN: ZAE000296554

LSE Share Code: TGA

(the "Company")

PROSPECTUS AND PRE-LISTING STATEMENT

The definitions and interpretations contained in "Annexe 17—Definitions, Glossary and Interpretation" and "Annexe 18—Technical Definitions and Glossary" apply to this entire document, including this cover page, except where otherwise indicated.

This Document comprises a prospectus and pre-listing statement relating to the Company. This Document has been prepared in accordance with the JSE Listings Requirements and the UK Prospectus Regulation Rules of the FCA made under section 73A of the FSMA. This Document has been filed with, and approved by, the JSE and the FCA and has been made available to the public in accordance with paragraph 6.23 of the JSE Listings Requirements and Rule 3.2 of the UK Prospectus Regulation Rules. This Document does not, nor does it intend to, constitute a "registered prospectus", as contemplated by the Companies Act. As a result, this Document does not comply with the substance and form requirements for prospectuses set out in the Companies Act and the Companies Regulations and has not been approved by, and/or registered with, the CIPC, or any other South African authority. The FCA only approves this Document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation in respect of a prospectus; such approval should not be considered as an endorsement of the Company that is, or the quality of the Shares that are, the subject of this Document. Investors should make their own assessment as to the suitability of investing in the Shares.

This Document relates to the admission by introduction, as a primary listing, in accordance with the JSE Listings Requirements, of all of the issued ordinary shares of the Company (the "Shares") on the main board of the JSE, and to the admission of the Shares to the standard listing segment of the UK Official List and to trading on the main market for listed securities on the LSE (the "Admissions"). Applications have been made to: (i) the JSE for the admission of all of the Company's issued, and to be issued, Shares in the "Energy – Oil, Gas and Coal – Coal" sector of the JSE under the abbreviated name "Thungela" and share code "TGA", as a primary listing; (ii) the FCA for all of the issued and to be issued Shares, to be admitted to the standard listing segment of the UK Official List; and (iii) the LSE for all of the issued and to be issued Shares to be admitted to trading on the LSE's main market for listed securities under the abbreviated name "Thungela" and share code "TGA". The ISIN for the Shares is ZAE000296554 and the SEDOL number is BMV3M27.

The Company's issued share capital comprised 1,000 Shares with a stated capital of R100 on the date of this Document and is expected to comprise 136,311,808 Shares on the Admissions Date, with a stated capital of R11,334 million as presented in the *Pro Forma* Financial Information. No Shares are, on the Admissions Date, are expected to be, held by the Group in treasury.

The Shares have not been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act"), or with any securities regulatory authority of any state of the United States. Accordingly, the Shares may not be offered, sold, pledged, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States, absent registration under the US Securities Act or an exemption therefrom. The Shares are expected to be issued in reliance on the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof.

None of the Shares have been approved or disapproved by the US Securities and Exchange Commission, any other US federal or state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this Document. Any representation to the contrary is a criminal offence in the United States.

The Directors, whose names are set out in "Part X—Management and Corporate Governance", collectively and individually accept full responsibility for the accuracy of the information given in this Document and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Document contains all information required by law and the JSE Listings Requirements.

The Company and the Directors, whose names are set out in "Part X—Management and Corporate Governance", accept responsibility for the information contained in this Document. To the best of the knowledge of the Company and the Directors, the information contained in this Document is in accordance with the facts and this Document makes no omission likely to affect its import.

The distribution of this Document in jurisdictions other than South Africa and the United Kingdom may be restricted by law and, therefore, persons into whose possession this Document comes should inform themselves about, and observe, such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR ISSUE, OR THE SOLICITATION OF AN OFFER TO BUY OR SUBSCRIBE FOR, ANY SHARES OF THE COMPANY, NOR SHALL THERE BE ANY SALE, ISSUANCE, TRANSFER OR DELIVERY OF THE SHARES OF THE COMPANY REFERRED TO IN THIS DOCUMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW, OR WHERE FURTHER ACTION IS REQUIRED FOR SUCH PURPOSE.

Date of Issue: 8 April 2021

JSE Sponsor and Financial Adviser



Financial Adviser

Morgan Stanley

Legal adviser to the Company as to South African law

WEBBER WENTZEL

in alliance with > **Linklaters**

JSE Transfer Secretaries



Legal adviser to the Company as to English and US law

Linklaters

Jersey Registrar



Independent Competent Person



**Auditor and independent reporting accountant
for purposes of the JSE Listings Requirements**



Transaction Advisers



Independent Competent Person



**Independent reporting accountant for purposes
of the UK Prospectus Regulation Rules**



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Anglo American Shareholders should read the whole of this Document and, in particular, examine all of the risks that might be relevant in connection with the Shares and the Company. A list of such risk factors is set out in “Part II—Risk Factors” beginning on page 13.

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PART I – SUMMARY INFORMATION

A – INTRODUCTION AND WARNINGS
A.1.1 Name and international securities identifier number (ISIN) of the securities
The securities are the ordinary shares of Thungela Resources Limited (the “Shares”) and a depository interest held in CREST representing an entitlement to one underlying Share (“DIs”) with ISIN ZAE000296554.
A.1.2 Identity and contact details of the issuer, including its legal entity identifier (“LEI”)
The issuer of the Shares is Thungela Resources Limited (the “Company”). The Company is a public limited liability company, incorporated in South Africa with enterprise number 2021/303811/06. Its registered office is at 25 Bath Avenue, Rosebank, Johannesburg, 2196, South Africa. The Company’s telephone number is +27(0)11 638 9300 and its LEI is 213800EGYK3BN3SRIF27.
A.1.3 Identity and contact details of the offeror, including its LEI if the offeror has legal personality, or of the person asking for admission to trading on a regulated market
Not applicable as this document does not constitute an offer or invitation to any person to subscribe for or purchase any Shares in the Company. This document has been prepared to facilitate the admission of the Shares only.
A.1.4 Identity and contact details of the competent authority approving the prospectus
This document has been approved by: (i) the Johannesburg Stock Exchange (the “JSE”), as competent authority in South Africa, with its head office at One Exchange Square, Gwen Lane, Sandown, 2196, Johannesburg, South Africa, and telephone number +27 (11) 520 7000, in accordance with paragraph 6.23 of the JSE Listings Requirements; and (ii) the Financial Conduct Authority (the “FCA”), as competent authority in the United Kingdom, with its head office at 12 Endeavour Square, London E20 1JN, United Kingdom, and telephone number +44 20 7066 1000, as meeting the standards of completeness, comprehensibility and consistency in respect of a prospectus in accordance with the UK version of Regulation (EU) 2017/1129 and the delegated acts, implementing acts, technical standards and guidelines thereunder as amended, which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time (the “UK Prospectus Regulation”).
A.1.5 Date of approval of the prospectus
This document was approved: (i) as a pre-listing statement by the JSE on 7 April 2021; and (ii) as a prospectus by the FCA on 8 April 2021.
A.1.6 Warning to Shareholders
This summary has been prepared in accordance with Article 7 of the UK Prospectus Regulation and should be read as an introduction to this document. Any decision to invest in the Shares should be based on consideration of this document as a whole by the shareholders. Any shareholder could lose all or part of their invested capital. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or if it does not provide, when read together with the other parts of this document, key information in order to aid shareholders when considering whether to invest in the Shares.
B – KEY INFORMATION ON THE ISSUER
B.1 Who is the issuer of the securities?
B.1.1 Domicile, legal form, LEI, jurisdiction of incorporation and country of operation
The Company is the issuer of the securities. The Company is incorporated in South Africa with its registered office in South Africa and its LEI is 213800EGYK3BN3SRIF27. The Company was incorporated and registered as a private company in South Africa on 5 January 2021 and was converted to a public company on 17 March 2021 with registration number 2021/303811/06 under the South African Companies Act No. 71 of 2008 (the “Companies Act”).
B.1.2 Principal activities
The Group’s principal activity is the mining and production of thermal coal.
B.1.3 Major shareholders
Insofar as it is known to the Group as at the Last Practicable Date, as a result of the demerger of the Company from Anglo American plc (“Anglo American”) (the “Demerger”), the following persons will, immediately prior to and immediately following the admissions of the Shares, be, directly or indirectly, the major shareholders of the Company:

Shareholder	Number of ordinary shares	% of ordinary shares ⁽²⁾
Public Investment Corporation	9,355,178	6.86%
BlackRock Inc.	8,496,892	6.05%
Coronation Asset Management Proprietary Limited	4,090,775	3.00%
Tarl Investment Holdings (RF) Proprietary Limited (" Tarl ") ⁽¹⁾	4,727,561	3.37%
Epoch Two Investment Holdings (RF) Proprietary Limited (" Epoch Two ") ⁽¹⁾	4,216,688	3.01%
Totals	30,887,074	22.29%
Note:		
<p>⁽¹⁾ Tarl and Epoch Two, together with Epoch Investment Holdings (RF) Proprietary Limited ("Epoch"), hold, collectively, 112,300,129 shares in Anglo American (constituting 8.8% of the issued shares in Anglo American). Tarl, Epoch Two and Epoch are consolidated in the Anglo American group by virtue of their contractual arrangements with Tenon Investment Holdings Proprietary Limited, a wholly-owned subsidiary of Anglo American South Africa Proprietary Limited. As such, Tarl, Epoch and Epoch Two are expected to collectively hold 11,230,012 Shares, constituting 8.8% of the issued Shares, on the Demerger Effective Time.</p> <p>⁽²⁾ It is expected that all interests in Shares will be held directly.</p>		

B.1.4 Key executive directors

July Ndlovu is the Chief Executive Officer and Gideon Frederick (Deon) Smith is the Chief Financial Officer of the Company.

B.1.5 Identity of statutory auditor

By resolution of the sole shareholder of the Company, dated 9 February 2021, PricewaterhouseCoopers Inc., whose registered address is at 4 Lisbon Lane, Waterfall City, Jukskei View, 2090, South Africa, was appointed as the statutory auditor to the Company.

B.2 What is the key financial information regarding the issuer?

The tables below set out the Group's summary financial information for the three years ended 31 December 2020 which has been extracted, without material adjustment, from the combined carve-out historical financial information of the Anglo American South African thermal coal operations which are the subject of the Demerger (the "**SA Thermal Coal Operations**"), which has been prepared in accordance with the basis of preparation in compliance with the listing requirements of the Johannesburg Stock Exchange (the "**JSE Listings Requirements**") and the UK prospectus regulation rules made by the FCA and includes, where appropriate, relevant provisions of the UK Prospectus Regulation (the "**UK Prospectus Regulation Rules**"). The combined carve-out historical financial information of the SA Thermal Coal Operations is audited for the financial year ended 31 December 2020 and reviewed for the two financial years ended 31 December 2019 and 31 December 2018, for purposes of the JSE Listings Requirements and audited for UK Prospectus Regulation Rules purposes (the "**Combined Carve-out Historical Financial Information**").

The following table sets out a summary of the SA Thermal Coal Operations statement of comprehensive income for the years ended 31 December 2020, 2019 and 2018 and has been extracted, without material adjustments, from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the years ended 31 December 2020, 2019 and 2018, respectively, contained in "*Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations*":

	Year ended 31 December		
	2020	2019	2018
	<i>(R million, unless otherwise indicated)</i>		
Revenue	18,254	18,592	24,545
Operating costs	(20,351)	(19,132)	(18,088)
Impairment loss	(2,160)	(7,731)	–
Restructuring costs and termination benefits	(157)	(128)	(40)
Reversal of impairment losses	–	664	–
Operating (loss)/profit	(4,414)	(7,735)	6,417
Remeasurement gain on the acquisition of subsidiary	–	126	–
Gain on the disposal of operations	–	–	998
(Loss)/profit before net finance costs and tax	(4,414)	(7,609)	7,415
Net finance costs	(410)	(168)	(408)
(Loss)/profit before tax	(4,824)	(7,777)	7,007
Income tax credit/(expense)	121	115	(1,819)
(Loss)/profit for the year	(4,703)	(7,662)	5,188
Attributable to:			
Parent entities ⁽¹⁾	(4,413)	(7,700)	4,461
Non-controlling interests	(290)	38	727
(Loss)/profit for the year	(4,703)	(7,662)	5,188
Headline (loss)/earnings	(2,535)	(758)	3,758
Note:			
⁽¹⁾ Parent entities are defined as Anglo American Group entities which are not part of the transaction.			
The following table sets out a summary of the SA Thermal Coal Operations statement of financial position as at 31 December 2020, 2019 and 2018 and has been extracted, without material adjustments, from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the years ended 31 December 2020, 2019 and 2018, respectively, contained in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations":			
	As at 31 December		
	2020	2019	2018
	<i>(R million, unless otherwise indicated)</i>		
Total assets	18,969	18,411	22,178
Total liabilities	(13,597)	(11,738)	(11,457)
Total equity	5,372	6,673	10,721
Invested Equity attributable to Parent entities	3,842	4,807	8,918
Non-controlling interests	1,530	1,866	1,803
Total equity	5,372	6,673	10,721

<p>B.3 What are the key risks that are specific to the issuer?</p>
<p>Risks relating to the Group's business and industry:</p> <ul style="list-style-type: none"> • Changes in the market price for thermal coal of different qualities, which in the past has fluctuated widely, could adversely affect the profitability of the Group • Foreign exchange fluctuations could have a material adverse effect on the Group's results of operations and financial condition • Inflation may have an adverse effect on the Group's results of operations and cash flows • Fluctuations in input production prices linked to commodities may adversely affect the Group's operational results and financial condition • The accuracy of thermal coal resources and thermal coal reserve estimates is based on a number of assumptions, and the Group may produce less thermal coal than the current estimates • Ageing infrastructure and mechanical failure or breakdown may result in production delays, loss of production, environmental pollution, increased costs and industrial incidents • The production, processing and product delivery capabilities of the Group's mining assets rely on their infrastructure being adequate and remaining available • The Group's ability to export its thermal coal is highly dependent on the availability and reliability of its transport networks, and any inefficiencies, issues with reliability and/or disruptions to such transport networks could have a material adverse effect on the Group's revenue • Demand for the Group's thermal coal and market for its Shares, as well as the Group's ability to access the capital markets and obtain financing, insurance and environmental rehabilitation guarantees on favourable terms may be significantly impacted by: (i) increased regulation from governmental and regulatory authorities; and (ii) the lending and investment policies adopted by financial institutions, institutional investors and insurance companies and the actions of non-governmental organisations relating to the environmental impacts of coal combustion, including impacts to the global climate. These activities, generally referred to as ESG (environmental, social and governance) pressures and developments may potentially materially and adversely impact the Group's future financial results, liquidity and growth prospects <p>Risks relating to legal and regulatory matters:</p> <ul style="list-style-type: none"> • Failure to obtain or maintain required governmental permits, licences and approvals for the Group's mining and exploration activities or renewals thereof, or failure to comply with their terms and conditions could materially and adversely affect the Group • The Group's mining rights in South Africa could be altered, suspended or cancelled for a variety of reasons, including uncertainties associated with national and local legislation • The Group's mining rights are subject to compliance with certain Broad-Based Black Economic Empowerment requirements which, if changed, could impose significant cost burdens and certain ownership requirements • The Group's mining and prospecting rights are subject to legislation, which could impose significant costs and burdens

<p>C – KEY INFORMATION ON THE SECURITIES</p>
<p>C.1 What are the main features of the securities?</p>
<p>C.1.1 Type, class of securities and ISIN</p> <p>This document has been prepared in connection with the Demerger. Following the Demerger, the Company is expected to have a primary listing in the "Energy – Oil, Gas and Coal – Coal" sector of the JSE and the Shares are expected to be listed on the standard segment of the UK Official List and admitted to trading on the London Stock Exchange (the "LSE"). On both the JSE and the LSE, the Shares will be registered under the abbreviated name "Thungela", share code is TGA, the SEDOL number is BMV3M27 and the ISIN is ZAE000296554.</p>
<p>C.1.2 Currency, denomination, par value, number of securities issued and the term of the securities</p> <p>The Shares are denominated in South African Rand and pounds sterling and will trade on the JSE in Rand and on the LSE in pounds sterling. On admission, the Shares will be issued at no par value and will be fully paid.</p>
<p>C.1.3 Rights attached to the securities</p> <p>The rights attaching to the Shares, upon admission to each of the JSE and the UK Official List, will be uniform in all respects and will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Shares.</p> <p>In respect of resolutions of the Company, which is the issuer of the Shares, on a show of hands, every Shareholder who is present in person shall have one vote and, on a poll, every Shareholder present in person or by proxy shall have one vote per Share held.</p>
<p>C.1.4 Rank of securities in the issuers' capital structure in the event of insolvency</p> <p>The Shares do not carry any rights to participate in a distribution (including on a winding-up) other than those that exist under the Companies Act. The Shares will rank <i>pari passu</i> in all respects.</p>
<p>C.1.5 Restrictions on the free transferability of the Shares</p> <p>There are no restrictions on the free transferability of the Shares, other than those generally applicable by law. The Shares will have full transferability between the JSE and the LSE.</p>

C.1.6 Dividend policy

The Company's dividend policy is to target a dividend pay-out of a minimum of 30% of the cash flows from operating activities after funding sustaining capital expenditure. The Board is committed to delivering attractive shareholder returns, while maintaining disciplined capital allocation. Therefore, in any given financial year, the Company might declare dividends above the targeted minimum 30% pay-out ratio, subject to the Board being satisfied that, subsequent to the dividend declaration, the Company has adequate balance sheet flexibility and sufficient funding available to withstand market and coal price volatility.

It is expected that the targeted dividend pay-out policy will be applied consistently to first half and full year results in determining the interim and final dividends respectively. The Company's first dividend following the Admissions is expected to be a final dividend for the six-month period ending 31 December 2021, declared at the time of the Company's full year results in early 2022, in line with the Company's dividend policy.

C.2 Where will the securities be traded?

Applications have been made to: (i) the JSE for the admission of all of the Company's issued, and to be issued, Shares in the "Energy – Oil, Gas and Coal – Coal" sector of the JSE, as a primary listing; (ii) the FCA for all the Shares, issued and to be issued, to be admitted to the standard listing segment of the UK Official List; and (iii) the LSE to trading on the LSE's main market for listed securities.

C.3 What are the key risks that are specific to the securities?

There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained.

The market price of the Shares may be volatile and subject to fluctuations, including significant decreases, due to flowback.

D – KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

D.1 Under which conditions and timetable can I invest in this security?

This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in the Company. The expected date for the admission of the Shares and commencement of unconditional dealings in Shares on the JSE and LSE is 7 June 2021. Following the implementation of the Demerger, holders of shares in Anglo American will retain their shareholdings in Anglo American and receive one share in the Company for every ten Anglo American shares held, such that they will hold shares in two publicly listed companies.

D.2 Who is the offeror and/or the person asking for admission to trading?

The Company seeking the Admissions is a public limited liability company, incorporated and registered in the Republic of South Africa. The principal legislation under which the Company operates is the Companies Act and the South African Companies Regulations.

D.3 Why is this prospectus being produced?

This document has been prepared in connection with the Demerger and does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for any securities, nor shall there be any sale, issuance, transfer or delivery of the Shares in relation to the transaction described in this document.

This document has been prepared in connection with the application for admission of all of the Shares, issued and to be issued, to: (i) the JSE as a primary listing on the main board of the JSE; (ii) the LSE to the standard listing segment of the UK Official List; and (iii) the LSE to trading on the LSE's main market for listed securities.

There are no material conflicts of interest in connection with the proposed Admissions.

PART II – RISK FACTORS

Any investment in the Shares is subject to certain risks. Shareholders should carefully consider the risks described below in addition to the other information in this Document. The Group's business, results of operations and financial condition may be materially and adversely affected in the future due to any of the following risks. The trading price of the Shares could decline due to any of these risks.

Shareholders should note that the risks relating to the Group, its industry and the Shares summarised in the section headed "Part I—Summary Information" are the risks that the Board and the Company believe to be the most essential and are ordered in terms of their materiality to the Group. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, Shareholders should consider not only the information on the key risks summarised in the section headed "Part I—Summary Information" but also, among other things, the risks and uncertainties described below.

Furthermore, the risks and uncertainties specified below are not an exhaustive list or explanation of all risks the Group faces and should be used as guidance only. Additional risks and uncertainties not presently known to the Group or that the Group currently considers immaterial may also individually or cumulatively have a material adverse impact on the Group's business, results of operations, financial condition or the price of the Shares.

While the risk factors have been divided into categories, some risk factors could belong in more than one category and Shareholders should carefully consider all of the risk factors set out in this section.

Shareholders should consider carefully any investment in the Shares and whether it is suitable for them in the light of the information in this Document and their personal circumstances.

1. RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

1.1 **Changes in the market price for thermal coal of different qualities, which in the past has fluctuated widely, could adversely affect the profitability of the Group**

All of the Group's revenue is derived from the sale of the thermal coal that it produces and purchases from third parties. The Group does not generally enter into commodity derivatives or other hedging arrangements in order to establish a price in advance of the sale of its thermal coal production. As a result, the Group is generally fully exposed to changes in the prices of thermal coal, which could lead to reduced revenue should the prices of thermal coal decline. For example, during FY20, thermal coal prices fluctuated between US\$41.77/tonne and US\$100.67/tonne. Further, the Group produces thermal coal products of varying grades, one of which is of benchmark quality (and, therefore, the price is set by reference to Market Price). Other grades of thermal coal produced by the Group are typically priced at a discount to Market Price driven by market supply and demand for each of the varying grades. However, as part of the Demerger arrangements, the Company has entered into the Capital Support Agreement with ASA pursuant to which ASA has agreed, in the event of adverse thermal coal prices, to supplement the Company's capital with reference to the price realised by the Company for its export thermal coal with resulting top-up capital support payments until 31 December 2022.

The market price for thermal coal has historically been volatile and is affected by numerous factors over which the Group has no control, such as the domestic and foreign supply and demand for thermal coal for industrial and electrical generation usage, South African and foreign economic conditions, including economic slowdowns and the exchange rates of the Rand for foreign currencies, the imposition of tariffs, quotas, trade barriers and other trade protection measures and speculative trading activity and, most recently, the impacts of COVID-19. Volatility is also influenced by competitive dynamics, such as the quantity and quality of thermal coal available from competitors and competition for production of electricity from non-coal sources, including the price and availability of energy sources. The Group has experienced losses as a result of the abovementioned factors (most recently for the financial years ending 31 December 2020 and 2019) and there is no assurance that such factors will not occur again, individually or in combination, and negatively impact the Group's ability to generate sufficient revenue to meet its operating expenditures and operate profitably for a period of time. The price outlook for thermal coal is further impacted by regulatory factors, including South African and foreign policy, legislative, regulatory and judicial developments, environmental regulatory changes or changes in energy policy and energy conservation measures that would adversely affect the thermal coal industry, such as legislation limiting carbon emissions or imposing a carbon price, or providing for increased funding and incentives for alternative energy sources, as well as South African and foreign air emission standards for thermal coal-fuelled power plants and the ability of thermal coal-fuelled power plants to meet these standards. For further information on energy policy and regulatory measures, see "—Risks relating to Legal and Regulatory Matters—Regulation of greenhouse gas emissions and climate change issues may materially adversely affect the Group's operations". In addition, technological advancements, including those related to alternative energy sources, those intended to convert coal-to-liquids or gas and those aimed at capturing, using and storing carbon dioxide have and will continue to impact the prices of thermal coal.

In addition, pandemics, epidemics, or any other serious public health concerns (such as Ebola, listeriosis, avian flu, H1N1, SARS and COVID-19) whether on a regional or global scale, together with any resulting restrictions on travel, imposition of quarantines and prolonged closures of workplaces, have had and are likely to have a material adverse effect on the global economy in general, as well as on demand for thermal coal and on thermal coal prices. For further information on the impact of COVID-19, see "—The current global COVID-19 pandemic has significantly impacted the global economy and markets and is likely to continue to do so, which could adversely affect the Group's business, financial condition, results of operations and prospects".

Adverse and volatile economic conditions coupled with a negative price environment could result in thermal coal prices falling below the Group's production costs, which would lead to material adverse effects on the Group's results of operations, cash flows and overall financial condition. Should this situation remain for an extended period, the Group may have to suspend some or all of its operations in order to decrease or stop production for a period of time, reduce operational capital expenditures and/or make other long-term strategic decisions.

Any of the above could have a material adverse effect on the Group's business, operating results and financial condition.

1.2 **Foreign exchange fluctuations could have a material adverse effect on the Group's results of operations and financial condition**

Thermal coal is sold throughout the world principally in USD, but the Group's operating expenses are primarily incurred in Rand. As a result, the majority of the Group's sales revenue (79.4% of sales revenue for FY20 being derived from exports) is denominated in USD, while the majority of its operating costs are in Rand and thus expose the Group to currency risk. Any significant and sustained appreciation of the Rand against the USD may materially increase the Group's costs in USD terms. The Rand and USD are the most important currencies influencing the Group's operating costs and asset valuations. The Group currently does not hedge such exposures, as such the fluctuations in the exchange rates of these currencies may adversely affect the Group's operating results, cash flows or financial condition to a material extent. Conversely, a weakening of the Rand may result in higher inflation in South Africa, which may increase the Rand-based prices that the Group pays for products and services. See "*Inflation may have an adverse effect on the Group's results of operations and cash flows*". Should a strong Rand/USD exchange rate persist without a corresponding gain in commodity prices, the Group may consider increasing operational flexibility by adjusting mine plans, reducing capital expenditure or selling assets and, if necessary, consider options to increase funding flexibility. All of the above could have a material adverse effect on the Group's business, operating results and financial condition.

1.3 **Inflation may have an adverse effect on the Group's results of operations and cash flows**

The market prices at which thermal coal produced by the Group is sold cannot be controlled. As a result, it may be unlikely that the Group would be able to pass through any increases to the costs of production to its customers. It is possible that significantly higher future inflation in South Africa may increase future operational costs without a corresponding increase in the USD price of the commodities produced, or a concurrent depreciation of the local currency against the USD.

Cost inflation in the mining sector is more apparent during periods of high commodity prices because demand for mining-related products and services can tend to exceed supply during such periods. However, such inflation can occur at any point in the commodity cycle, and in the past similar companies in the mining industry have also experienced cost inflation during periods of decreasing commodity prices. A lag in the reduction of input costs relative to declining commodity prices will have a similar negative effect on the Group's results of operations. Any such increased costs or delays in cost reductions may have a material adverse effect on the Group's profit margins, cash flows and results of operations and such effects could be material.

1.4 **Fluctuations in input production prices linked to commodities may adversely affect the Group's operational results and financial condition**

Consumables and equipment required for use in mining operations, such as fuel, energy, water, chemical reagents, explosives, tyres, steel and other mining equipment, form a relatively large part of the operating costs and capital expenditure of the Group. The Group has limited to no control over the costs of such consumables, many of which are, to some degree, linked to the price of oil and steel. Fluctuations in oil and steel prices have a significant impact on operating cost and capital expenditure estimates and, in the absence of other economic fluctuations, could result in significant changes in the total expenditure estimates for new projects of the Group or render certain projects non-viable, either of which could have a material adverse effect on the Group's business, operating results and financial condition.

1.5 **The accuracy of thermal coal resources and thermal coal reserve estimates is based on a number of assumptions, and the Group may produce less thermal coal than the current estimates**

The Group's thermal coal resource and reserve estimates are based on a number of assumptions made by the Independent Competent Persons in accordance with The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 (the "**SAMREC Code**"). The accuracy of estimates depends on the quantity and quality of available data, the assumptions made and the judgements used in engineering and geological interpretation, which may prove to be inaccurate. There is no assurance that the estimates will prove accurate or that the Group's thermal coal resources and reserves can be mined or processed profitably.

The thermal coal reserve estimates contained in this Document represent the amount of thermal coal that the Group believes can be economically mined and processed and are calculated based on a number of economic and technical assumptions. In the future, the Group may need to revise its estimates if, for instance, the Group's production costs increase, or thermal coal prices decrease and as a result the extraction of a portion (or all) of the thermal coal reserves may become uneconomical.

The inclusion of thermal coal reserve and resource estimates should not be regarded as a representation that all these resources can be economically mined or processed and no assurance can be given that the anticipated quantities and qualities will be achieved, that the indicated level of recovery will be realised or that thermal coal resources and reserves can be extracted or processed profitably. Actual thermal coal resources and reserves may not conform to geological or other expectations, and the volume and quality of thermal coal recovered may be below the estimated levels. Lower market prices, increased production costs, reduced recovery rates and other factors may render the thermal coal resources and reserves uneconomical to exploit and may result in the revision of the Group's reserve estimates from time to time, which could materially adversely affect the Group's business, operating results and financial condition.

1.6 **Ageing infrastructure and mechanical failure or breakdown may result in production delays, loss of production, environmental pollution, increased costs and industrial incidents**

Coal mining shafts and equipment such as draglines and processing plants like those operated by the Group are usually designed with a limited operational life. Maintaining mining infrastructure requires skilled human resources, capital allocation, management and planned maintenance. Once a shaft, dragline or a processing plant has reached the end of its intended operational life, increased maintenance and care is required. Although the Group has comprehensive maintenance plans in place, incidents resulting in production delays, environmental pollution, increased costs or industrial incidents may occur. Such incidents may have a material adverse effect on the Group's business, results of operations and financial position.

Furthermore, the Group's operations rely on certain critical mining equipment supporting draglines and processing plants, such as conveyor belts, underground continuous miners and open cast trucks and shovels, some of which are produced outside South Africa. The unexpected breakdown of any of the Group's critical mining equipment could cause production bottlenecks, significant operational disruption and unrecoverable loss of production. Prolonged disruptions in the Group's ability to replace, repair or implement any such equipment, which may be outside the Group's control and could have a material adverse effect on the Group's business, results of operations and financial position.

1.7 **The production, processing and product delivery capabilities of the Group's mining assets rely on their infrastructure being adequate and remaining available**

The mining, drilling, processing, development, exploration, transport and delivery activities of the Group's business depend on adequate infrastructure. Reliable roads, power sources, transport infrastructure (including port and rail) and water supplies to the Mpumalanga coal fields (where the Group's operations are concentrated) are essential for the conduct of the Group's operations and the availability and cost of these utilities and infrastructure affect capital and operating costs and, therefore, the Group's ability to maintain expected levels of production and results of operations. A number of factors could disrupt the availability of this infrastructure such as unusual weather or other natural phenomena, capacity and allocation constraints, sabotage, industrial action or other interference in the maintenance or provision of such infrastructure could impact the development of a project, reduce production volumes, increase extraction or exploration costs, delay the transportation of raw materials to the mines and projects and commodities to end customers and may have an overall impact on productivity and profitability of the Group. Furthermore, any key infrastructure and infrastructure-related equipment failures, such as the collapse of railway tunnels or bridges, derailment and train collisions would cause significant delays in the Group's ability to deliver thermal coal to the port, the Richards Bay Coal Terminal. In addition, the cost of accessing the required infrastructure may increase, possibly substantially, and the Group will not be able to pass on the full extent of that cost increase to its customers. Any such issues arising in respect of the infrastructure supporting or on the Group's sites could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. For further information in relation to the dependency of the Group's export sales on its rail and port networks, see *"—The Group's ability to export its thermal coal is highly dependent on the availability and reliability of its transport networks, and any inefficiencies, issues with reliability and/or disruptions to such transport networks could have a material adverse effect on the Group's revenue"*.

1.8 **The Group's ability to export its thermal coal is highly dependent on the availability and reliability of its transport networks, and any inefficiencies, issues with reliability and/or disruptions to such transport networks could have a material adverse effect on the Group's revenue**

The Group generates a majority of its total revenue (79.4% in FY20) from export markets and is highly dependent on the availability and reliability of its transport networks, in particular the performance of the rail and port infrastructure operated by Transnet Freight Rail ("TFR") and Richards Bay Coal Terminal ("RBCT"), respectively. Disruptions to these transport networks as set out in *"—The production, processing and product delivery capabilities of the Group's mining assets rely on their infrastructure being adequate and remaining available"* could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. Whilst the Group has influence and oversight of the maintenance and operation of the port infrastructure at Richards Bay Coal Terminal by way of its investment in RBCT, the maintenance and operation of the rail infrastructure remains dependent on continued capital investment by the South African government, failure of which could materially impact the Group's ability to transport its thermal coal from its operations by rail to the Richards Bay Coal Terminal. Additionally, the efficiency and performance of TFR's services may be negatively impacted by train handling times, as well as any of the rapid loading terminals which form part of its network. Any impact to the reliability and/or performance of the rail and port networks could have a material adverse effect on the Group's ability to export its thermal coal to its customers, which is likely to have a significant negative impact to the Group's revenue.

1.9 **Demand for the Group's thermal coal and market for its Shares, as well as the Group's ability to access capital markets and obtain financing, insurance and environmental rehabilitation guarantees on favourable terms may be significantly impacted by: (i) increased regulation from governmental and regulatory authorities; and (ii) the lending and investment policies adopted by financial institutions, institutional investors and insurance companies and the actions of non-governmental organisations relating to the environmental impacts of coal combustion, including impacts to the global climate. These activities, generally referred to as ESG pressures and developments may potentially materially and adversely impact the Group's future financial results, liquidity and growth prospects**

Global climate issues and ESG pressures continue to attract significant public and scientific attention. For example, the Fifth Assessment Report (2014) and the Special Report on Global Warming of 1.5°C (2019) of the Intergovernmental Panel on Climate Change have expressed concern about the impacts of human activity, especially from fossil fuel combustion, on the global climate. Many governments are increasingly focusing on climate issues and, more specifically, limiting levels of emissions of carbon dioxide from coal combustion by power plants. There is also increasing action by members of the general financial and investment communities, such as asset managers, sovereign wealth funds, public pension funds, universities and other groups, to divest themselves and to promote the divestment of securities issued by companies involved in the fossil fuel extraction market, such as thermal coal producers. Activist campaigns have urged banks to cease financing and insurance companies to cease insuring thermal coal-driven businesses. As a result, numerous banks, other financing sources and insurance companies have taken action to limit access to finance and insurance coverage for the development of new thermal coal-fuelled power plants and thermal coal mines and utilities that derive a majority of their revenue from thermal coal. These concerns are also leading to unfavourable lending policies by government-backed lending institutions and development banks and divestment efforts by the investment community which could significantly affect demand for the Group's thermal coal or its Shares or its ability to raise debt or capital in the future. Additionally, many governments have pledged to control and reduce greenhouse gas emissions under the Paris Agreement, which aims to limit increases in global temperatures to below 2 degrees Celsius above pre-industrial levels and pursue efforts to limit the increase even further to 1.5 degrees Celsius. More recently, this has resulted in a number of governments announcing a target to achieve net zero emissions by 2050. This may impact demand for thermal coal resources in the near future.

Future regulation of greenhouse gas emissions in South Africa and other jurisdictions could occur pursuant to future treaty obligations, statutory or regulatory changes at the national, provincial or municipal level or otherwise. The enactment of laws or the passage of regulations regarding greenhouse gas emissions from the combustion of thermal coal by South Africa or other countries, or other actions to limit emissions have resulted in, and may continue to result in, electricity generators switching from thermal coal to other fuel sources or thermal coal-fuelled power plant closures. Furthermore, policies limiting available financing for the development of new thermal coal-fuelled power plants could adversely impact the global demand for thermal coal in the future. Additionally, uncertainty over the extent of potential regulation that may be implemented by various governments may inhibit investment or demand for thermal coal. The combined impact of these factors may adversely affect the demand for and price of the Shares and impact the Group's access to the capital and financial markets.

Any future laws, regulations or other policies of the nature described above, as well as an increasing trend toward complaints and litigation on grounds of contribution to, or failure to mitigate the effects of, climate change may adversely impact the Group in material ways. For further

detail in relation to the Group's risk of litigation in relation to its obligations, see "*Risks relating to Legal and Regulatory Matters—The Group may become subject to litigation which may have an adverse effect on its business*". The degree to which any particular law, regulation or policy impacts the Group will depend on several factors, including the substantive terms involved, the relevant time periods for enactment and any related transition periods. The Group routinely attempts to evaluate the potential impact of any proposed laws, regulations or policies, which, if adopted and ultimately implemented as proposed, may result in materially adverse impacts on its operations, financial condition and/or cash flow. In general, it is likely that any future laws, regulations or other policies aimed at reducing greenhouse gas emissions will negatively impact demand for thermal coal, including thermal coal mined and produced by the Group, and have a material adverse effect on the Group's ability to obtain financing and insurance on favourable terms, attract key staff and its financial performance.

For further information on the impact to the Group's ability to attract key talent, see "*The loss of and failure to attract senior management and key personnel could have a material adverse effect on the Group and inhibit its ability to implement its business strategy*".

There is also a risk that a material reduction in demand for thermal coal mined and produced by the Group combined with increasingly stringent greenhouse gas emissions regulations and investor policies on climate change could lead to thermal coal reserves which are unused by the Group, as well as thermal coal resources, which are expected to be mined in the future and are no longer able to earn an economic return (so-called "**stranded assets**"). In general, it is likely that any "stranded assets" held by the Group would negatively impact the Group's operations and have a material adverse effect on the Group's costs and financial performance.

1.10 **Economic, political or social instability in South Africa may have a material adverse effect on the Group's operations and profits**

High levels of unemployment and a shortage of critical skills in South Africa, despite increased government expenditure on education and training, remain issues that impact the local economy. In particular, the effects of COVID-19 have and continue to impact stability in South Africa. For further information on the impact of COVID-19, see "*The current global COVID-19 pandemic has significantly impacted the global economy and markets and is likely to continue to do so, which could adversely affect the Group's business, financial condition, results of operations and prospects*". Several other political and economic factors have led, and may continue to lead, to further downgrades in national credit ratings and may adversely affect the South African mining industry as a whole, as well as the Group's operations, making investment more expensive and difficult to secure. Any further downgrades or sustained periods of economic depression in South Africa's economic outlook may have a material adverse effect on the South African economy as many pension funds and other large investors are required by internal rules to sell securities once two separate agencies rate them as non-investment grade. This may restrict the Group's future access to international financing and could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Furthermore, community disruptions could result in access to the Group's mining operations being obstructed, the Group's property being damaged and production being interrupted. In addition, while the South African government has stated that it does not intend to nationalise mining assets or mining companies, certain opposition political parties have stated publicly that the government should embark on a programme of nationalisation. Nationalisation can encompass a range of measures, such as expropriation, exportation bans or taxation whereby governments increase their economic interest in natural resources, with or without compensation. Any threats, or actual proceedings, to nationalise any of the Group's assets could interrupt or curtail operations, resulting in material adverse effects on the financial condition, results of operations and/or prospects of the Group. If any of these risks materialise, these could result in a rapid decline in the value of the Group's Shares, thereby possibly causing Shareholders to lose the entirety of their respective investments.

In addition, there can be no assurance that increased State involvement in the mining sector or increased taxation will not occur at some time in the future. This could have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

1.11 **The Group's operations are subject to occupational health and safety legislation, the non-compliance with which or the occurrence of a major health and safety incident could lead to the suspension of operations, work stoppage, reputational damage and increased potential liabilities, including the suspension of the Group's mining rights**

The Group's operations are subject to compliance with health and safety laws and regulations. If the Group fails to comply with these requirements, it could face significant enforcement action from the relevant regulators, including the imposition of administrative fines, the halting of operations or portions thereof and/or a recommendation for the prosecution of the employer and responsible persons. In the event of a successful criminal prosecution, the Mine Health and Safety Act No. 29 of 1996 (the "**MHSA**") allows for a magistrate in some instances to impose a sentence of a suspension, or even withdrawal, of the relevant mining right.

The principal health risks associated with the Group's mining operations arise from occupational exposure and community environmental exposure to silica dust, diesel particulate matter, noise and certain hazardous substances, including toxic gases and radioactive particulates. The most significant occupational diseases which may affect the Group's workforce include lung diseases (such as silicosis, tuberculosis, a combination of the two and chronic obstructive airways disease) as well as noise-induced hearing loss. Past and current employees may be awarded compensation for occupational illnesses (and injuries) in accordance with the legislative regime applicable to the illness contracted.

In the case of occupational diseases such as silicosis, employees retain the right to seek additional compensation from their employer (or in the instance where an employee is employed by a contractor to a mine, from the owner or operator of the mine), in a civil action under common law (either as individuals or as a class) for the shortfall of their claims to the extent that such claims are not fully satisfied under the statutory workers compensation regime (which, due to the low thresholds set by statute, is often the case). Such actions may also arise in connection with the alleged incidence of such diseases in communities proximate to the Group's mines. In May 2018, several South African gold mining companies agreed to a class action settlement agreement which provides compensation to all eligible workers suffering from silicosis or tuberculosis who worked in certain South African gold mines from 12 March 1965 to the effective date of the settlement agreement. There is no guarantee that civil claims will not be brought against the Group in the future relating to damages allegedly suffered in connection with alleged contraventions of legal or regulatory obligations, including class actions related to alleged historical occupational health risks such as silicosis, pneumoconiosis or tuberculosis. This may, in turn, impact the Group's production and result in material liabilities stemming from any successful claims for compensation against the Group in addition to material reputational harm to the Group and its operations. In addition, the Group expects to incur additional costs as it is continuously reviewing its engineering controls and monitoring systems in order to continuously reduce thermal coal dust exposure as far as is reasonably practicable. Any, or all, of these health risks could have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

Further, the MSHA specifically provides employees with the ability to act in the interest of their own safety and the safety of their colleagues, including the right to leave a workplace, or to refuse to perform work, which, with reasonable justification, they believe to be dangerous. In the event that this right is exercised in the future, this may result in delays to the Group's operations and planning, particularly where employees' safety concerns may require some time to be rectified or engagement with employees is required to demonstrate that concerns have been addressed. Furthermore, allegations of adverse safety conditions may be initiated by the labour unions which, even if unsubstantiated, may result in reputational damage to the Group, lead to a regulatory investigation and/or an enforcement action.

In addition, due to the nature of its operations, the Group's employees and contractors are exposed to varying degrees of risk in the workplace. These risks may include exposure to dangerous situations, machinery or materials and/or health hazards and have the potential to result in disease, personal injury or death. The Group is responsible for the health, safety and security of its employees, (including third-party personnel) working at sites and persons who are not employed by the Group but may be directly affected by the Group's operations under the management of the Group and, accordingly, must implement adequate health and safety systems and procedures. Health and safety incidents can result in loss of life, losses and liabilities, work stoppages (as a result of stoppage orders from the mine health and safety inspectorate or otherwise), serious damage to equipment or property or environmental damage, which singularly or in combination could have a material effect on the Group's reputation, results of operations and overall financial condition. For further detail on the Group's work stoppages over the last three years, see "*—The Group's current and future mining operations are, and will be, subject to hazards inherent in the mining industry that may result in delays or stoppages in production and increased production costs arising from environmental, health and safety events and issues*". In the event of disease, injury or death arising out of the negligence of an employer or its employees, a risk of criminal and civil litigation exists. In the case of a work-related fatality, an employer may be subjected to criminal charges in a court of law. Furthermore, such incidents can result in violations of various health and safety laws and regulations that could have a material adverse effect on the results of operations, financial condition and/or prospects of the Group.

1.12 **The Group has experienced and may experience further acid mine drainage related pollution, which may compromise its ability to comply with legislative requirements or result in additional operating or closure cost liabilities**

Acid mine drainage and acid rock drainage (together, "**Acid Drainage**") are caused when certain sulphide minerals in rocks are exposed to the presence of oxygen, combined with water, which causes oxidising conditions. Acid Drainage can occur under natural conditions, or as a result of the sulphide minerals that are encountered and exposed to oxidation during mining or during storage in waste rock dumps, stockpiles or mineral residue deposit sites commonly referred to as mine dumps. The acidic water that forms usually contains iron and other metals if they are contained in the host rock.

Acid Drainage generation, and the risk of potential long-term Acid Drainage issues at the Group's operations is ongoing. Any Acid Drainage currently generated at the Group's mines is confined to the Group's property and is managed as part of each mine's operational water management strategy. The Group makes submissions to, and communications with, the relevant regulatory authorities in relation to its efforts to manage Acid Drainage.

The Group continues to investigate technical solutions at its mines and operations to prepare appropriate strategies for long-term Acid Drainage management, particularly post-closure, as well as to work towards a reliable cost estimate for the continued management of water, recognising environmental regulatory and legislative developments. As regulatory requirements continue to develop, such cost estimates may be inaccurate. In addition, there can be no assurance that the Group will be successful in preventing or managing long-term potential Acid Drainage issues at its sites and operations.

The Group's estimate for mine closure costs, specifically environmental rehabilitation cost provisions, for fiscal year 2020 contains those aspects of Acid Drainage management (including mine dumps, waste rock dumps, stockpiles and other surface infrastructure), for which management has been able to provide a reliable estimate. See "*—Risks relating to Legal and Regulatory Matters—The Group's actual costs of reclamation and mine closure may exceed current estimates, which may, along with the inability to safely close redundant operations, adversely affect the Group's business*". However, there is no guarantee that the Group's current cost estimate, including the cost of Acid Drainage treatment and other types of post-closure water treatment, reflects all relevant factors and, as such, the actual closure costs at the time of closure may be higher.

The existence of material long-term Acid Drainage issues at any of the Group's operations could cause it to fail to comply with its integrated water use licences ("**IWUL**") requirements and could expose the Group to fines, operational stoppages, additional operating costs and other liabilities and adverse business impacts. See "*—Risks relating to Legal and Regulatory Matters—The Group's operations are dependent on access to water use rights and subject to water use regulation, which could impose significant costs and burdens as well as reputational harm to the Group*". Acid Drainage could also cause scarcity of water which can affect the continued process of mining and cause production curtailment and mine closures, any of which could have a material adverse effect on the Group's business, production, operating results and financial condition.

1.13 **The Group's current and future mining operations are, and will be, subject to hazards inherent in the mining industry that may result in delays or stoppages in production and increased production costs arising from environmental, health and safety events and issues**

The Group's current and future mining operations are, and will continue to be, subject to risks and hazards inherent in the mining industry. The business of thermal coal mining by its nature involves risks and hazards, including environmental hazards and a risk of mining accidents. In particular, hazards commonly associated with mining operations include, among other things: surface and underground fires, explosions and spontaneous combustion, including those caused by flammable gas or in connection with blasting, surface and underground flooding, cave-ins, blockages, wall collapses or naturally induced falls of ground, mineshaft failure, high wall failures, discharges of gases and toxic substances, electrocution, falling from heights, accidents related to the presence of mobile machinery, including conveyors, human error and conduct, environmental degradation, including ground and surface pollution, accidents and conditions resulting from drilling, blasting and removing, storing and processing of various materials, seismic events, and exposure to health related hazards such as inhalable dust, noise, silicosis and pneumoconiosis. See "*—The Group's operations are subject to occupational health and safety legislation, the non-compliance with which or the occurrence of a major health and safety incident could lead to the suspension of operations, work stoppage, reputational damage and increased potential liabilities, including the suspension of the Group's mining rights*".

The Group has in place comprehensive management systems to prevent the occurrence of accidents and hazards and mitigate the effects of the same (if they occur). Nevertheless, the Group has and may continue to remain at risk of experiencing environmental and other industrial hazards, as well as industrial and mining accidents. For example, one employee was fatally injured during a fall of ground incident at Zibulo colliery on 7 September 2020. Similarly, Goedehoop also experienced a number of fall of ground incidents during the past two years and Isibonelo experienced a slope failure in its South pit in 2019, which resulted in a significant reduction in thermal coal production in 2019, relative to the approved mine plans at the time. Any future such incidents could have a material adverse effect on the Group's business, operating results and financial condition.

Furthermore, the Department of Mineral Resources and Energy (the "DMRE") may impose fines and work stoppages (known as section 54 stoppages in terms of the MSHA ("Section 54")) for any non-compliant mining operating procedures and activities, which could reduce or suspend production until lifted and, in 2020, the Group experienced six Section 54 work stoppages (2019: 11 and 2018: eight). The occurrence of any of these events could delay or interrupt production, increase production costs and result in financial and regulatory liability for the Group, which could have a material adverse effect on its business, operating results and financial condition.

1.14 Cost pressures and reduced productivity could negatively impact the Group's operating margins and expansion plans

Cost pressures may occur across industries to which the Group is exposed and affect a variety of inputs into the Group's operations, which would negatively impact the Group's operating margins. Labour is a significant input into the Group's operations and labour costs may vary depending on demand and requirements at the Group's operations. Labour costs and productivity may also be affected by the actions of labour unions, which may adversely affect workplace flexibility, productivity and costs, to comply with social distancing, hygiene and testing requirements for workplaces in relation to COVID-19 requirements, with labour costs, historically, having increased at a rate in excess of inflation on an annual basis. Increased costs of energy and other raw materials used by the Group in its operations may also adversely affect the Group's earnings. For more information, see "—Risks relating to Legal and Regulatory Matters—Labour disputes and changes to labour laws in South Africa may result in additional operating costs or alter the Group's relationship with its employees".

1.15 Failure to adequately develop new projects or enhance existing mineral reserves could adversely affect the Group's business

In order to maintain or potentially expand its operations and reserve base, the Group may investigate life extension projects or the incremental expansion of its various operations. Development projects are costly, speculative and often unproductive activities, but are necessary for the future of the Group. Failure to maintain existing or obtain new or expanded mining rights, enhance existing reserves or economically extract reserves in sufficient amounts and in a timely manner could materially and adversely affect the Group's future results from operations, cash flows, financial condition and prospects. In addition, the Group may not be able to recover the funds it spends identifying new mining opportunities through its project development programme. Increasingly stringent requirements relating to regulatory, environmental and social approvals can result in significant delays in construction of life extension projects and may adversely affect the economics of new mining projects, the expansion of existing operations and, consequently, could have a materially adverse impact on the Group's results of operations, cash flows and financial condition.

1.16 The Group may be unable to obtain, renew, amend or extend key contracts and/or such key contracts may be terminated prior to their expiry

The Group currently conducts, and will in the future be required to conduct, its operations (including prospecting and exploration activities) pursuant to certain key contracts. Any failure to obtain or renew key contracts may result in a delay in the Group's investment or development of a resource or the Group's implementation of new technology and innovation which may adversely affect its production output and revenues and may have a material adverse effect on its results of operations, cash flows and financial condition. In addition, the Group's existing key contracts may be terminated if it fails to comply with the relevant requirements.

Should the Group fail to fulfil the specific terms of any key contracts or if the Group operates its business in a manner that violates applicable law or is in breach of contract, key contracts may be terminated and or proceedings commenced in relation to such breach, any of which could have a material adverse effect on the Group's results of operations, cash flows and financial condition.

1.17 Significant interruption of the Group's mines, in particular impacts from the geographic concentration of its operations, could adversely impact the Group's financial results

Due to the geographic concentration of the Group's operations in the Mpumalanga province of South Africa, any adverse economic, political or social conditions affecting this region, or if operations at any of these collieries were interrupted, as well as the incidence of natural disasters or coordinated strikes or other work stoppages, could have a material adverse effect on the Group's business, operating results and financial condition. In particular, over the past few years, the Mpumalanga province of South Africa has experienced high levels of rainfall in short periods of time, resulting in the flooding of pits of a number of the Group's open cast operations. For further information on the potential physical impacts of climate change, see "—The Group's operations are reliant on the natural environment and the potential physical impacts as a result of climate change are not certain, which could have a material adverse effect on the Group's operations and financial condition".

1.18 The current global COVID-19 pandemic has significantly impacted the global economy and markets and is likely to continue to do so, which could adversely affect the Group's business, financial condition, results of operations and prospects

Since the end of 2019, the rapid spread of COVID-19 led to the World Health Organisation declaring the outbreak of a pandemic in March 2020. On 23 March 2020, the President of South Africa announced that as one of the measures to contain the spread of COVID-19, South Africa would enter a 21-day national lockdown which was extended into the second half of 2020. On 18 December 2020, the President of South Africa announced the emergence of a new variant, with concerns that this variant spreads more rapidly than other strains of the virus. Vaccines are available in South Africa with the vaccination process having commenced on a small scale on 17 February 2021. The roll-out of vaccines have been prioritised so that healthcare workers receive the vaccine first, after which the vaccine will be made available to specific categories of persons identified as vulnerable or prone to severe reactions to COVID-19 (such as the elderly or those with underlying illnesses) and individuals who are healthcare and aged care workers, as well as other workers who have been designated by the relevant authorities as "essential workers" will be prioritised in receiving vaccines. Accordingly, it is expected that the vaccine will only be made

available to the majority of South Africans during the second half of 2021, or later. The continuation of existing or the introduction of more restrictive measures and the delayed rollout and effectiveness of vaccination programmes globally could result in the inability of the Group's suppliers to deliver components or raw materials on a timely basis and may limit or prevent management, employees, contractors and other important third-parties from travelling to, or visiting, the Group's operations in South Africa. Further, any lockdowns or mandatory business shutdowns could result in a suspension of the Group's operations and could bring its business to a standstill.

As a result of COVID-19, the Group is required to implement additional health and safety measures at its workplaces, mine sites and corporate offices, to ensure the health and safety of its employees and contractors, as well as compliance with regulations. If an employer fails to take the necessary health and safety precautions to avoid the spread of COVID-19, its employees may exercise their rights to leave a dangerous workplace (see "*–The Group's operations are subject to occupational health and safety legislation, the non-compliance with which or the occurrence of a major health and safety incident could lead to the suspension of operations, work stoppage, reputational damage and increased potential liabilities including the suspension of the Group's mining rights*") and the employer may receive compliance orders or work stoppage orders from the health and safety inspectorate. The impact of COVID-19 on the Group also relates to potential reduced productivity and increased operational costs due to social distancing and other operational measures to support efforts to slow the spread of the virus, including testing, sanitising and isolating employees who may have had direct or indirect contact with COVID-19, as well as the potential cost of vaccinations.

The effects of COVID-19 and associated governmental responses have adversely affected workforces, consumer sentiment, economies and financial markets with a number of national economies having entered recessions and some having experienced material slowdowns in economic growth. As a result, the total global thermal coal export production decreased in the first half of 2020, compared to the same period in 2019, largely due to the impact of lockdown restrictions around the world reducing total demand for thermal coal. In June 2020, however, operations ramped up to operate at levels closer to planned capacity. Such unanticipated and adverse effects, along with decreased consumer spending, have led to a global economic downturn.

The global economy, commodity prices, and financial markets have experienced significant volatility and uncertainty due to COVID-19. The Group's revenue is directly related to the market prices of thermal coal, with revenue for FY20 being R18,254 million with an average realised export price of R798/tonne, compared to revenue for FY19 of R18,592 million with an average realised export price of R788/tonne. Thermal coal price volatility causes the Group's revenue to fluctuate from period to period. This price volatility could also cause operators or developers to defer or forgo projects, which could adversely impact the Group's future revenue. In addition, economic volatility, disruptions in the financial markets, or severe price declines for thermal coal could adversely affect the Group's ability to obtain future debt or equity financing for acquisitions or development of its projects on acceptable terms. Government efforts to counter the economic effects of COVID-19 through liquidity and stimulus programmes may be insufficient or ineffective in preventing or reducing the effects of a recession in South Africa and more widely. It is difficult to determine the extent of the economic and market impacts from COVID-19 and the many ways in which they may negatively affect the Group's business and the trading price of the Shares.

The effects of COVID-19 are highly uncertain, including the duration of the pandemic, new information that may emerge concerning the severity of the infection, the scope, duration and economic impact of actions taken to contain the spread of the virus or treat its impact, and the impact of each of these items on macroeconomic conditions and financial markets globally. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.19 **Power outages and usage constraints may force the Group to suspend or curtail operations, or subject the Group to penalties**

The Group's operations are dependent on electricity supplied by Eskom, a State-owned electricity utility which holds a monopoly in the South African market. Electricity is used for most of the Group's business and safety-critical operations, including ventilation and hoisting in the underground environment and for the dewatering of both underground operations and open pits. Any power outage, disruption or shortage in power supply available to the Group's operations could therefore have a material adverse impact on the Group's production and employee safety. Electricity supply in South Africa has been constrained over the past decade and there have been multiple power disruptions. Eskom was forced to cut power supply after a strike in June 2018 and began to implement load shedding to protect the national system from a total blackout. Eskom has since increased the implementation of load shedding due to severe constraints placed on the generation system as a result of various constraints on its power generation units, including unplanned outages, and load shedding is expected to increase in the short- to medium-term. The Group cannot guarantee that its production will not be reduced as a result of possible load shedding implemented by Eskom.

Eskom's ageing infrastructure, its need to replace or upgrade its power generation fleet and its deferral of routine maintenance due to financial constraints, may adversely affect electricity supply in South Africa. In addition, Eskom's ability to undertake necessary infrastructure and fleet upgrades, on commercially acceptable terms or otherwise, may be limited by the amount of debt it has outstanding, which has increased from approximately R389 billion in 2018 to approximately R484 billion in 2020. Any blackouts or other disruptions to power supply could have a material adverse effect on the Group's business, operating results and financial condition.

In February 2019, the President of South Africa announced the vertical unbundling of Eskom. While full-State ownership will be maintained, the unbundling is expected to result in the separation of Eskom's generation, transmission and distribution functions into separate entities, which may require legislative and/or policy reform. It is expected that this process will take time to implement, causing continued poor reliability of the supply of electricity and an instability in prices and a possible tariff increase above inflation, which are expected to continue through the unbundling process. Should the Group experience further power tariff increases, its business operating results and financial condition may be adversely impacted.

1.20 **Slower levels of growth of demand for thermal coal in China and India may negatively impact pricing**

China and India are important drivers of global demand and pricing for thermal coal worldwide. Thermal coal prices have been adversely affected by the impact of COVID-19, such as a decreased demand for power and slower than expected levels of GDP growth, as well as by the ongoing trade tensions between the United States and China, and Australia and China and such factors could continue to have a negative impact on commodity prices generally, which would have a negative impact on the Group's business and revenues. In the World Bank's latest report on China's Economy in 2021 published on 23 December 2020, China's real GDP growth was projected to slow to 2% in 2020, compared to growth of 6.1% in 2019, before accelerating to 7.9% real GDP growth in 2021. Factors contributing to slower

levels of growth demand for thermal coal in China and India may include slower or flattened economic growth, the effects of COVID-19, unsuccessful economic reforms, government policies that affect commodities markets or fossil fuels in particular, reduced urbanisation or industrialisation, a slowing expansion of the middle class and efforts to increase domestic production and offset imports. In September 2020, President Xi Jinping of China announced that China aims to have peak carbon dioxide emissions before 2030 and to achieve carbon neutrality before 2060, which will inevitably lead to a reduction in demand for thermal coal from China. Additionally, China's current ban on Australian exported coal has resulted in short-term increased demand for South African thermal coal. Any easing of this trade ban may negatively affect the Group as demand for South African thermal coal from China decreases. Slowing demand for thermal coal from China and/or India and sustained slowdown in both China and India's growth, whether caused by these factors or otherwise, could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and competitive position.

1.21 The Group faces certain risks as a result of HIV/AIDS, tuberculosis and other diseases that may adversely affect the Group's business and the communities in which it operates

The Group recognises that the HIV/AIDS epidemic in sub-Saharan Africa is a significant threat to economic growth and development in that region and affects the business. The prevalence of HIV/AIDS, as well as other diseases, such as tuberculosis, pose a risk to the Group in terms of reduced productivity as a result of the impact on workers' mental and physical health (which could lead to reduced focus), absenteeism and increased medical and other costs associated with the provision of antiretroviral therapy to employees and their dependants and occupational health services.

In addition to the costs associated with the provision of antiretroviral therapy to employees and their dependants and occupational health services (both of which will increase if the incidence of HIV/AIDS spreads), there is a risk that the recruitment and retention of the skilled personnel needed to maintain and grow the business in southern Africa (and other regions where HIV/AIDS is a major social issue) will be impacted. If this occurs, the Group's business and the communities in which it operates would be adversely affected.

1.22 The Group's operations are reliant on the natural environment and the potential physical impacts as a result of climate change are not certain, which could have a material adverse effect on the Group's operations and financial condition

The potential physical impacts of climate change, such as, but not limited to, extreme hydrological events result in flooding of open cast operations, on the Group's operations are highly uncertain and may adversely impact the cost, production and financial performance of the Group's operations. High levels of rainfall in short time periods has historically resulted in the flooding of pits, impacting a number of the Group's open cast operations, including resultant pumping costs and causing production stoppages during the 2019 and 2020 summer rainfall seasons in the Mpumalanga province. In contrast, extended periods of dry weather resulting in droughts can have significant negative effects on the Group's operations, particularly in relation to the availability of water for washing coal in the beneficiation process.

1.23 Changes in accounting standards or policies, or the Group's financial metrics, including as a result of choices and assumptions made by the Group, could adversely impact the Group's reported results of operations and its reported financial condition

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is subject to the application of the International Financial Reporting Standards ("IFRS") and interpretations of those standards as issued by the International Accounting Standards Board (the "IASB") for purposes of the JSE Listings Requirements and the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee (the "SAICA Guides"), and Financial Pronouncements as issued by the Financial Reporting Standards Council which are periodically revised or expanded. Accordingly, from time to time, the Group is required to adopt new or revised accounting standards issued by recognised authoritative bodies, including the IASB. It is possible that future accounting standards, which the Group is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on the Group's results of reporting operations and reported financial condition.

The Group may also choose to change the calculation methods, definitions, presentation or other elements of its reported financial metrics, or make other choices permitted under IFRS regarding the presentation of its reported results of operations and reported financial condition. In addition, management may make judgements and estimates in the course of preparing financial statements that can have a significant impact on the Group's financial statements. The most critical of these relate to impairment and impairment reversals of assets, taxation, provisions for future liabilities and contingent liabilities, joint arrangements, estimation of mineral reserves, assessment of fair value, restoration, rehabilitation and environmental costs and retirement benefits. Further changes in accounting standards or policies, or the Group's financial metrics, including as a result of choices and assumptions made by the Group, could have a material adverse effect on the Group's reported results of operations and its reported financial condition.

1.24 Certain factors may affect the Group's ability to support the carrying value of its property, plant and equipment, acquired properties, investments and goodwill on its balance sheet, which could result in the need to impair these values

The Group reviews and tests the carrying value of its assets annually for such assets with goodwill, or when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the Group prepares estimates of expected future cash flows for each group of assets. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by reserve and production estimates, together with economic factors such as spot and forward commodity prices, discount rates, currency exchange rates, estimates of costs to produce resources and explore and develop reserves, future capital expenditure and adverse changes in the royalty and taxation regime.

If any of these uncertainties occur, either alone or in combination, it could require management to recognise an impairment, which could materially and adversely affect the Group's results of operations or financial condition.

1.25 **The loss of and failure to attract senior management and key personnel could have a material adverse effect on the Group and inhibit its ability to implement its business strategy**

The Group's performance depends on, among other things, its ability to attract and retain senior management and key employees with appropriate knowledge and skills, experience and other competencies as may be required to remain a competitive business and to achieve its business strategy. Competition for senior managers, as well as employees with skills, is intense among mining companies, and the Group is focused on maintaining a high quality of staff. The Group has invested significant time and costs in talent management and retention; however, any significant change in the composition of the Group's workforce due to an inability to retain and/or attract key personnel, as well as cultural shifts in individuals wanting to work for environmentally conscious companies with positive environmental footprints may impair the Group's ability to implement its business strategy. The Group may be required to incur significant costs to attract and retain such employees or may fail to do so. The Group's ability to attract and retain senior management and key employees depends on a number of factors, including, but not limited to, prevailing market conditions and compensation packages offered by companies competing for the same talent.

The retention of staff is particularly challenging in South Africa, where, in addition to the impacts of global industry shortages of skilled labour, the Group is required to achieve employment equity targets of participation by HDSAs in management and other positions. The Group competes with companies and other employing entities in South Africa to attract and retain HDSAs with the necessary skills, knowledge and experience required to assist the Group in achieving its objectives of remaining a competitive business and achieving its business strategy. Thus, the Group may encounter difficulties in recruiting and retaining such qualified individuals in the future.

The loss of important senior management and employees within the Group, as well as any failure to attract and retain qualified employees could lead to deficiencies in internal controls and risk management and have an adverse impact on the implementation of the Group's strategic objectives and regulatory commitments. This could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

1.26 **Damage to, or breakdown of, a physical asset, including due to fire, explosion, natural catastrophe, theft or terrorism may adversely affect the Group's operating results and result in loss of revenue, loss of cash flow, adverse environmental impacts or other losses**

Damage to or breakdown or loss of a physical asset, including as a result of fire, explosion, sabotage, natural catastrophe, theft of high value products and/or critical equipment, terrorism or other factors which restrict the ability to undertake maintenance, including mandatory, regulatory, or court-ordered measures, can result in a loss of assets and subsequent environmental incidents and financial losses. The Group's operations and development projects are exposed to natural risks, such as extreme weather conditions. Other catastrophic risks faced by the Group include failure of mine pit or mine dump slopes, fire and explosion in underground mines or in buildings, plant and equipment and sudden and unexpected failure of mineshafts. See "*—The Group's current and future mining operations are, and will be, subject to hazards inherent in the mining industry that may result in delays or stoppages in production and increased production costs arising from environmental, health and safety events and issues*". The occurrence of one or more of these events could potentially lead to multiple fatalities and injuries, long-term environmental damage, significant reputational damage, greater regulatory scrutiny and loss of or delays in obtaining licences to operate. In particular, in response to recent tailings dam breaches, there may be greater scrutiny and regulation of similar facilities, such as mine dump sites, which could result in additional permitting requirements, delays in obtaining permits and higher costs. Leaks from pipelines or other storage vessels can cause production delays, possible environmental damage or create safety implications. The financial impact associated with clean-up costs and legal liability claims could be substantial. The Group's insurance policies with respect to any catastrophic or other significant event risk may not be sufficient to cover the financial loss flowing from an event and insurance is not available or is unavailable on economically viable terms for many risks the Group may face. See "*—Risks relating to Legal and Regulatory Matters—The Group's insurance coverage may prove inadequate to satisfy potential claims*". The occurrence of events for which the Group is not insured, or for which its insurance is insufficient, may materially and adversely affect the Group revenues, operating results, cash flows and financial condition.

1.27 **The Group's reputation in the communities in which it operates could deteriorate**

The continued success of the Group's existing operations and its future projects are in part dependent upon the broad support of, and healthy relationships within the respective local communities, in addition to conducting operations in a manner that is not detrimental to the environment. If it is perceived that the Group is not respecting or advancing the economic and social progress and safety of the communities in which the Group operates, or if the Group fails to effectively engage with communities and relevant stakeholders, the Group's reputation and shareholder value could be damaged, which could have a negative impact on the Group's "social licence to operate", and have a material adverse effect on the Group's business, results of operations, financial position and/or growth prospects.

Some of the Group's current and potential mining activities are located in or near communities that may regard such operations as having a detrimental effect on their safety or environmental, economic or social circumstances. It has become common in South Africa for communities surrounding mines to look to the mines to better the standards of living in the area. It is also not uncommon for such communities to engage in protest action in response to particular issues or concerns associated with the operation of the mine which may affect access to the mines, production, create strained relationships with communities and various stakeholders and may negatively impact the safety of communities and employees. The consequences of negative community reactions could therefore have a material adverse impact on the cost, profitability and ultimately the viability of an operation. Such events could lead to disputes with national or local governments or with local communities or any other stakeholders and give rise to material reputational damage. If the Group's operations are delayed or shut down as a result of political and community instability, its earnings may be impacted and the long-term value of its business could be adversely affected. Even in cases where no action adverse to the Group is actually taken, the uncertainty associated with such political or community instability could negatively impact the perceived value of the Group's assets and mining investments and, consequently, have a material adverse effect on the Group's financial condition. The Mineral and Petroleum Resources Development Act No. 28 of 2002 (the "**MPRDA**") stipulates that every mining right holder is required to prepare and implement a Social and Labour Plan ("**SLP**"), the purpose of which is to promote employment, advance social and economic welfare, contribute to transforming the mining industry and ensure that mining companies contribute to the development of the areas where, and the communities in which, they operate. The Group is currently in substantial compliance with its obligations under the various SLPs submitted in respect of its operations. However, failure to comply with any of the obligations of the Group as set out in an SLP could adversely impact the Group's social licence to operate and may result in the suspension and/or cancellation of the affected mining right/s of the Group.

2. RISKS RELATING TO LEGAL AND REGULATORY MATTERS

2.1 **Failure to obtain or maintain required governmental permits, licences and approvals for the Group's mining and exploration activities or renewals thereof, or failure to comply with their terms and conditions could materially and adversely affect the Group**

The Group is a South African domiciled company with all of its operations located in South Africa, and, as such, the Group is subject to the risks associated with conducting business in South Africa, including the risks of changes in South Africa's laws and policies, including those relating to taxation, royalties, divestment, imports, exports, currency, repatriation of capital, environmental protection, ownership and management of natural resources, use of hazardous substances and explosives, prospecting, exploration, development of mines, productions and post-closure reclamation and rehabilitation, labour standards and occupational health and safety, and historic and cultural preservation. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations and changes to existing laws and regulations could cause additional expenses, capital expenditures, restrictions on or suspensions of the Group's operations and delays in the development of the Group's mining assets.

Under the applicable South African laws and regulations, the Group is required to obtain certain permits, licences and approvals for its mining and exploration activities, including, among others, mining rights, mining permits, prospecting rights, environmental authorisations, IWULs and atmospheric emission licences and to comply with their terms and conditions. Moreover, the Group is required to comply with the terms and conditions attached to such permits, licences and approvals, including filing of certain reports and plans with the relevant authorities from time to time. These permits, licences and approvals are issued by ministries and/or agencies of the South African government and are crucial to the Group's business operations. Although the Group has obtained or is applying for all consents necessary to conduct its business, there can be no assurance that the Group will obtain, retain, timeously renew or comply with all of the terms and conditions attaching to such consents. Any failure to obtain, renew or retain or any delay (and/or refusal by relevant government authorities) in obtaining, retaining or renewing any required permits, licences or approvals, may result in a delay in the Group's investment or development of a resource which may have a material adverse effect on the Group's results of operations, cash flows and financial condition. Additionally, the Group's existing licences, permits and other authorisations may be suspended, terminated or revoked if it fails to comply with the relevant requirements. Should the Group fail to fulfil the specific terms of permits, licences and other authorisations or if the Group operates its business in a manner that violates applicable law, regulators may impose fines or suspend or terminate such licences, permits or other authorisations. The failure to comply with the terms and conditions attached to such consents timeously and strictly in line with the applicable requirements could negatively affect the Group's operations, and subject the Group to a variety of administrative or criminal penalties, other government actions or reputational harm, which could have a material adverse effect on the Group's business, results of operations, financial position and/or growth prospects.

2.2 **The Group's mining rights in South Africa could be altered, suspended or cancelled for a variety of reasons, including uncertainties associated with national and local legislation**

The Group's mining rights are governed by various national and local laws, policies and regulations of South Africa which are characterised by significant uncertainties associated with both their formulation as well as implementation.

Should the Group breach any of its obligations in respect of its mining rights, such mining rights could be altered, suspended or cancelled.

Furthermore, if the Group is found not to be in compliance with certain of the other requirements stipulated in the MHSA, this may have a material adverse effect on its business, results of operations, financial position and/or growth prospects.

2.3 **The Group's mining rights are subject to compliance with certain Broad-Based Black Economic Empowerment ("B-BBEE") requirements which, if changed, could impose significant cost burdens and certain ownership requirements**

The MPRDA is the primary legislation that regulates the right to prospect and mine for minerals, and seeks to facilitate participation by HDSAs in South African mining ventures.

Complying with the South African government's B-BBEE requirements and HDSA regime is, under the MPRDA, a prerequisite for the grant of mining rights and discretionary in relation to prospecting rights, and non-compliance with these, or any other material terms or conditions of a right may result in termination or suspension of those rights. The B-BBEE requirements are aimed at remedying historical racial imbalances and include participation in the ownership and management of mining ventures, as well as human resources development, procurement, employment equity and rural and local community development requirements for black economic empowerment. A number of the B-BBEE requirements associated with the participation of HDSAs in mining ventures are subject to possible amendment and review by the South African government, as well as disputes in relation to the interpretation of such requirements. If the Group, as the holder of mining rights, does not comply with the requirements of the MPRDA or the material terms and conditions of such mining rights, including the relevant B-BBEE and HDSA requirements, its mining rights may be terminated or suspended.

In addition, the Group may, in the future, be required to incur significant costs to implement changes to its management and shareholding structure in order to comply with any amended requirements as a result of changes in law and any B-BBEE and HDSA requirements, and the interpretation of such new laws and requirements, which may have a material adverse effect on the Group's business, results of operations, financial position and/or growth prospects. For further information in relation to changes in law, see "*The Group's mining rights in South Africa could be altered, suspended or cancelled for a variety of reasons, including uncertainties associated with national and local legislation*".

2.4 **The Group's mining and prospecting rights are subject to legislation, which could impose significant costs and burdens**

Holders of mining or prospecting rights must comply with the provisions of the MPRDA and the terms and conditions on which the right was granted. Holders of prospecting rights must conduct prospecting operations in accordance with the approved prospecting work programme. For further information on the legislative requirements in relation to mining and prospecting rights under the MPRDA, see "*The Group's mining rights in South Africa could be altered, suspended or cancelled for a variety of reasons, including uncertainties associated with national and local legislation*". Mining right holders must conduct mining operations in accordance with the approved mining work programme and environmental management programme. Mining right holders must implement an approved SLP which is geared towards the socio-

economic development of host mine communities, creating employment and increasing training of employees. For further information on the Group's SLPs, see "*—Risks relating to the Group's business and industry—The Group's reputation in the communities in which it operates could deteriorate*". Prospecting fees are payable in accordance with the MPRDA and royalties for the disposal of mineral resources are payable in terms of the Mineral and Petroleum Resources Royalty Act No. 28 of 2008 (the "**Royalty Act**"). Under the terms of the Royalty Act, refined minerals attract a maximum royalty of 5% of the gross sales of the extractor (with a minimum of 0.5%) and unrefined minerals a maximum royalty limit of 7% (with a minimum of 0.5%). Coal is currently classified as an unrefined mineral in terms of the Royalty Act and attracts a royalty for unrefined minerals between 0.5% and 7% of gross sales. However, the Minister of Finance (the "**Finance Minister**") may announce a different formula to determine the mineral royalty percentage applicable to refined or unrefined minerals in the national annual budget. The possibility that the mineral royalty percentage could be changed by the Finance Minister creates uncertainty and may impede accurate business and financial planning, which could have a material adverse effect on the Group's results of operations, financial condition and/or prospects.

2.5 **Labour disputes and changes to labour laws in South Africa may result in additional operating costs or alter the Group's relationship with its employees**

Most of the Group's workforce is unionised, with the terms and conditions of their employment governed by collective bargaining agreements. A new two-year wage agreement was signed on 8 December 2020 and came into effect from 1 July 2020 with salary increases of 5.5% and 6.5% for each 12-month period of the agreement. The salary costs at 31 December 2020 were R4,379 million. Although management believes that the Group presently has good relations with its employees, there can be no assurance that future wage negotiations will not be accompanied by strikes, work stoppages or other disruptions. A major disagreement or prolonged wage or compensation negotiations between management and employees may result in unauthorised absences, work stoppages, equipment sabotage and/or picketing at the Group's facilities and mining operations. Whilst the Group has not experienced significant strike actions in the recent past, Mafube experienced sporadic work stoppages and associated reduced production outputs during November to December 2019 and Zibulo during October to November 2020 whilst proposed changes to employee benefits, such as production and safety bonus structures and targets, were being discussed with employee representatives. Furthermore, activist unions and rivalries between unions may destabilise labour relations in the Group's facilities and mining operations and lead to unplanned labour action. Significant labour disputes and work stoppages may disrupt the Group's operations. The Group may be forced to shut down processing plants and/or mining operations as a result of industrial action in the future. If the Group experiences labour-related interruptions at any of its operations, or increased employment-related costs, these may have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

On 23 November 2018, the President of South Africa signed into law the National Minimum Wage Act No. 9 of 2018, as amended (the "**NMWA**"), the Labour Laws Amendment Act No. 10 of 2018 (the "**Labour Laws Amendment Act**"), and the Basic Conditions of Employment Amendment Act No. 7 of 2018 (the "**BCEA Amendment Act**"), all of which became effective on 1 January 2019, save for the Labour Laws Amendment Act which became effective on 1 March 2019, with some provisions only effective on 1 April 2020.

The NMWA introduced a national minimum wage of R21.69 per hour that is applicable to all employees, while the BCEA Amendment Act introduced enforcement mechanisms for the provisions of the NMWA. The Labour Relations Amendment Act amended the Labour Relations Act No. 66 of 1995 (the "**Labour Relations Act**"), instituting changes mainly related to collective bargaining, the extension of bargaining council agreements to non-parties by the Minister of Employment and Labour (the "**Labour Minister**"), the prescribing of picketing rules, including providing for the extension of the meaning of ballot for a strike or lock-out to include a secret vote and the creation of an advisory arbitration panel to resolve strikes or lockouts that are, among other things, violent or cause national or local crisis affecting the conditions for the normal social and economic functioning of the community or society. The Labour Laws Amendment Act amended the Basic Conditions of Employment Act No. 75 of 1997 (the "**BCEA**") by introducing new types of leave that employees will be entitled to, such as parental, adoption and surrogacy leave, which varies between 10 days and 10 weeks. The Labour Laws Amendment Act also amended the Unemployment Insurance Act No. 63 of 2001 (the "**Unemployment Insurance Act**"), to allow employees to claim benefits in the event of parental adoption and surrogacy leave. Furthermore, the Employment Equity Act No. 55 of 1998 (as amended) (the "**EEA**") creates obligations and administrative requirements in respect of non-discrimination and equity in employment matters. Fines of up to R2.7 million or 10% of turnover related to the Group's operations, whichever is greater, may be imposed in the event of repeated non-compliance with certain provisions of the EEA. For further information in relation to the effect of increased labour costs, see "*—Risks relating to the Group's business and industry—Cost pressures and reduced productivity could negatively impact the Group's operating margins and expansion plans*". Non-compliance with the above could have a material adverse effect on the Group's business, operating results and financial condition.

2.6 **The Group's operations are subject to extensive environmental regulation, including existing and pending regulations relating to financial provisioning for remediation**

Mining activities inherently pose adverse impacts to the environment which must be effectively managed in accordance with the applicable environmental legislation. Additionally, the Group must comply with standards and/or consents, governing, among other things, land rehabilitation, tailing and waste disposal areas, water use, air emissions, water discharge, transportation of ore or hazardous substances, power use and generation and the use and storage of explosives. Environmental laws and regulations are continually changing and are generally becoming more stringent. The Group routinely monitors regulatory changes and has systems in place to ensure compliance with applicable environmental legislation. Nevertheless, changes to the Group's environmental compliance obligations or operating requirements could adversely affect the Group's rate of production and revenue. Changes to environmental requirements affecting the end users of the Group's thermal coal may adversely affect the Group's revenue.

Failure to obtain the required environmental consents, comply with such consents in respect of any of the Group's operations, the commission of environmental offences, variations in laws and regulations, as well as standards or operating procedures, the imposition of more stringent emission or pollution thresholds or controls, or the occurrence of environmental pollution events may require operations to be suspended or permanently interrupted. Any statutory contraventions arising in this respect may result in compliance and enforcement action being instituted against the Group by the relevant competent authorities, which may also result in the institution of criminal prosecution. This position may adversely affect the Group's results and financial condition.

Where environmental non-compliance has been identified in respect of some of the Group's operations, this could result in the DMRE, the Department of Environment, Forestry and Fisheries (the "DEFF") and the Department of Human Settlements, Water and Sanitation issuing compliance and enforcement action for such non-compliance. The issuance of any final compliance notices and/or directives represents significant enforcement action which may in some instances result in the suspension of mining activities at the relevant non-compliant operations, pending the rectification of the identified non-compliances being addressed to the satisfaction of the relevant competent authority. Failure to comply with a final compliance notice or directive is a criminal offence which attracts a fine and/or a period of imprisonment. The issuance of any such non-compliance notices against the Group could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

All of the Group's operating, closing and closed operations are required to have comprehensive closure plans in place, which include the proposed methods to rehabilitate disturbed land and remediation requirements for contaminated land, and end uses for land and infrastructure. Changes in circumstances and regulatory or community expectations may result in closure plans requiring revision and as the relevant closure date approaches, closure plans are expected to be updated with greater certainty. Furthermore, challenges may be faced in implementing existing closure plans or amendments may be required to closure plans to address new circumstances that come to light or to ensure appropriate rehabilitation and remediation of sites. These factors may impact financial closure provisions and costs.

Incidents that may occur or may have historically occurred at the Group's operations may have an adverse environmental impact, including the release of polluting substances from mining activities, contamination to the environment and water resources. In terms of the National Environmental Management: Waste Act No. 59 of 2008 (the "NEMWA"), the Minister of Environment, Forestry and Fisheries (the "Environmental Minister") or Environmental Member of the Executive Council can also identify an area as an investigation area if the Environmental Minister or Environmental Member of the Executive Council suspects that land may be contaminated as a result of high-risk activities having taken place or which are taking place that are likely to result in land contamination. Subsequently, the Environmental Minister or Environmental Member of the Executive Council can order that a site assessment be conducted in the investigation area and depending on the level of contamination identified in the assessment report, they may declare the land to be a remediation site and issue a remediation order to neutralise the contamination risk. Failure by the Group to comply with any of the obligations imposed under NEMWA may give rise to significant penalties, including the risk of criminal prosecution, which may have a material adverse effect on the Group's business, operating results and/or financial condition.

2.7 **The Group's actual costs of reclamation and mine closure may exceed current estimates, which may, along with the inability to safely close redundant operations, adversely affect the Group's business**

Under section 24P of the National Environmental Management Act No. 107 of 1998 (the "NEMA") and the 2015 Financial Provisioning Regulations, the Group is required to set aside financial provisions for the costs associated with the rehabilitation, closure and ongoing post-decommissioning management of negative environmental impacts arising from its prospecting, exploration, mining or production activities. As at 31 December 2020, the Group had recognised a provision of R6,450 million in its financial statements in respect of its financial provisioning obligations on the assumption that such remediation and mine closure activities would be conducted by the Group, and the equipment required to conduct such activities is available. However, there can be no assurance that the actual costs of rehabilitation and remediation of environmental impacts will be in line with the Group's provisioning, that the Group will conduct its own mine closure activities or that the estimated costs will not increase in the future when the Group's respective mine closure plans are updated in detail. If the Group's actual mine closure costs significantly exceed its estimates, this may have a material adverse effect on the Group's business, its operating results and/or financial condition.

The 2015 Financial Provisioning Regulations specify various procedures for how financial provision is to be made, audited and reviewed. Assessment under the 2015 Financial Provisioning Regulations, which are currently in force (but subject to a transitional deferral until 19 June 2021 in relation to existing mining rights holders), have led to significantly increased closure costs and are likely to significantly increase the amount of financial provisioning required to be set aside by existing rights holders, compared with the financial provisioning requirements that were previously required under the MPRDA and determined in accordance with a guideline document published by the DMRE. Companies with existing mining operations are required to comply with the requirements set out in the 2015 Financial Provisioning Regulations by 19 June 2021.

The regulation of financial provisioning is currently in a state of flux as the 2015 Financial Provisioning Regulations are expected to be replaced by a new set of regulations in the near future. A revised draft set of regulations were published in November 2017 and again in 2019 (the "2019 Financial Provisioning Regulations"), but are yet to be finalised.

As currently drafted, the proposed new financial provisioning regulations, the 2019 Financial Provisioning Regulations, will alter the way companies calculate financial provisioning. Although the 2015 Financial Provisioning Regulations have brought about a number of changes to the previous regime under the MPRDA regarding financial provisioning, it is likely that compliance with the new regulations will substantially increase the required quantum of financial provisioning made by companies with existing operations and provided for in the operating budget of applicants and holders of mining rights, rather than by the financial vehicles historically used by mining companies to provide for these provisions.

The reason for this increase in financial provisioning is mainly attributable to the change which specifies that latent or residual environmental impacts which may become known in the future will include the pumping and treatment of polluted or extraneous water. Although the Group currently recognises financial provisions for water treatment, as required under the new regulations, the Group uses a combination of passive and active water treatment technology, which may not be regarded as "immediately available" as required under the new regulations. Accordingly, the Group may, in addition to any incremental provisions required under the existing regulations, be required to make further financial provisions should the various water treatment technologies currently available to the Group not meet the requirements under the proposed new regulations.

The cost impact to the Group of maintaining the existing financial guarantees is expected to be approximately 0.8% (blended average) of the full value of the guarantees payable annually, and a further approximate 5.5% of the value of the guarantees will be paid annually into an investment account with funds becoming available only when these costs are actually incurred. If the 2019 Financial Provisioning Regulations are brought into force on their current terms, it is presently estimated that an additional annual charge (costs plus capital provision) of R350 million may arise to the Group, assuming broadly similar terms to what is currently available in the market.

In addition, there may be instances which may cause the Group to classify certain of its collieries as “closed and closing collieries”, which refer to collieries having ceased operations but that have yet to obtain final closure certificates. The inability of the Group to safely close such collieries may impact the safety, health and well-being of nearby communities, result in regulatory fines and penalties, as well as reputational damage to the Group, and may have a material adverse effect on the Group’s business, operating results and/or financial condition.

2.8 **The Group may be exposed to historical environmental liability risk in respect of its closed, closing or sold assets**

Section 28 of NEMA and section 19 of the National Water Act No. 36 of 1998 (the “**NWA**”) both impose a statutory duty of care for significant environmental pollution or degradation and require remedial measures to be taken in order to address any such environmental degradation, regardless of when it occurred. This duty applies retrospectively and may expose the Group to historical environmental liability risks in respect of its closed, closing or sold assets. Where no closure certificate has been obtained in respect of an asset owned or operated by the Group, it will be required to comply with the rehabilitation and closure obligations relating to that asset. If a closure certificate has been obtained in respect of an asset owned by the Group, and it owns and/or owned or has or had lawful access to or a right to use the land, it will be liable for any remediation or avoidance of further pollution, notwithstanding the issuance of the closure certificate. Alternatively, if the Group does not own or have lawful access to the land or a right to use the land relating to this category of asset, it may be liable for any remediation or avoidance of further pollution caused by it during its operations. Under NEMA, the liability of the mine continues post-closure indefinitely, notwithstanding the issuance of a closure certificate by the relevant minister, especially where the treatment of water is incorporated. Notwithstanding the onerous statutory duty imposed by NEMA and NWA, the Group may, in the future, be subject to further incremental legislation focused toward increased environmental liability and may result in significant costs being incurred well above costs anticipated by the Group. Any assessment and adverse finding on the Group of historical environmental liability, may result in significant costs being incurred by the Group, which may, in turn, have a material adverse effect on the Group’s business, operating results and/or financial condition.

2.9 **Regulation of greenhouse gas emissions and climate change issues may materially adversely affect the Group’s operations**

Energy is a significant input and cost to the Group’s mining and processing operations, with its principal energy sources being electricity and purchased petroleum products. The Group’s thermal coal is used for power generation and other energy intensive activities. A number of governments or governmental bodies, including the United Nations Framework Convention on Climate Change and the South African government have introduced or are contemplating regulatory changes in response to the potential impact of climate change, which may negatively impact the demand and price for thermal coal in the future.

The South African government introduced a carbon tax under the Carbon Tax No. 15 of 2019 (the “**Carbon Tax Act**”) with effect from 1 June 2019. The first phase of the Carbon Tax Act applies to scope 1 or direct emissions from 1 June 2019 to 31 December 2022. Under the first phase, the introduction of the carbon tax is not expected to have an immediate impact on the price of electricity. Although the basic rate is R120 per tonne, allowances under the Carbon Tax Act result in a carbon tax rate ranging from R6 to R48 per tonne of carbon dioxide equivalent emissions (“**CO₂e**”) emitted, escalating at CPI plus 2% per annum. The South African government indicated that a review of the impact of carbon tax will be conducted before the second phase, after at least three years of implementation of such tax. The impact and possible changes to the amount of carbon tax in future years is uncertain and may have a more significant impact on the Group’s operations than anticipated.

Simultaneously with the introduction of the carbon tax under the Carbon Tax Act, a carbon fuel levy was introduced under the Customs and Excise Act No. 91 of 1964, as part of the current South African fuel levy regime. The carbon fuel levy now includes a carbon levy, which applies to stationary and non-stationary mobile emissions resulting from the use of liquid fuels, mostly petrol and diesel. The carbon fuel levy on diesel and petrol, which came into effect on 5 June 2019, is 10c per litre and 9c per litre, respectively. In addition, a notice published in the South African Government Gazette on 31 May 2019 provided that, the carbon fuel levy was excluded from the diesel refund regime. As such, a person who becomes liable for the carbon fuel levy will not be able to claim a refund on the 8c per litre of diesel paid in respect of the carbon fuel levy on diesel.

In addition, the DEFF is currently working on draft legislation that will impose so-called “carbon budgets” on entities in identified high-emitting industries, including mining (the “**Climate Change Bill**”). The “carbon budgets” are intended to operate as statutory limits for CO₂e, emissions in excess of which may entail a fine or other punitive measures. The National Treasury and the DEFF have considered various options for aligning carbon tax with the carbon budgets, with the most recent proposal being that emissions below the carbon budget will be taxed according to the current tax design and those exceeding the carbon budget will be taxed at a much higher rate. Since the Climate Change Bill has not been promulgated, the Carbon Tax Act has not yet been amended to reflect this alignment at this stage. Once the Climate Change Bill is assented to as an act of parliament, the Carbon Tax Act can then be amended, accordingly.

There can be no assurance that the Group will be able to comply with limits for CO₂e emissions that may be imposed upon the mining industry by external regulators. In particular, limits on scope 3 emissions (which are indirect emissions occurring in the Group’s value chain, for example, purchased goods and services, use of sold products and transportation and distribution) may prove difficult for the Group to comply with. Additional, new and/or different regulations in this area, such as the imposition of stricter limits than those currently contemplated, could be enacted, all of which could have a material adverse effect on the Group’s business, financial condition, results of operations and/or prospects.

2.10 **The Group’s operations are dependent on access to water use rights and subject to water use regulation, which could impose significant costs and burdens as well as reputational harm to the Group**

South Africa is a water-scarce country, as a result of which the Group’s operations are subject to regulatory controls on its usage and disposal of water. Water scarcity may lead to increased regulatory scrutiny with regard to sustainable use and water-related discharges. The Group may therefore face increasing competition for water uses both in respect of surface and groundwater, which will not only have implications from a water allocation and entitlement perspective but may result in higher operating costs from a tariff perspective, as water use charges may increase. If water scarcity continues to become more acute, this will also raise risks in relation to the sustainability of supply, and there may be a need for the Group to implement new technology in order to use water more efficiently.

Under South African law, mining operations are subject to IWULs and/or other water use authorisations that govern an operation’s water usage and that require, among other things, the operations to achieve and maintain certain water quality limits regarding all water discharges

and impacts. IWULs are subject to regular reviews, and there may be stricter conditions imposed upon an operation in the event of a change in environmental circumstances, which would make compliance with such licences increasingly challenging. Any failure by the Group to achieve or maintain compliance with the requirements of any of its IWULs with respect to any of its operations, including poor water management and control of current operating mines and redundant operations, could result in the Group being subject to substantial claims, penalties, fees and expenses, significant delays in operations, or the suspension or withdrawal of its entitlement to use water and negatively impact operating licences and could have a material adverse effect on the Group's reputation, business, financial condition, results of operations and/or prospects.

2.11 **The Group is subject to land claims in South Africa**

The South African Restitution of Land Rights Act No. 22 of 1994 (the "**Restitution of Land Rights Act**") provides remedies for persons who were dispossessed of rights in land as a result of past racially discriminatory laws or practices. The SA Land Claims Court established in terms of the Restitution of Land Rights Act is empowered to make orders concerning the restoration of land (or any portion thereof), the payment of compensation (including to the landowner) by the State, compelling the State to include a claimant as a beneficiary in the State support programme for housing or granting the claimant an appropriate right in alternatively designated State land or with any alternative or appropriate relief.

Historically, the Anglo American Group has entered into a memorandum of understanding with the Department of Agriculture, Land Reform and Rural Development in terms of which it was agreed that all land claims relating to land owned by the Anglo American Group will be settled in a forum separate from the SA Land Claims Court. The memorandum of understanding also stipulates that the land claims made against the Anglo American Group will be researched by an independent specialist in order to validate the claim on the land. Neither the Company nor the Group currently has a similar arrangement with the Department of Agriculture, Land Reform and Rural Development and it is uncertain whether the Group will be able to conclude a similar arrangement. If the Group is unable to secure such an arrangement, all land claims to which it is subject will be heard in the SA Land Claims Court and the Group will have limited control over the appointment of the independent specialist.

There are currently several active land claims against the Group which must be investigated or which must be settled and finalised. The Group can give no assurance that the land claims currently being investigated, or any future land claim or other land claim of which it is not aware, will not be granted in favour of claimants and thereby have an adverse effect on its rights to the properties that are subject to the land claims, notwithstanding that the State may compensate the Group in such instances. In some instances it may be more appropriate for the Group to settle a land claim for financial compensation and such settlements may have an impact on the financial position of the Group.

2.12 **The Group may become subject to litigation which may have an adverse effect on its business**

The Group may be the subject of complaints and litigation from its customers, employees and other third parties, alleging injury, breaches of data protection or impact on health, environmental, safety, privacy, tax or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. Increasing attention on climate change issues may also lead to an increase in complaints and litigation on grounds of contribution to, or failure to mitigate the effects of, climate change. For example, the High Court of South Africa, Gauteng Provincial Division, Pretoria recently considered, in the case of *EarthLife Africa, Johannesburg v Minister of Environmental Affairs and Others*, the impact of a coal-fired power plant on global climate and its contribution to climate change should it continue to be operated until 2060. This was the first case of this nature to be adjudicated by South African courts and paves the way for additional litigation relating to the impacts of various actions on climate change. Additionally, there is an increase in the number of class action claims in respect of damages allegedly caused by contraventions of regulatory obligations, including in historical occupational health risks such as silicosis, pneumoconiosis or tuberculosis. For further information in respect of this, see "*Risks relating to the Group's business and industry—The Group's operations are subject to occupational health and safety legislation, the non-compliance with which or the occurrence of a major health and safety incident could lead to the suspension of operations, work stoppage, reputational damage and increased potential liabilities, including the suspension of the Group's mining rights*".

Any such claims, even if successfully defended, could have a material adverse effect on the Group's reputation and divert the attention of its management team. In addition, if the Group were to be found liable under any such claims, its business, results of operations, financial condition and/or prospects could be materially adversely affected.

2.13 **The Group's insurance coverage may prove inadequate to satisfy potential claims**

The Group may become subject to liability for pollution, occupational illnesses or other hazards against which it has not insured, cannot insure or has insufficiently insured, including those in respect of past mining activities. For examples of circumstances in which insurance programmes may not cover the Group's activities, see "*Risks relating to the Group's business and industry—Damage to, or breakdown of, a physical asset, including due to fire, explosion, natural catastrophe, theft or terrorism may adversely affect the Group's operating results and result in loss of revenue, loss of cash flow, adverse environmental impacts or other losses*". The Group's existing property and liability insurance contains exclusions and limitations on coverage.

The Group holds, and is in good standing, with statutory compensation insurers in respect of occupational injuries and diseases. However, the Group may become subject to liability for certain occupational diseases, such as asbestosis, silicosis, Coal Workers Pneumoconiosis and Chronic Obstructive Pulmonary Disease contracted by employees (currently or historically) for which compensation is regulated in terms of the Occupational Diseases in Mines and Works Act No. 78 of 1973 ("**ODIMWA**") and in respect of which employers cannot be indemnified for such liability. There is also a risk that the Group may become subject to liability for occupational injuries and diseases that may have been contracted by third-party contractors working at or in connection with the Group's operations for compensation in addition to that which those employees may be able to obtain through their own employer's insurance.

If the Group were to suffer a major loss, its future earnings and/or equity value could be adversely affected. In addition, insurance coverage, particularly for business interruption and asset damage, may be unavailable, more difficult to obtain through traditional sources and not continue to be widely available at economically acceptable premiums. As a result, in the future, the Group's insurance coverage may not cover the extent of claims against it, including, but not limited to, claims for environmental or industrial accidents, occupational illnesses or pollution or any cross-claims made.

2.14 **Failure to prevent acts of fraud, bribery, corruption or anti-competitive behaviour could adversely affect the Group's business**

Although the Group has put in place governance and compliance processes pursuant to the King Code, there is a chance that such processes may not prevent potential breaches of law or accounting or other governance practices in relation to fraud, bribery, corruption or anti-competitive behaviour. Any actual or alleged breach or breaches of relevant laws, including, among others, South African anti-bribery and corruption legislation may lead to regulatory and civil fines, litigation, public and private censure, loss of operating licences or permits, and prosecution and may damage the Group's reputation, any of which could have a material adverse effect on its business, financial condition and/or results of operations.

2.15 **Current Exchange Control Regulations in South Africa may have a negative impact on the Group**

South Africa's existing Exchange Control Regulations restrict the export of capital from South Africa. Transactions between South African residents (including companies) and non-residents (excluding residents of the Republic of Namibia and the Kingdoms of Lesotho and eSwatini, known collectively as the Common Monetary Area ("CMA")) are subject to exchange controls administered by the Financial Surveillance Department of the South African Reserve Bank ("SARB"). In February 2020, the Finance Minister announced a new capital flow management system in the 2020 Budget Speech in terms of which all foreign-currency transactions will be allowed, except for a risk-based list of capital flow measures. As at the Last Practicable Date, the framework of the new capital flow management system has been partially implemented, but the entirety of the scope is not yet known. The 2021 Budget Speech on 24 February 2021 stated the new capital flow management framework will continue to be implemented during 2021, although there has been an ongoing relaxation of current exchange controls with a view to easing controls and implementing a prudential based system. As a result, the Group's ability to raise and deploy capital outside the CMA is currently restricted, absent consent from an Authorised Dealer or the SARB, particularly any debt funding which the Group may require from offshore lenders. These restrictions could hinder the Group's financial and strategic flexibility, particularly its ability to raise debt from lenders not domiciled in South Africa or the CMA, unless the terms fall within the SARB's policy framework.

2.16 **Amendments to tax legislation, tax rates or the administration or interpretation thereof may impact the Group's business, results of operations, financial condition and/or prospects or potentially impact the Group's ability to supply products into certain markets**

The Group is subject to various direct and indirect taxes. Tax legislation or the administration or interpretation thereof is subject to change occasioned by amendments, court decisions and the respective revenue authorities' pronouncements on accepted practice in any of the jurisdictions in which the Group may operate. These changes could affect the Group's overall effective tax rate, thereby impacting its earnings, or could impact demand for the Group's products, which could, in turn, have a material adverse effect on the Group's business, results of operations and/or prospects.

Changes in tax legislation and policy could affect investor sentiment, making investment generally either more or less appealing. For example, the Group may be adversely affected by an increase in rates of South African capital gains tax ("CGT"), an increase in tax rates on cross-border products or a reduction in disposable income as a result of an increase in income tax or the introduction of wealth taxes.

The National Treasury recently proposed introducing a limitation in respect of the deductibility of net interest expense to 30% of the tax earnings before interest, taxes and depreciation with effect from the years of assessment commencing in 2021. Similarly, the Finance Minister in the 2020 Budget Speech proposed introducing a limitation in respect of the balance of assessed tax losses to be carried forward to 80% of taxable income. The introduction of both these measures have been temporarily deferred as part of the tax relief measures in response to COVID-19 and the Finance Minister in the 2021 Budget Speech proposed the postponement of these measures until 2022. In the 2021 Budget Speech, it was noted that, following consultation, the South African government proposes to expand the scope of the current interest limitation rules to adjust the fixed-ratio limitation for net interest expense to 30% of earnings, include some similar interest items and only restrict connected-party interest as opposed to total interest. The limitation on tax deductible interest and the limitation on the ability to offset prior year assessed losses against future income might adversely impact the future tax position of the Group.

The Group cannot predict the impact of future changes in tax legislation, or interpretation thereof. Amendments to existing tax legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules in South Africa or other jurisdictions where the Group operates, may have an impact on the investment decisions of either existing or potential Shareholders.

3. **RISKS RELATING TO AN INVESTMENT IN THE GROUP AND THE DEMERGER**

3.1 **Some or all of the anticipated benefits of the Demerger may not be realised**

There can be no guarantee that the anticipated benefits of the Demerger will materialise in full, in part or in a timely manner, or that unforeseen adverse consequences for the Group will not emerge as a result of the Demerger. For example, the costs to finalise the Demerger may be greater than anticipated, and future regulatory changes may diminish the anticipated regulatory benefits of the Demerger. In addition, the Company will incur some negative effects from its separation from Anglo American, including loss of access to the financial, managerial and professional resources as well as procurement synergies from which it had benefited in the past. If the benefits of the Demerger are not realised as expected and/or the Group incurs significant costs in realising them, this could have a material adverse impact on the Group's results.

3.2 **The Group's future financial performance is uncertain and the Combined Carve-out Historical Financial Information is not necessarily indicative of the Group's future financial condition**

The Combined Carve-out Historical Financial Information does not reflect what the Group's financial condition, results of operations or cash flows would have been as an independent public company during the periods presented and are not necessarily indicative of its future financial condition, future results of operations or future cash flows. This is primarily a result of the following factors:

- the Group's Combined Carve-out Historical Financial Information reflect charges for services historically provided by Anglo American, and those charges may be different from the comparable expenses the Group would have incurred as an independent company;
- the Group's working capital requirements historically have been satisfied as part of Anglo American's corporate-wide cash management programmes, and the Group's cost of debt and other capital may be different from that reflected in its Combined Carve-out Historical Financial Information;

- the Combined Carve-out Historical Financial Information may not fully reflect the increased costs associated with being an independent public company, including significant changes that will occur in the Group's cost structure, management, financing arrangements and business operations as a result of the Demerger, including all the costs related to being an independent public company; and
- the Combined Carve-out Historical Financial Information may not fully reflect the effects of certain liabilities that will be incurred or assumed by the Group and may not fully reflect the effects of certain assets that will be transferred to, and liabilities that will be assumed by, Anglo American.

3.3 The Company has no history of operating as a stand-alone public company and will likely incur significant expenses to create the corporate infrastructure necessary to operate independently, and will experience increased ongoing costs in connection with being an independent public company

The Company has historically used Anglo American's corporate infrastructure to support many of its business functions. The expenses related to establishing and maintaining this infrastructure have historically been spread among all of the Anglo American businesses. Following the Demerger, the Company will no longer have access to Anglo American's infrastructure, and will need to establish its own. Anglo American provides certain purchasing, corporate communications, human resources and benefit management, treasury and finance, investor relations, internal audit, legal and tax advice, compliance regarding internal controls and information technology services to the Company.

The total cost of services provided by Anglo American, including insurance charges of R223 million, was R802 million in FY20. Following the Demerger, the Company will assume responsibility for the costs of these functions. Accordingly, the Combined Carve-out Historical Financial Information is not necessarily indicative of the Group's future performance and cost and does not reflect what the Group's actual financial performance would have been had the Company been an independent publicly traded company during the periods presented. Management expects, subject to the finalisation of the Company's plans, that the total annual costs for the abovementioned functions will be approximately R700 million in FY21, including third party insurance charges. However, management also expects that the Group will benefit from certain rationalisations, including the renegotiation of contracts, which should offset these incremental expenses. Following the Demerger, Anglo American will continue to provide some of these services to the Group on a transitional basis for a period expected to be up to 18 months, pursuant to the Group Transitional Services Agreement between the Company and Anglo American signed on 20 March 2021. The Company cannot, however, be certain that all these functions will be successfully executed by Anglo American during the transition period or that the Company will not have to expend significant efforts or costs materially in excess of those estimated in the Transitional Services Agreement and the Group Transitional Services Agreement.

In addition, the Group has entered into an offtake agreement with AAML, a subsidiary of Anglo American, whereby AAML will purchase all saleable export thermal coal produced by the Group for a period of three years with an additional six-month transitional period thereafter, after which the Group will need to establish and procure its own marketing and sales operations. The offtake agreement provides, that during the additional six-month handover period AAML will assist the Group with the transition to its preferred arrangements. The costs associated in connection with establishing the necessary infrastructure enabling the Group to operate as an independent public company may exceed the amounts reflected in the Combined Carve-out Historical Financial Information or that the Company has agreed to pay Anglo American during the transition period. Any interruption in these services or arrangements could have a material adverse effect on the Group's financial condition, results of operations and/or cash flows. Further, at the end of this transition period, the Company will need to perform these functions itself or hire third parties to perform these functions on its behalf.

3.4 The Group will not be able to rely on Anglo American to fund its future capital requirements and financing from other sources may not be available on favourable terms

The Group's capital needs have previously been satisfied by Anglo American, however, following the Demerger, Anglo American will no longer provide funds to finance the Group's working capital or other cash requirements. The Group's future capital and funding requirements will depend on many factors, including its revenues, which are primarily driven by the Group's production levels and its realised thermal coal price, its wages, royalties and other fees, its rate of growth, exploration efforts, infrastructure investment and its maintenance requirements. The Group may need to raise additional funds through public or private equity or debt financing. For further information, see "*Risks relating to the Group's business and industry—Demand for the Group's thermal coal and market for its Shares, as well as the Group's ability to access capital markets and obtain financing, insurance and environmental rehabilitation guarantees on favourable terms may be significantly impacted by: (i) increased regulation from governmental and regulatory authorities; and (ii) the lending and investment policies adopted by financial institutions, institutional investors and insurance companies and the actions of non-governmental organisations relating to the environmental impacts of coal combustion, including impacts to the global climate. These activities, generally referred to as ESG pressures and developments may potentially materially and adversely impact the Group's future financial results, liquidity and growth prospects*". Management expects that the Company's credit rating will not be investment grade and, as a consequence, it may not be able to obtain financing with interest rates as favourable as those that it could benefit from while a member of the Anglo American Group. Furthermore, following the Demerger, the Group's operations will be concentrated in South Africa and as noted above, certain factors beyond the Group's control may negatively influence investors' risk perceptions of South Africa or emerging markets generally, and negatively impact the Group's access to international capital markets. See "*Risks relating to the Group's business and industry—Economic, political or social instability in South Africa may have a material adverse effect on the Group's operations and profits*". If the Group cannot raise funds on acceptable terms if and when needed, it may not be able to further develop its business or invest in new products and services, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows and impact its financing obligations.

3.5 The Company faces significant costs to operate as a public company in compliance with regulatory requirements and will require management to devote substantial time to comply with public company regulations

Following the Demerger, the Company will be directly subject to reporting and other continuing obligations under the JSE Listings Requirements, the UK Listing Rules, MAR and the UK Disclosure and Transparency Rules. This includes the requirement to file the Company's annual financial reports for the financial year ending 31 December 2021. As the Group's financial results were previously included within the consolidated results of Anglo American, these reporting and other obligations will place significant incremental demands on the Company's management as well as its administrative and operational resources, including accounting resources. To comply with these requirements, management anticipates that the Company will need to upgrade its systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and finance staff. Management expects to incur additional annual expenses related to these steps, and those expenses may be significant. Management cannot be certain that any necessary upgrade of its financial and management controls, reporting systems, information technology and procedures will occur as

expected, or that these management controls, reporting systems, information technology or procedures ensure compliance with financial reporting requirements and other rules that apply to reporting companies under the JSE Listings Requirements, UK Listing Rules, MAR and the UK Disclosure and Transparency Rules. Any failure to achieve and maintain effective internal controls could have a material adverse effect on the Group's reputation, its business, financial condition, results of operations and/or cash flows.

3.6 **The agreements entered or to be entered into by the Company in connection with the Demerger expose the Group to counterparty risk**

In anticipation of, and in connection with, the Demerger, the Company has entered into agreements with various members of the Anglo American Group, including:

- the Demerger Agreement;
- the Transitional Services Agreement;
- the Group Transitional Services Agreement;
- the Indemnity Agreement;
- the Offtake Agreement;
- the Capital Support Agreement;
- the Intragroup Sale Agreement;
- the Option Agreement; and
- the Management Services Agreement.

If the Anglo American Group fails to meet its obligations under any of the agreements or fails to provide the services and other information in a timely manner or as required under the relevant agreement, such failure could negatively impact the Group's operations or the orderly implementation of the Demerger. This could, in turn, have a material adverse effect on the Group's business, operating results, financial condition and/or prospects.

4. **RISKS RELATING TO THE SHARES**

4.1 **There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained**

There is currently no active public trading market for the Shares. Although the Shares are expected to be listed on the JSE and the LSE pursuant to the Admissions, there is no guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be maintained. If no active trading in the Shares develops or continues after the Admissions, this could have a material adverse effect on the liquidity and the market price of the Shares.

The trading price of the Shares may be subject to significant fluctuations in response to many factors, including short-term selling pressures, equity market fluctuations, general economic conditions and regulatory changes which may adversely affect the market price of the Shares, regardless of the Group's actual performance or conditions in its key markets and may therefore not reflect the fundamental values assumed by the Group and the Financial Advisers in determining the opening price for the Shares on Admissions.

4.2 **The market price of the Shares may be volatile and subject to fluctuations, including significant decreases, due to, amongst other factors, flowback**

Following the Admissions, the market price of the Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the financial performance of the Group. These include changes in general market conditions, the general performance of the exchanges on which the Shares are listed and traded, changes in sentiment in the market regarding the Shares (or securities similar to them), potential or actual sales of the Shares in the market by Shareholders either voluntarily or in forced transactions as a result of restrictions on the types of securities they can hold in their portfolios, regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments for the Group or their competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, exchange rate fluctuations, perceptions of economic and political risk or speculation about the Group in the press, media or the investment community. The sale of shares in such circumstances is commonly known as "flowback". The price and liquidity of the Shares may also vary between the exchanges on which they are listed, including as a result of differences in the rates of applicable transfer taxes. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events or others could result in a decline in the market price of the Shares, thereby adversely affecting the market price of the Shares.

4.3 **The market price of the Shares may not reflect the fundamental values assumed in this Document, the Competent Persons' Reports and other publicly available information**

The market price of the Shares is determined by a number of factors and as such the price offered by the market may deviate from a fundamental price of the Group's business derived from the information provided in this Document, the Competent Persons' Reports and other publicly available information. The market price of the Shares is determined by a number of factors including, but not limited to, market sentiment towards the commodity, supply and demand outlook, overall market sentiment to equity investment, operational performance of the Group, political, social and economic conditions in South Africa, market sentiment towards the Shares and other investable options.

4.4 **The Company may not be able to declare and make dividend payments now or in the future**

The Company may not be able to, or may decide not to, pay dividends at a level anticipated by the Shareholders. As a holding company, its ability to pay dividends in the future is affected by a number of factors, principally the Company's ability to receive sufficient dividends from its subsidiaries. The payment of dividends by subsidiaries is, in turn, subject to restrictions, including regulatory non-objection or approval, the existence of sufficient distributable reserves and cash in those subsidiaries. As the payment of dividends is also at the discretion of the Directors, it will be subject to, among other things, applicable law, regulations, any potential restrictions in the Group's financing arrangements, financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors that the

Directors deem significant from time to time. The Group's results could also fluctuate and because its ability to pay dividends is dependent on, among other things, achieving sufficient post-tax profits and free cash flow, the Company may not pay dividends if the Directors believe this would cause the Company to be less than adequately capitalised or that there are otherwise insufficient distributable reserves. These restrictions or a combination of some of these factors could limit or prohibit the payment of dividends to Shareholders.

4.5 **Future sales or new issuances of substantial numbers of Shares, or the perception that such sales or issues could occur, may dilute existing shareholdings and could adversely affect the market value of the Shares**

Other than the proposed issue of the Shares, the Company has no current plans for an offering of the Shares. In particular, the Company may be subject to restrictions on the issue of new shares until a certain date after the Admissions. It is possible that the Company may decide to issue additional shares in the future in connection with future acquisitions, any share incentive or share option plan or otherwise and, if Shareholders do not take up any offer or are not eligible to participate, their proportionate ownership and voting interests in the Company will be reduced and the percentage that their Shares will represent of the total share capital of the Company will be reduced accordingly. A future equity issue or significant sale of Shares by major Shareholders could have a material adverse effect on the market price of the Shares as a whole.

4.6 **Shareholders outside the United Kingdom and South Africa may not be able to participate in future equity offerings**

The Company MOI provides for pre-emptive rights to be granted to Shareholders upon the issue of new Shares, unless these rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict the ability of the Company to allow participation by their respective shareholders in future offerings. In particular, Shareholders in the United States may not be entitled to exercise these rights unless either the rights and Shares are registered under the US Securities Act, or the rights and Shares are offered pursuant to an exemption from, or the transaction is not subject to, the registration requirements of the US Securities Act. Shareholders who have a registered address or are resident in, or who are citizens of, countries other than South Africa or the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or approvals or need to observe any other formalities to enable them to participate in any future equity offering of the Company.

PART III – IMPORTANT INFORMATION

1. GENERAL

In making an investment decision, each shareholder must rely on their own examination, analysis and enquiry of the Company, the Group, the Demerger, the Shares and the terms and conditions of the Admissions, including the merits and risks involved. Shareholders should only rely on the information in this Document in relation to holding the Shares. Nothing contained in this Document is, or shall be relied upon as, a promise or representation by any of the Financial Advisers as to the past, present or future.

Neither Anglo American nor the Company accepts any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Admissions or the Group. Neither Anglo American nor the Company make any representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Shareholders should not treat the contents of this Document as advice relating to legal, taxation, investment or any other matters and should consult their own professional advisers concerning the consequences of them receiving, acquiring, holding or disposing of Shares. Shareholders should inform themselves as to, among other matters:

- the legal requirements within their own countries for the receipt, acquisition, purchase, holding, transfer or disposal of the Shares;
- any foreign exchange restrictions applicable to the receipt, acquisition, purchase, holding, transfer or disposal of Shares which they might encounter; and
- the income and other tax consequences which may apply to them, in South Africa, the UK and their jurisdiction of residence, as a result of the receipt, acquisition, purchase, holding, transfer or disposal of the Shares. Shareholders must rely upon their own representatives, including their own legal advisers and accountants, and not those of the Company, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

The information contained in this Document constitutes factual information as contemplated in section 1(3)(a) of the Financial Advisory and Intermediary Services Act No. 37 of 2002 and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Shares is appropriate to the particular investment objectives, financial situations or needs of a shareholder.

This Document has been approved by: (i) the JSE Limited as a pre-listing statement in accordance with the JSE Listings Requirements; and (ii) the FCA as a prospectus prepared in accordance with the UK Prospectus Regulation Rules made under section 73A of the FSMA.

This Document has been approved by the FCA, as competent authority under the UK Prospectus Regulation. The FCA only approves this Document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation in respect of a prospectus. Such approval should not be considered as an endorsement of the Company that is, or the quality of the Shares that are the subject, of this Document. Investors should make their own assessment as to the suitability of investing in the Shares.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Advisers in terms of applicable laws and regulations, neither of the Advisers nor any person affiliated with them accepts any responsibility whatsoever, nor makes any representation or warranty, express or implied, in respect of the contents of this Document and/or any information incorporated by reference, including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them, or on behalf of them, in connection with the Company, the Group, the Demerger and/or the Admissions and nothing in this Document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. The Advisers accordingly disclaim, to the fullest extent permitted by applicable law, all and any responsibility and liability whatsoever, whether arising in delict, tort, contract or otherwise (save as referred to above) which any of them might otherwise have in respect of this Document.

The JSE Sponsor is acting exclusively for the Company and the Advisers are acting exclusively for Anglo American and the Company and no one else in connection with the Admissions. They will not regard any other person (whether or not a recipient of this Document) as their respective customers in relation to the Admissions and will not be responsible to anyone other than Anglo American and the Company for providing the protections afforded to their respective customers, nor for giving advice in relation to the Admissions or any transaction or arrangement referred to in this Document.

The statements contained in this Document are made as at the date of this Document, unless some other time is specified in relation to them, and issuance of this Document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained in this Document shall be deemed to be a forecast, projection or estimate of the future financial performance of the Company or the Group, except where otherwise stated. The statements contained in this Document are also made on the basis of the Group as it will exist on implementation of the Demerger and the Admissions.

2. NOTICE TO SHAREHOLDERS

The release, publication or distribution of this Document in jurisdictions other than South Africa and the UK may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than South Africa or the UK should inform themselves about, and observe, any applicable requirements. Failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdiction. To the fullest extent permitted by applicable law, Anglo American and the Company disclaim any responsibility or liability for the violation of such restrictions or requirements by any person. This Document and any accompanying documents have been prepared to comply with South African and UK law and the information disclosed may not be the same as that which would have been disclosed if this Document had been prepared in accordance with the laws and regulations of any jurisdiction outside South Africa and the UK.

This Document does not constitute an offer to sell or issue, or the solicitation of any vote or approval or an offer to buy or subscribe for, any security, nor shall there be any sale, issuance, transfer or delivery of the securities referred to in this Document in any jurisdiction in contravention of applicable law, or where further action is required for such purpose. This Document has been prepared to facilitate the Admissions of the Shares only.

The Shares to be issued as part of the Demerger are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) and, as a consequence, have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States.

3. **FORWARD-LOOKING STATEMENTS**

This Document and the information incorporated by reference include statements that are, or may be deemed to be, "forward-looking statements" within the meaning of the securities laws of certain jurisdictions. Without limitation, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "aims", "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "should" or "will", or, in each case, their negative, other variations or comparable terminology of similar substance, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements include all statements in relation to matters that are not historical facts. Forward-looking statements include, but are not limited to, statements regarding: (i) Anglo American and/or the Company and their respective groups' intentions, beliefs or current expectations concerning, among other things, future capital expenditures, results of operations, prospects, growth, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, losses and future prospects, dividends, strategies and expectations of their respective businesses; (ii) the Demerger and/or Admissions and their respective successful implementation; and (iii) the effects of government regulation on the Company's business.

By their nature, forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions related to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the actual results of Anglo American and/or the Company and their respective groups' operations, financial condition or liquidity, and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, suggested by, or implied in any forward-looking statements contained in this Document. In addition, even if the results of operations and the development of the markets and the industry in which Anglo American and/or the Company and their respective groups operate, are consistent with any forward-looking statements contained in this Document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by any forward-looking statements, including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development and the other factors discussed in the section titled "Part II—Risk Factors" and elsewhere in this Document.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Document reflect the Company and the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Anglo American and/or the Company and their respective groups' operations, results of operations and growth strategy. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as at the Last Practicable Date.

None of Anglo American, the Company or any member of their respective groups undertakes or is subject to any obligation to update the forward-looking statements to reflect actual results or any change in events, conditions or assumptions or other factors unless otherwise required by the JSE Listings Requirements.

These forward-looking statements speak only as at the Last Practicable Date. Except as required by the JSE Listings Requirements, the JSE, the FCA, the LSE, the UK Prospectus Regulation Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, the MAR or applicable law, Anglo American or the Group does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the JSE Listings Requirements, the FCA, the JSE, the LSE, the UK Prospectus Regulation Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, the MAR or applicable law, Anglo American and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto of any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Document might not occur. Shareholders should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Document.

4. **MARKET AND INDUSTRY INFORMATION**

All references to industry forecasts, industry statistics, market data and market share in this Document comprise estimates compiled by analysts, competitors, industry professionals and organisations, of publicly available information or of the Group's own assessment of its markets and sales. The Company obtained market data and certain industry forecasts used in this Document from reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by Wood Mackenzie. Such information should not be relied upon in making, or refraining from making, any investment decision.

Statements based on the Company's own estimates, insights, opinions or proprietary information contain words such as "believe", "expect" and "see" and, as such, do not purport to cite, refer to or summarise any third-party or independent source and should not be so read.

This Document contains statistics, data and other information relating to markets, market positions, market shares, market sizes and other industry data pertaining to the Group's business and markets. The information in this Document that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Company is aware and able to ascertain from the information published by that third-party, no facts have been omitted that would render the reproduced information provided inaccurate or misleading.

Industry publications and market studies generally state that their information is obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections that they contain are based on a number of significant assumptions. Where third-party information has been sourced in this Document, the source of such information has been identified.

In this Document, certain statements are made regarding the Group's competitive and market position. The Company believes these statements to be true, based on industry statistics and market data, but the Company has not independently verified the information. The Company cannot guarantee that a third-party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Group's competitors may define their markets and their own relative positions in these markets differently than the Group does and may also define various components of their business and operating results in a manner which makes such figures incomparable with the Group's figures.

5. SUPPLEMENTS

If a significant new factor, material mistake or inaccuracy relating to the information included in this Document arises or is noted between the date of this Document and the First Trading Date, a supplement to this Document will be published in accordance with relevant provisions under the JSE Listings Requirements and the UK Prospectus Regulation Rules. Such a supplement will be subject to approval by the JSE in accordance with the JSE Listings Requirements and the FCA in accordance with the UK Prospectus Regulation Rules, and will be made public in accordance with the relevant provisions of the JSE Listings Requirements and the UK Prospectus Regulation Rules. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Statements contained in any such supplement (or contained in any document incorporated by reference in such supplement) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Document or in a document that is incorporated by reference in this Document. Any supplement shall specify which statement is so modified or superseded and shall specify that such statement shall, except as so modified or superseded, no longer constitute a part of this Document.

6. ENFORCEMENT OF FOREIGN JUDGMENTS IN SOUTH AFRICA

The Company is a public company incorporated under the laws of South Africa with all of the Group's assets located in South Africa. In addition, most of the Directors of the Company and members of Senior Management are resident in South Africa. As a result, it may not be possible for Shareholders to effect service of process upon such persons or to enforce any judgments obtained in the courts of foreign jurisdictions against them.

As a matter of policy, South African courts are inclined to enforce foreign judgments provided certain thresholds are satisfied, particularly in view of the principles of comity and reciprocity. Foreign judgments in this context would include judgments procured from other national courts, as well as international judicial forums or tribunals. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action that will be enforced by South African courts provided that:

- the court that pronounced on the judgment had jurisdiction and international competence to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts. A foreign judgment may not be recognised in South Africa if the foreign court exercised jurisdiction over the defendant in circumstances where a South African court would not exercise jurisdiction over a defendant (even where the foreign court exercised jurisdiction in line with its domestic procedures);
- the judgment is final and conclusive (that is, it cannot be altered by the court that pronounced it);
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice, which require that the documents initiating the foreign proceedings were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal. Usually, a fundamental breach of justice or procedural unfairness is relevant and not merely minor procedural irregularities;
- the judgment was not obtained by fraudulent means;
- the judgment must not be in conflict with a South African statute;
- the judgment does not involve the enforcement of a penal or revenue law of the foreign state; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the South African Protection of Businesses Act No. 99 of 1978 (the "**Protection of Businesses Act**"). The Protection of Businesses Act requires that consent of the Minister of Economic Development is sought for enforcement of certain judgments, but South African courts have, to date, interpreted this requirement as applying only in circumstances where the claim is connected in one or other way to raw materials and products.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system, such awards handed down in foreign jurisdictions are not necessarily contrary to public policy. Whether or not the enforcement or recognition of a foreign judgment is contrary to public policy will depend on the facts of each case. Exorbitant, unconscionable or excessive awards will generally be contrary to public policy. In this respect, in one instance, an award of punitive damages, which was equivalent to 100% of ordinary damages, was held to be excessive and was not enforced, but much will depend on the circumstances of the case. South African courts will not enter into the merits of a foreign judgment and will not act as a court of appeal or review over a foreign court. The South African courts' assessment of foreign judgments is usually confined to jurisdictional and procedural matters, although public policy (including considerations pertaining to the Constitution of the Republic of South Africa, 1996 (the "**Constitution**")) imports certain substantive dimensions.

South African courts will usually implement their own procedural laws and, where an action based on a contract governed by a foreign law is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on the securities laws and regulations of the foreign jurisdictions can be brought before South African courts.

7. DATE OF THIS DOCUMENT

The statements contained in this Document are made as at the date of this Document, unless some other time is specified in relation to them, and issuance of this Document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained in this Document shall be deemed to be a forecast, projection or estimate of the future financial performance of Anglo American, the Company or their respective groups, except where otherwise stated.

8. INFORMATION NOT CONTAINED IN THIS DOCUMENT

No person has been authorised to give any information or make any representation other than those contained in this Document and, if given or made, such information or representation must not be relied upon as having been so authorised by or on behalf of the Company, Anglo American, the Directors, the JSE Sponsor and the Advisers as to the accuracy or completeness of such information. The delivery or publication of this Document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Document or that the information in this Document is correct as at any time subsequent to the date of this Document.

9. **DEFINITIONS**

Certain terms used in this Document, including all capitalised terms and certain technical and other terms, are defined and explained in “Annexe 17—Definitions, Glossary and Interpretation” and in “Annexe 18—Technical Definitions and Glossary”.

10. **NO INCORPORATION OF WEBSITE INFORMATION**

Other than as specifically stated in this Document, the contents of the Company’s website, any website mentioned in this Document or any website, directly or indirectly, linked to these websites have not been verified and are not incorporated into and do not form part of this Document, and Shareholders should not rely on such information.

PART IV – CORPORATE INFORMATION

Directors

Independent Non-executive Directors

Sango Siviwe Ntsaluba (Chairperson)
Benjamin Monaheng (Ben) Kodisang
Kholeka Winifred Mzondeki
Thero Micarios Lesego Setiloane

Non-executive Directors

Seamus Gerard French*

Executive Directors

July Ndlovu (CEO)
Gideon Frederick (Deon) Smith (CFO)

Registered office

Thungela Resources Limited
formerly K2021303811 (South Africa) Proprietary Limited and
Thungela Resources Proprietary Limited
(Registration number: 2021/303811/06)
25 Bath Avenue
Rosebank, 2196
South Africa
(PO Box 1521, Saxonwold, 2132)
(Registered and incorporated on 5 January 2021 as a private company and
converted to a public company in South Africa on 17 March 2021)

Company Secretary

Daniel Francois Klem
Chartered Secretary
25 Bath Avenue
Rosebank, 2196
South Africa
(PO Box 1521, Saxonwold, 2132)

Financial Adviser

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
and
South Tower, 140 West Street
Floor 10
Sandton, 2196
South Africa

JSE Sponsor and Financial Adviser

Rand Merchant Bank (a division of FirstRand Bank Limited)

1 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton, 2196
South Africa

Auditor and independent reporting accountant for purposes of the JSE Listings Requirements

PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Jukskei View, 2090
South Africa

Transaction Advisers

KPMG Services Proprietary Limited

85 Empire Road
Parktown, 2193
South Africa

Independent reporting accountant for purposes of the UK Prospectus Regulation Rules

PricewaterhouseCoopers LLP

1 Embankment Place
London
WC2N 6RH
United Kingdom

KPMG LLP

15 Canada Square
London E14 5GL
United Kingdom

* Seamus French's appointment is conditional upon the implementation of the Demerger and will therefore, if the Demerger becomes unconditional, only become effective at the Demerger Effective Time.

JSE Transfer Secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa

Jersey Registrar

Computershare Investor Services (Jersey) Limited

Queensway House
Hilgrove Street, St Helier
Jersey, Channel Islands

Legal adviser to the Company as to South African law

Webber Wentzel

90 Rivonia Road
Sandton, 2196
South Africa

Legal adviser to the Company as to English and US law

Linklaters LLP

One Silk Street
London
EC2Y 8HQ
United Kingdom

Independent Competent Person (in respect of all CPRs other than the Elders Project)

SRK Consulting (South Africa) Proprietary Limited

265 Oxford Road
Illovo, 2196
South Africa

Independent Contractor

Wood Mackenzie Asia Pacific Pte Ltd

3 Church Street
#29-01 Samsung Hub
Singapore, 049483
Singapore

Independent Competent Person (in respect of the Elders Project CPR)

Ukwazi Mining Studies Proprietary Limited

Unit DSF01, 2nd Floor, Block D
Southdowns Office Park
22 Karee Street
Centurion, 0157
South Africa

PART V – EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The definitions and interpretations contained in “Annexe 17—Definitions, Glossary and Interpretation” apply to this “Part V—Expected Timetable of Principal Events”, except where otherwise indicated.

An explanation of the principal events and action to be taken in relation to the Demerger can be found in the Scheme Circular.

The following indicative timetable sets out expected dates for the implementation of the Admissions. All references to times are to South African time unless otherwise stated.

Event	Time and/or date ⁽¹⁾
Publication of this Document	Thursday, 8 April 2021
Abridged Document published on SENS	Thursday, 8 April 2021
Abridged Document published in the South African press	Friday, 9 April 2021
Last day for transfers of Anglo American Shares between the LSE and the JSE ⁽²⁾	Wednesday, 2 June 2021
Last day to trade in Anglo American Shares on the JSE in order to participate in the Demerger ⁽³⁾	Friday, 4 June 2021
Demerger Record Time	19:30 on Friday, 4 June 2021
Demerger Effective Time	21:00 on Friday, 4 June 2021
Admission of the Shares to the JSE and commencement of unconditional dealings in Shares on the JSE	09:00 on Monday, 7 June 2021
Admission of the Shares to the LSE and commencement of unconditional dealings in Shares on the LSE	08:00 (London time) on Monday, 7 June 2021
Crediting of Company DIs to CREST accounts	As soon as possible after 08:00 (London time) on Monday, 7 June 2021
Anglo American Shares trade “ex” entitlement to receive Shares	Monday, 7 June 2021
Announcement to be released on SENS on the fractional cash proceeds in respect of fractional entitlements	by 11:00 on Tuesday, 8 June 2021
Record date for JSE settlement purposes	Wednesday, 9 June 2021
Dematerialised/Uncertificated Shareholders’ CSDP and/or Broker accounts expected to be updated and credited with Shares	Thursday, 10 June 2021
Transfers of Anglo American Shares between the LSE and the JSE re-opens	Thursday, 10 June 2021
Despatch of share certificates for Shares (where applicable)	by Friday, 11 June 2021

Note:

⁽¹⁾ The expected dates and times listed above and mentioned throughout this Document that fall after the date of publication of this Document are indicative only and may be subject to change without further notice. Any material changes will be announced on SENS, RNS and published in the South African press.

⁽²⁾ This is the last day on which transfer instructions must have been received by Anglo American’s registrars to process transfers between the Anglo American Registers in order to participate in the Demerger. Any instructions received after this date will not be processed until transfers between the Anglo American Registers re-open on Thursday, 10 June 2021.

⁽³⁾ Anglo American Shareholders who hold their Anglo American Shares on the Anglo American SA Register should anticipate their holdings of Anglo American Shares at the Demerger Record Time by taking into account all unsettled trades concluded on or before the last day to trade which are due to be settled on or before the record date for JSE settlement purposes.

PART VI – OVERVIEW OF THE DEMERGER AND FORMATION OF THE GROUP

1. INTRODUCTION

On 7 May 2020, Anglo American announced that it was working towards an exit from its SA Thermal Coal Operations, with a preference for a standalone listing and demerger.

Anglo American will be separating its SA Thermal Coal Operations by way of a transfer thereof to the Company and the Demerger of the Company from the Anglo American Group. The Company is incorporated in South Africa and all of the issued, and to be issued, Shares of the Company are expected to be admitted to the main board of the JSE as a primary listing and admitted to the standard listing segment of the UK Official List and to trading on the main market for listed securities on the LSE.

2. OVERVIEW OF THE DEMERGER

The Demerger of the Company from the Anglo American Group will be implemented by way of a scheme of arrangement (including an *in specie* reduction of capital), which is a process requiring approval by the UK High Court under the UK Companies Act (the “**Scheme**”). Under the Scheme and pursuant to the reduction of capital, Anglo American’s share premium account will be reduced by US\$1,800 million and part thereof will be returned to Anglo American Shareholders through the transfer by Anglo American of all of the issued Shares of the Company to Anglo American Shareholders in the ratio of one Share for every ten Anglo American Shares held at the Demerger Record Time. For Shareholders who hold Anglo American Shares on the UK Register, the Company will enter into depositary arrangements to enable such Shareholders to hold, and settle transfers of, the Shares through CREST in the form of the Company DIs. Each Company DI will represent an entitlement to one underlying Share. The overall effect of the Demerger is therefore to transfer ownership in the Company from Anglo American to Anglo American Shareholders on a pro-rata basis.

The Demerger will only be implemented if the following conditions have been satisfied:

- the Scheme having been approved by a majority in number of those Anglo American Shareholders who are present and vote, either in person or by proxy, at the Court Meeting and that represent 75% or more in value of the Anglo American Shares voted by such Anglo American Shareholders;
- the resolution for the reduction of the share premium account of Anglo American having been approved by 75% or more of the votes cast at the Anglo American General Meeting;
- the Scheme having been sanctioned by the UK High Court and the reduction of capital required to effect the Demerger having been confirmed by the UK High Court;
- (i) SARB having approved the Admissions; (ii) the JSE having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the Admission of the Shares to the main board of the JSE has been approved and the listing will be granted and become effective; (iii) the JSE having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the Shares will be admitted to trading; (iv) the FCA having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application for the Admission of the Shares to listing on the standard segment of the UK Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA and any FCA listing conditions have been satisfied; and (v) the LSE having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the Shares will be admitted to trading on the LSE’s main market for listed securities;
- the transactions (as summarised in “Annexe 15—Material Contracts”) having been entered into and none of them having been terminated in accordance with their respective terms; and
- a copy of the Scheme Court Order having been delivered to UK Companies House.

As set out in “Part V—Expected Timetable of Principal Events” all conditions to the Scheme are expected to be completed by Friday, 4 June 2021, prior to the Admissions.

3. FORMATION OF THE COMPANY AND THE GROUP

The Company was incorporated in South Africa as a wholly-owned subsidiary of Anglo South Africa Proprietary Limited (“**ASA**”) for purposes of holding the SA Thermal Coal Operations of Anglo American after the Demerger and the Admissions. Following the Demerger, the Company will beneficially own the interests previously owned by Anglo American in, among others, the following mining operations: Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo colliery), Mafube Coal Mining (operating the Mafube colliery) and Butsanani Energy (operating the Rietvlei colliery).

3.1 Internal restructuring

In order to transfer the assets comprising the SA Thermal Coal Operations from Anglo American to the Company, an internal restructuring process has and will be (prior to the Admissions Date) undertaken by Anglo American to separate the SA Thermal Coal Operations and non-thermal coal operations within the Anglo American Group, which included consolidating all of the SA Thermal Coal Operations into a single group of companies (the “**Internal Restructure**”). As part of the Internal Restructure, certain intercompany balance arrangements between the Anglo American Group and the Group have been eliminated. Pursuant to the Subscription Agreement, the Company will have a minimum cash position of R2,500 million on the Admissions Date to provide it with the necessary financial headroom and capacity to enable it to execute on its investment thesis.

The Internal Restructure also involves:

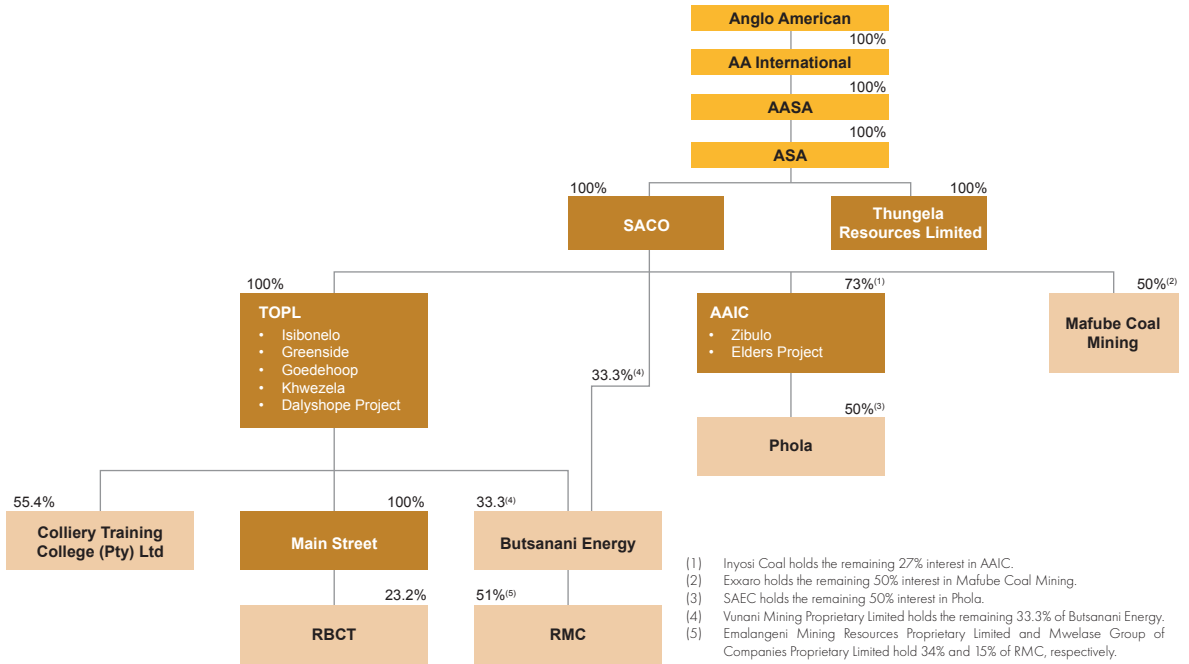
- the transfer of certain categories of assets and liabilities that were not exclusively or predominantly related to TOPL’s coal business by TOPL to ACSSA pursuant to the Intragroup Sale Agreement;

- the transfer of the entire issued share capital of SACO to the Company pursuant to the SACO Share Purchase Agreement; and
- the subscription by ASA for additional Shares in exchange for: (i) settlement of the purchase consideration outstanding under the SACO Share Purchase Agreement; (ii) settlement of the Thermal Coal Loan; and (iii) the balance by way of a cash payment pursuant to the Subscription Agreement.

For further information in relation to the above agreements, see "Annexe 15—Material Contracts".

The SA Thermal Coal Operations were mainly held by South Africa Coal Operations Proprietary Limited ("**SACO**"), Anglo Operations Proprietary Limited, to be renamed Thungela Operations Proprietary Limited ("**TOPL**") and Anglo South Africa Capital Proprietary Limited. Following the Internal Restructure, all of the SA Thermal Coal Operations are held by SACO as depicted in the organogram labelled 'Diagram 2' below:

Diagram 1: Pre-Demerger organisational structure of the SA Thermal Coal Operations as at the date of this Document

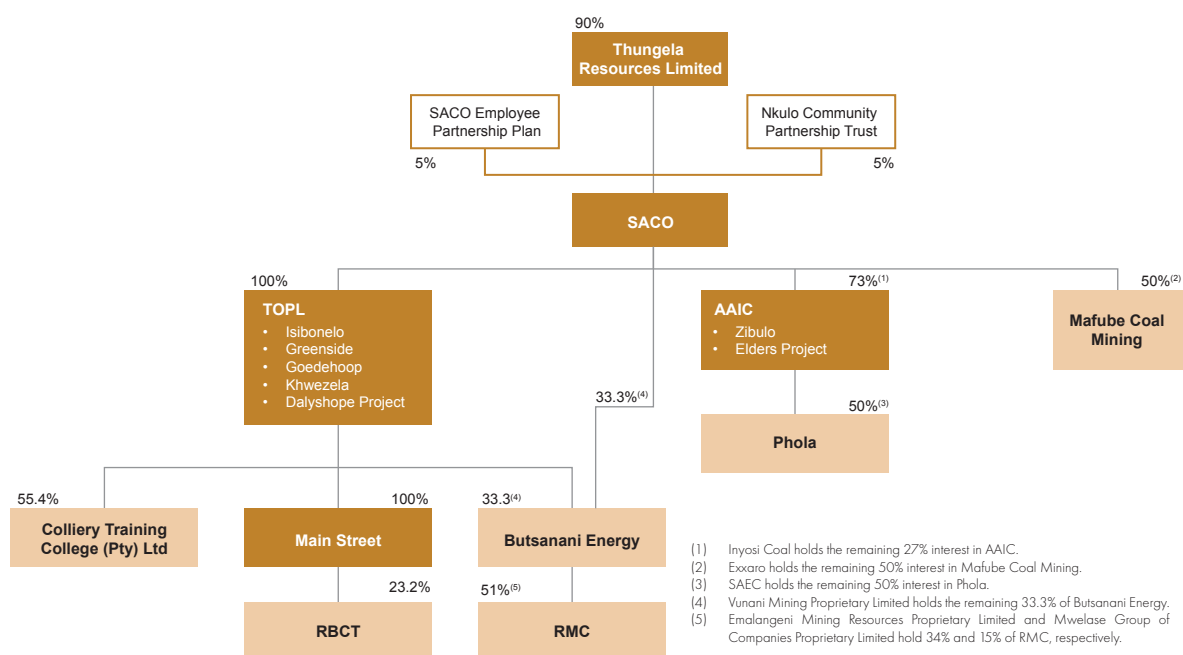


3.2 Preparatory steps for the Demerger

Immediately prior to the Demerger, the Shares will be held by Anglo American. This will be achieved through a number of steps. First the shareholder of SACO, ASA, will transfer the shares in SACO to the Company on loan account and the Company will issue Shares to ASA for an amount equal to that loan account, thus extinguishing it. The Shares will thereafter be transferred through the chain of companies: first to AASA, then to AA International and then to Anglo American. It is expected that the transfer of the Shares to Anglo American will occur following satisfaction of all the Scheme conditions (as set out above), currently expected to be on Friday, 4 June 2021, after which Anglo American will, in accordance with the Scheme, transfer the entire issued share capital of the Company to Anglo American Shareholders in the ratio of one Share for every ten Anglo American Shares held as at the Demerger Record Time. Following this transfer of the Shares, Anglo American Shareholders will own all of the issued Shares of the Company.

In addition to the above, prior to the implementation of the Demerger, the Group (through SACO) will implement a transaction whereby the EPP and the CPP will each acquire 5% of the issued SACO Shares. The Company will therefore hold 90% of SACO immediately prior to the Demerger. For further details regarding the EPP and the CPP, see “Part VIII—Business Overview—Employee Partnership Plan and Community Partnership Plan”. SACO will be consolidated by the Company in terms of IFRS 10: Consolidated Financial Statements. The CPP and EPP are controlled by the Group and therefore consolidated into the Group financial statements, with no non-controlling interest reflected. The EPP dividend entitlement and the CPP Entitlement are paid from the Group to the beneficiaries of the trust in line with the relevant trust deeds.

Diagram 2: Post-Demerger organisational structure of the Group¹



4. ADMISSIONS

The Company is incorporated in South Africa and application has been made for the Shares to have a primary listing on the main board of the JSE and to be admitted to the standard listing segment of the UK Official List and admitted to trading on the main market for listed securities on the LSE.

Index inclusion as a result of the Admissions will be determined by the index providers’ specific rules. It is expected that the indices in which the Company will be included will be announced shortly before the date of the Admissions and that these will likely include JSE All Share, JSE SWIX All indices, FTSE/JSE SA Mid Cap Index, FTSE/JSE SA Resources Index and FTSE/ JSE Oil, Gas and Coal Index, but there can be no certainty as to the index inclusion of the Company.

¹ The Partnership Plans will be implemented immediately prior to the Demerger. For further information on the Partnership Plans, see “Part VIII—Business Overview—Employee Partnership Plan and Community Partnership Plan”.

PART VII – INDUSTRY OVERVIEW

The information in the following section has been provided for background purposes only. The information has been extracted from a report titled 'Thermal Coal Market Report' prepared by Wood Mackenzie, dated March 2021.

As far as the Company is aware, the information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Part II—Risk Factors" and "Part III—Important Information—Forward-Looking Statements".

1. BACKGROUND

1.1 Overview and end uses

Coal is a fossil fuel, comprising mainly of carbon, hydrogen and oxygen and is generally characterised as either thermal coal or metallurgical coal, both of which have different industrial purposes. Thermal coal, which is also known as non-coking coal, energy coal, steam coal or boiler coal, is used to provide heat energy in combustion to generate electricity. In 2020, 35% of global power generation came from thermal coal. Thermal coal is also used to produce steam for use in industrial plants in the chemical and paper industries. Metallurgical coal is used in coke making for steel production.

Of the coal produced in South Africa, 99% is thermal coal and the majority of seaborne exports of thermal coal are purchased by electric power generating companies.

1.2 Characteristics of thermal coal

Thermal coal is extracted through surface and underground mining. It is benchmarked based on its energy content and ash, as well as any deleterious elements such as sulphur and phosphorous and can be divided into different market tiers based on such energy content and is commonly measured in kcal/kg. The types of coal in order of coalification (lowest to highest rank) are low rank and lignite, (<4,500 kcal/kg GAR) sub-bituminous coal (4,500 – 5,400 kcal/kg GAR), bituminous coal (5,400 – 6,900 kcal/GAR) and anthracite (6,900 kcal/kg GAR). South Africa primarily produces bituminous coal (including bituminous high ash coal) and a very small amount of anthracite.

Sulphur content

South African environmental regulations, including regulations that limit the amount of sulphur dioxide that may be emitted as a result of combustion, have affected and may continue to affect the demand for certain types of coal. The sulphur content of coal can vary from seam to seam and within a single seam. The chemical composition and concentration of sulphur in coal affects the amount of sulphur dioxide produced in combustion. Coal-fuelled power plants can comply with sulphur dioxide emission regulations by burning coal with low sulphur content, blending coals with various sulphur contents, purchasing emission allowances on the open market in certain jurisdictions and/or using sulphur dioxide emission reduction technology, such as scrubbers and electronic precipitators, which can reduce sulphur dioxide emissions by up to 95% or more.

Ash and moisture content

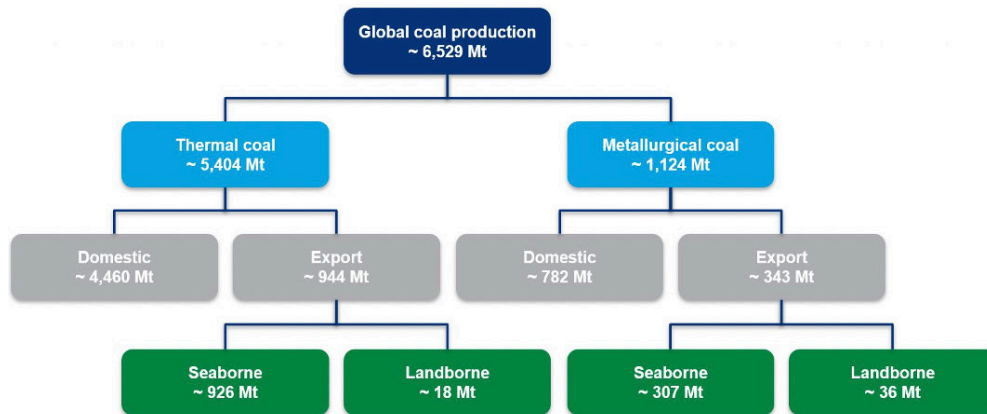
Ash is the inorganic residue remaining after the combustion of coal. As with sulphur content, ash content varies from seam to seam. Ash content is an important characteristic of coal because it impacts boiler performance and electricity generating plants must handle and dispose of ash following combustion. The composition of the ash, including the proportion of sodium oxide, as well as the ash fusion temperatures are important characteristics of coal and help determine the suitability of the coal to specific end users. The total moisture content of coal consists of inherent and superficial moisture and varies by the type of coal and the region where it is mined. In general, high moisture content is associated with lower heat values and generally makes the coal heavier and more expensive to transport.

Volatile matter

Some of the carbon and most of the hydrogen and oxygen contained in coal is considered volatile matter as it converts to a gas or vapour during the heating or combustion of coal. Such volatile matter is therefore an important variable in the ignition phase of combustion and plays an important role when determining whether coal is suitable for specific end uses. Mercury and chlorine, among others, are trace elements within coal that are of primary consideration relative to utility plant emissions and performance. Trace amounts of mercury and chlorine in South African thermal coal are relatively low compared to coal from certain other regions.

1.3 Sources of thermal coal

Diagram 3: Global coal production in 2020 by market and end-use



Source: Wood Mackenzie

1.4 Market pricing of thermal coal

The seaborne thermal coal market is reasonably transparent, with prices generally related to agreed reference prices or indices. Major thermal coal price indices are FOB Newcastle ("NEWC") in the Asia-Pacific market, for the Pacific and FOB Richards Bay (RB1 equivalent to Market Price grade thermal coal) and CIF Northwest Europe (API 2) in the Atlantic market.

Typically, a supply contract specifies a benchmark coal price with adjustments based on the energy content and deleterious elements (such as ash and sulphur) that are contained in the thermal coal that is for sale. In general, a higher energy content will command a higher price, while higher concentrations of deleterious elements will reduce the price of the thermal coal.

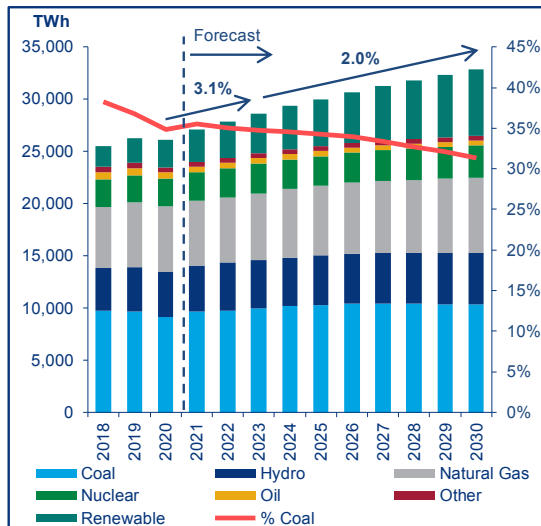
2. SUPPLY AND DEMAND

2.1 Global demand

Demand for thermal coal contracted in 2020 as a result of COVID-19, decreasing from 6.9 Bt in 2019 to an estimated 6.6 Bt in 2020. Demand is expected to rebound from 2021, growing to a peak of 7.2 Bt in 2026 before declining again to 7.0 Bt by 2030 as costs of renewable energy (such as solar panel components, wind and battery-based storage systems) continue to fall and emission-reduction goals are increasingly adopted reducing the use of thermal coal in power generation globally. Demand for thermal coal is expected to grow at 2.1% CAGR between 2020 and 2023 and flatten to 0% between 2023 and 2030, with demand first growing and then declining in the later part of the forecast.

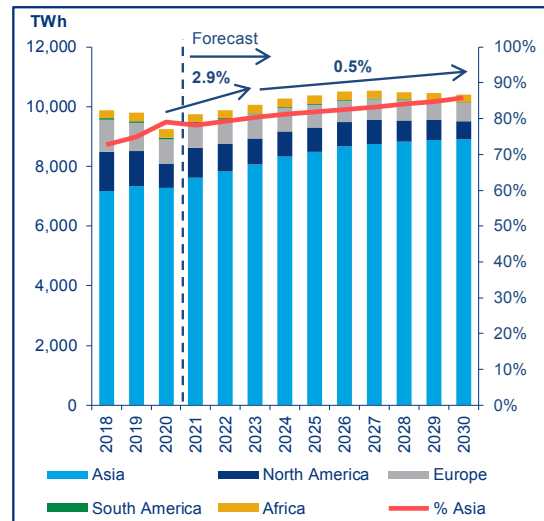
Thermal coal remains a highly competitive source for electricity generation in China, India and Japan, South Korea and Taiwan (also referred to as the "JKT" market). The decrease in seaborne thermal coal demand has mainly come from efforts in China and India to increase domestic production and to offset imports. Additionally, in smaller markets such as the UK, carbon pricing has reduced the cost advantage thermal coal once had in such markets. Decreases in demand have also been higher in terms of tonnage, rather than on an energy-basis largely due to a reduction in Chinese consumption of lower-rank, lower-energy Indonesian thermal coal supplies, which is currently less desirable in a market gearing towards similarly cheap, but higher-energy, less emissions-intensive thermal coal in a bid to support air pollution goals and reach specified carbon targets.

Graph 1: Global power generation by fuel



Source: Wood Mackenzie

Graph 2: Global coal-fired power generation



Source: Wood Mackenzie

Nationally determined contributions are the major guiding principles for countries as they assess possible roadmaps to achieve less carbon intensive energy systems into the medium and long-term, by flattening or contracting demand for thermal coal. There are several isolated exceptions as discussed below. The South Asia and Indian markets will continue to add coal-fired capacity as a form of low-cost power in efforts to meet rapidly growing power demand. Japan and South Korea will add coal-fired capacity in the short-term with Japan facing the prospect of achieving acceptable levels of nuclear returns from its established plants as well as higher LNG costs for the gas-fired plants. Some Southeast Asian (“SEA”) countries, such as Vietnam, also face higher imports of thermal coal to meet growing power demands as a consequence of rapidly dwindling economic coal reserves combined with increasing coal capacity. On the other hand, China’s level of thermal coal imports is beginning to contract as economic growth is revised to a lower figure, alternative power generation methods gather speed and support, and the ramifications of overcapacity in its coal mines and power plants become clear. Policy measures aimed at supporting the use of domestic thermal coal, rather than imports, have also resulted in declining seaborne demand.

Global power generation increased at 2.5% CAGR between 2014 and 2019, from 23,190 TWh to 26,258 TWh. This increase was driven mostly by increased energy demand in developing regions, particularly Asia, where consumption increased by 4.7% CAGR over the period between 2014 and 2019. Global power demand declined to 25,416 TWh in 2020 as economic activity contracted as a result of COVID-19.

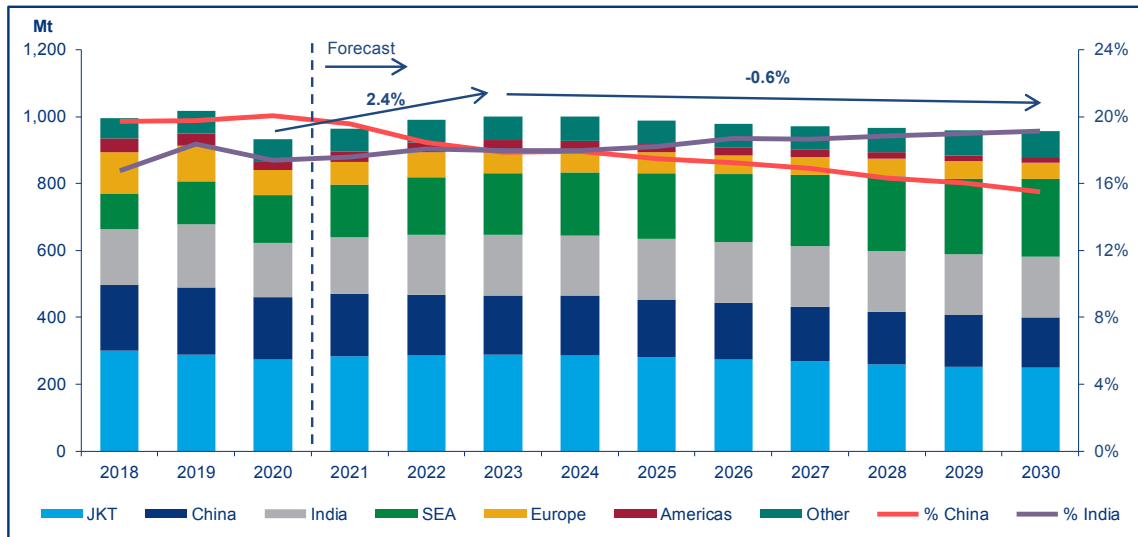
Continued growth in South Asia and SEA will drive power demand in coming years, with global generation expected to grow by 6,750 TWh between 2020 and 2030 (2.3% CAGR). However, the majority of this additional generation will come from renewables. Renewable power generation is expected to grow from 2,701 TWh in 2020 to 6,425 TWh in 2030 (9.1% CAGR). The overall proportion of power generation from thermal coal is expected to drop from 35% to 31% over the same period.

In 2020, 79% of global coal-fired power generation was from Asia, up from 75% in 2019. While global coal-fired power is not expected to increase significantly in the coming decade, Asia’s share of the coal-fired power generation market is expected to continue to grow to 86% by 2030 when coal-fired generation in Asia will reach around 8,910 TWh.

2.2 Global seaborne import demand

Globally, the conflicting drivers of rising energy demand and the cost competitiveness of thermal coal opposed by environmental concerns will see seaborne demand for thermal coal remain flat over the forecast period. Wood Mackenzie expects seaborne thermal coal imports by key markets (as shown in Graph 3) to increase in the near term from 933 Mt in 2020 to a peak of 1,001 Mt in 2023 at 2.4% CAGR, before declining to 956 Mt in 2030 at -0.6% CAGR. Increases are expected to be seen in India and other parts of South Asia as well as SEA, while other parts of the world, including China and Europe, will see policy-driven declines in seaborne demand. This divergence has been emphasised by the COVID-19 pandemic, as the energy transition in Europe and the Americas has been accelerated using stimulus packages to grow the renewables sector, while in the Asia-Pacific regions coal-fired power generation remains significantly cheaper and capacity continues to be added. In recent years, European countries have been working to reduce carbon emissions and have set target timelines to eliminate coal-fired power generation. Increased gas generation and renewables will be favoured in Europe in the long-term. India, an important market for South African coal, is expected to overtake China as the largest demand centre for seaborne thermal coal in 2023 due to increases in power demand as the country continues to develop and industrialise.

Graph 3: Forecast global seaborne thermal coal import demand by key country and region



Source: Wood Mackenzie

India

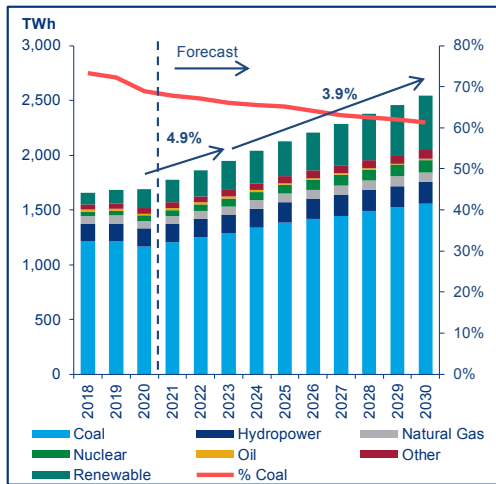
India is in the early stages of infrastructure development and industrialisation, with large increases in power supply required to achieve its economic goals. While power generation in India is expected to remain heavily reliant on thermal coal, alternatives are being expanded with power generation from nuclear expected to double and renewables expected to nearly triple by 2030. It is expected that nuclear and renewable power generation are unlikely to meet such ambitious government targets and demand for thermal coal in India will maintain a market share of over 60% throughout the forecast period. Long-term, thermal coal will also be required to complement renewables due to the lack of domestic gas in India.

India is progressing with economic recovery despite the ongoing COVID-19 pandemic. Since the peak in September 2020, COVID-19 cases in India have reduced and coal-fired power utilisation levels are increasing. The economic stimulus of US\$266 billion and US\$35 billion announced in March and November 2020, respectively, will support ongoing economic recovery in India. However, most of the measures announced in relation to such stimulus will have a more significant impact on demand in the medium to long-term rather than the short-term. To complement the stimulus, there is a push to revive short-term demand through measures like easing out liquidity and lowering interest rates.

One of the key constraints to growth of Indian power generation is the pace of reform, with consistent losses recorded by the power distribution companies due to inadequate tariff revision, cross-subsidisation and transmission losses. Currently, domestic supply accounts for 78% of demand for thermal coal in India, however, as domestic supply is growing at a lower rate than demand, India is expected to remain reliant on seaborne imports, which are expected to increase from 162 Mt in 2020 to 183 Mt in 2030.

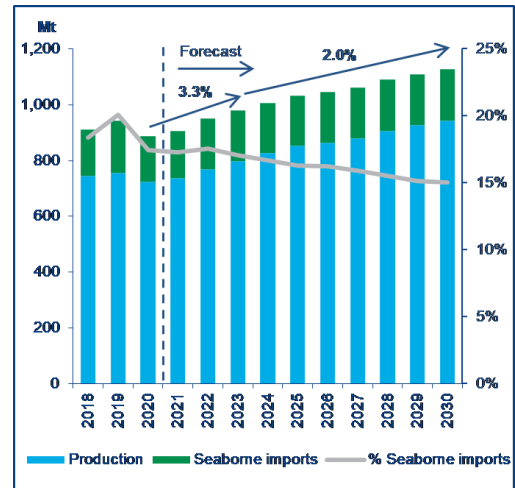
India's demand for seaborne thermal coal fell by 25 Mt in 2020, down 12% from 2019 as continually growing domestic production of thermal coal flooded the market. Domestic thermal coal production remains a major threat to seaborne demand in India, and while India has been unable to meet aggressive production targets of thermal coal historically, the government has begun opening up the coal sector to private companies to assist in reaching production goals. There are a total of 41 sites up for auction in 2021, but many of these sites have issues with infrastructure, land ownership, and permits, which will complicate investment for interested companies. Wood Mackenzie expects that Indian thermal coal production will reach 1 Bt by 2034 and the rate of growth to lag demand, resulting in increasing demand for thermal coal imports as well as domestically produced thermal coal.

Graph 4: Indian power generation by fuel



Source: Wood Mackenzie

Graph 5: Indian thermal coal production and imports



Source: Wood Mackenzie

There are a range of complications to the use of domestic thermal coal in India. As most of the new thermal coal power plants in India are planned to be located in coastal areas, far from domestic coal reserves, delivering the infrastructure required to move the coal from the mines to the plants will be key to the development of the domestic thermal coal market.

An additional problem is that stricter environmental policies (particularly around ash content) are being implemented, which increase the demand for high-energy, low- to mid-ash coals which are not widely available in the domestic Indian market. Wood Mackenzie expects that these environmental measures to increase the quantity of washed coal in future years will result in India remaining reliant on a portion of low- to medium-ash thermal coal imports for blending purposes. India’s domestic thermal coal is also unsuitable for cement production due to its high ash content, leaving India also dependent on imports for this application. Additionally, India has also been unable to replace thermal coal for sponge iron production with domestic supply and remains reliant on South African thermal coal for this application.

The majority of coal imported to India is medium ash, high energy bituminous coal from South Africa, Australia and Colombia, as well as low ash, low energy coal from Indonesia, valued for its use in blending. India is the single largest importer of South African thermal coal.

India’s COP21 commitments state that by 2030 at least 40% of its electricity will be generated from non-fossil fuel sources, including 175 GW of capacity by 2022. Renewable power generation has become a key focus of the Indian government’s plans, given its role in assisting both energy independence and environment objectives. From 2020, renewables (excluding large hydro power) are expected to form the second largest source of India’s power generation mix after thermal coal. Nevertheless, India is expected to struggle to meet its COP21 target and Wood Mackenzie expects India’s non-fossil fuel electricity generation to reach 32% by 2030, which is below its 40% target.

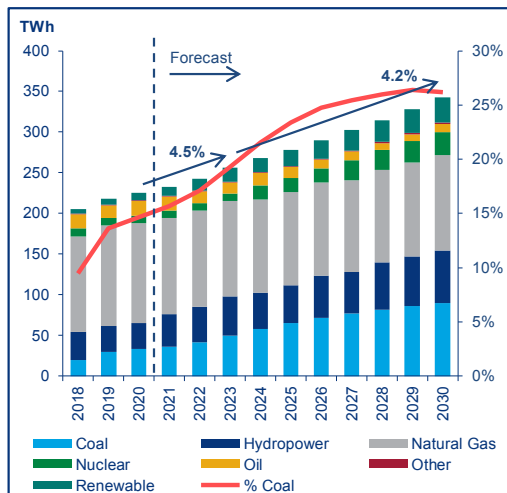
South Asia (excluding India)

The South Asia region is expected to see continued growth in thermal coal demand with a requirement for large amounts of low-cost power to support economic development. Power demand in South Asia (excluding India) is expected to grow from 225 TWh in 2020 to 256 TWh in 2023 (4.5% CAGR) and 342 TWh in 2030 (4.2% CAGR). Hydropower and thermal coal will be the key contributors to growth in power generation, with coal capacity expected to expand rapidly, particularly in Bangladesh where capacity is expected to grow from less than 1 GW in 2020 to 7 GW by 2030.

Historically, power supply in Pakistan has been largely dependent on domestic gas and fuel oil, however local supply of these commodities is declining, and more expensive imports are required to meet demand. To counter these growing costs, Pakistan has commissioned 5 GW of coal-fired power since 2016, and there is an additional 1.3 GW coal-fired power at an advanced stage of construction. Some of these plants are geared to use domestic lignite, however, most new power stations are designed to use imported thermal coal, resulting in an increase in seaborne demand in Pakistan from 5 Mt in 2015 to 16 Mt in 2020. Going forward, demand is expected to grow further to 19 Mt in 2023 and 20 Mt by 2030. Most of this thermal coal is expected to be sourced from South Africa, with smaller amounts coming from Indonesia, Australia and Russia.

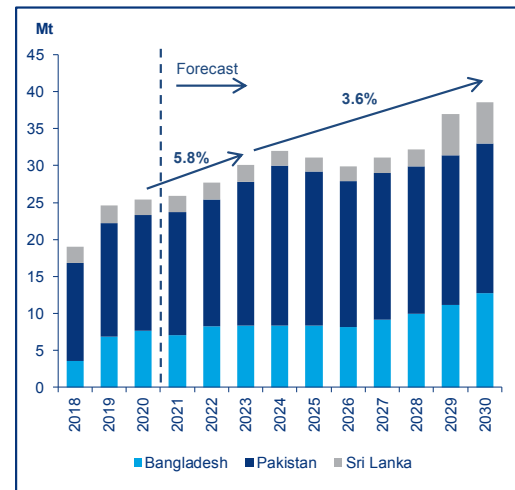
About 60% of power generation in Bangladesh is fuelled by domestic gas, the availability of which is declining, resulting in an increasing reliance on expensive imported LNG. The government’s focus remains on expanding gas-fired power plants and renewables, however, the construction of some import-based coal-fired power stations has been proposed to lower power costs. Before 2020, Bangladesh had only 524 MW coal-fired capacity, which used domestic thermal coal only, however utilisation of this capacity is typically low due to irregular and high-cost domestic thermal coal production. In January 2020, the first coal-fired power station designed to use imported thermal coal began operations. Construction of three additional imported thermal coal projects is underway and coal-fired capacity is expected to grow to 3 GW by 2023 and 7 GW by 2030, driving an increase in seaborne thermal coal imports from 7.6 Mt in 2020 to 8.4 Mt in 2023 and 12.8 Mt by 2030. Indonesia is expected to be the key supplier to Bangladesh and South Africa is expected to export a small quantity (< 1 Mt) of thermal coal to Bangladesh annually.

Graph 6: South Asian power generation by fuel



Source: Wood Mackenzie

Graph 7: South Asian seaborne thermal coal demand by country



Source: Wood Mackenzie

Northeast Asia (excluding China)

The traditional Northeast Asian demand centres of JKT are expected to continue to import significant quantities of high-quality thermal coal. Annual demand of thermal coal will increase from 273 Mt in 2020 to 287 Mt in 2023 (1.8% CAGR) as the JKT countries recover from COVID-19, before declining to 250 Mt by 2030 (-2% CAGR) due to declining populations and static energy demand profiles. These economies tend to prefer high-energy, low-sulphur thermal coal due to environmental policies and plant configuration and are completely reliant on the seaborne import market due to a lack of domestic thermal coal reserves. Due to the distance, these countries import minimal amounts of South African thermal coal, tending to import Australian thermal coal instead.

Southeast Asia

SEA has large capacity for energy growth with the most populous countries progressing with improving electrification and subsequently experiencing rapid growth in power demand. Cost economics favour thermal coal for power generation in most of these countries. Power demand in SEA is forecast to increase from 1,108 TWh in 2020 to 1,771 TWh in 2030, with the contribution of coal-fired generation steady across SEA at an average of 48% over the forecast period from 2020 to 2030. Most SEA countries do not import South African thermal coal, typically preferring Indonesian thermal coal due to its low cost and proximity.

Wood Mackenzie expects Vietnam to experience significant growth in thermal coal demand, with demand expected to increase by 51 Mt between 2020 and 2030. As domestic production is constrained by geology and rising costs, it is expected that Vietnam will turn increasingly to the seaborne import market to meet its thermal coal demand. Vietnam is expected to become a more significant market with seaborne demand forecast to grow from 49 Mt in 2020 to 74 Mt in 2023 (14.7% CAGR) and 100 Mt by 2030 (4.4% CAGR). It is expected that Vietnam will import some South African coal in the short-term, however, in the long-term it is expected that thermal coal will mainly be imported from Indonesia and Australia. Vietnam's intended nationally determined contributions targets 8% greenhouse gas reduction by 2030 compared to a business as usual scenario. Vietnam's base case is approximately 30% higher than Wood Mackenzie's and with such a high business as usual as reference, Vietnam is expected to achieve its intended nationally determined contributions targets without needing to change its power generation outlook. Historically, Vietnam has been very successful with hydropower development. However, with major hydropower projects already developed, Vietnam is looking at alternative solutions to boost its renewables presence, which are expected to remain curtailed throughout the forecast period.

China

China is the world's largest producer and consumer of thermal coal. Despite high domestic production, China requires significant tonnages of seaborne imports to satisfy total thermal coal demand due to domestic supply issues such as mine cost inflation, insufficient infrastructure and barriers in the state-controlled power market. China's total thermal coal demand was 3,616 Mt in 2020, of which 187 Mt was met by seaborne imports.

The proportion of thermal coal in China's energy mix is forecast to reduce from 62% in 2020 to 54% in 2030, however, this trend will differ between regions. The construction of ultra-high voltage transmission lines will allow for coal-fired power stations to be constructed closer to domestic supply sources as existing coastal plants retire. Although China's seaborne demand is expected to reduce from 187 Mt in 2020 to 149 Mt in 2030 due to a reduction in the demand for thermal coal from China's coastal markets and increasing competition from China's domestic market for supply of thermal coal, imports are expected to continue due to the high delivery cost of domestic supply to coastal markets, as well as quality requirements. Considering this, China is likely to trend toward imports of higher ranked thermal coal throughout the forecast period. Indonesia is currently a major source of thermal coal imports into China, however, demand for Indonesian thermal coal is expected to decline as China's thermal coal demand trends towards high calorific value, Japanese Power Utilities type coal from Australia, barring the continuation of trade restrictions.

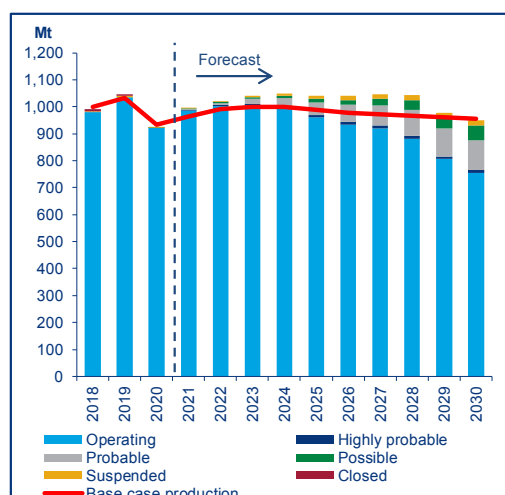
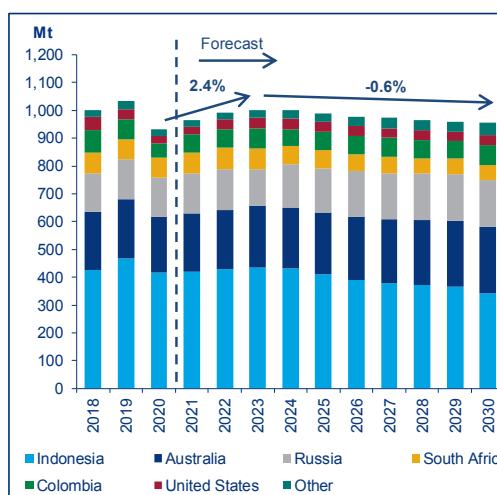
Renewables sit at the centre of China's initiatives for fuel diversification, environmental protection and carbon mitigation, with the COP21 targets aimed at reducing carbon emissions by 60% to 65% per unit of GDP by 2030, compared to 2005 levels, and increasing use of non-fossil fuels to 15% and 20% of the primary energy mix by 2020 and 2030, respectively. China is leading global renewables capacity

growth and, between 2020 to 2024, China is expected to build 375 GW of renewables capacity. China has exceeded its 2020 target of 15% non-fossil fuel power generation, achieving 24% renewable fuel use in 2020 and is forecast to achieve 28% by 2030. China achieved its 2020 target mostly through use of nuclear and hydro power, with wind and solar capacity increasing rapidly. In September 2020, China announced its goal of achieving carbon neutrality by 2060.

2.3 Global seaborne export supply

Global seaborne export supply of thermal coal is expected to remain in line with demand through to 2030, increasing from 933 Mt in 2020 to 1,000 Mt in 2023, before declining to 956 Mt in 2030. Pacific Basin suppliers, such as Indonesia and Australia, are expected to continue to supply the majority of the seaborne market, however, long-term growth will also include Atlantic producers as demand growth in Asia results in increasing cross-basin trade that will benefit suppliers in the United States, Colombia and South Africa.

Graph 8: Seaborne thermal coal export supply by country **Graph 9: Seaborne thermal coal export supply by status**



Source: Wood Mackenzie

Source: Wood Mackenzie

Operating supply is expected to be sufficient to meet demand until 2023, after which point projects (current exploration and early-stage projects that are not yet operational in terms of production) will be required to assist to meet demand. By 2026, 9.3% of Wood Mackenzie's base case seaborne export supply is expected to come from new mines and this is expected to increase to 18.3% by 2030 as existing mines reach end of life and close. New projects categorised as highly probable and probable are expected to be developed mostly in Australia, Indonesia, Colombia and South Africa, with additional longer-term possible projects mostly in Indonesia, Russia and Australia.

South Africa

South Africa accounts for around 8% of seaborne thermal coal supply, which is expected to decline to 6% by 2030. In 2020, South Africa exported 72 Mt of thermal coal. Following the effects of COVID-19 and recovery in demand, this is expected to increase to 75 Mt by 2023 then fall to 54 Mt by 2030 as "take or pay" contracts for port and rail expire and key mines in the Witbank coalfield close due to exhaustion of coal reserves.

The high energy content of South Africa's thermal coal is expected to remain in demand as the energy transition takes hold, however, continued competitiveness will be reliant on producers keeping costs down.

Indonesia

Indonesia is currently, and will remain, the largest supplier of thermal coal into the seaborne market. However, Wood Mackenzie expects that Indonesian penetration of seaborne thermal coal markets has peaked. Exports from Indonesia are expected to grow in the short-term from 416 Mt in 2020 to 436 Mt in 2023 (1.5% CAGR), falling short of the highs experienced in 2019, before falling to 343 Mt in 2030 (-3.4% CAGR).

Whilst Indonesia will remain the dominant low rank thermal coal supplier, it will likely face increasing competition from higher rank thermal coal producers in Australia and South Africa as environmental regulations related to carbon dioxide emissions become increasingly stringent. This, combined with growth in seaborne thermal coal exports from Australia, is expected to result in Indonesia's share of the global seaborne market falling from 45% in 2020 to 36% by 2030. The relative share of sub-bituminous and lignite coal type as a percentage of total export thermal coal from Indonesia through 2030 will increase at the expense of bituminous coal as reserves of higher ranked coal deplete.

Australia

Australian exports of thermal coal are expected to increase from 202 Mt in 2020 to 222 Mt in 2023 (3.2% CAGR) and 240 Mt in 2030 (1.2% CAGR), driven principally by demand for low-sulphur bituminous coal in JKT. Australia is currently the second largest seaborne exporter of thermal coal, supplying 22% of global demand in 2020. Australia's share is expected to rise to 25% by 2030, but there is downside risk to this forecast if trade tensions between Australia and China continue.

In 2019, Australian thermal coal exports to China were impacted by customs clearance delays. Tensions remained high between the two countries throughout 2020 and in November 2020 China escalated its ban on Australian coal by ordering a stop to new orders. The ban is expected to be in place until late 2021 and could have ongoing impacts on Australian coal exports to China. While coal trade between China and Australia is expected to normalise in the medium-term, the lack of certainty in relation to China's policies regarding coal imports has caused doubt in short-term market dynamics and could provide some upside for South African exports.

Russia and Colombia

Russia and Colombia are expected to increase their market share of thermal coal exports between 2020 and 2030, from a combined tonnage of 191 Mt in 2020 to 237 Mt in 2030 (2.2% CAGR). Colombian seaborne supply contracted by 30% in 2020 as a result of mine shutdowns during COVID-19, while Russian supply was not significantly impacted.

3. SOUTH AFRICAN EXPORT THERMAL COAL OUTLOOK

3.1 Export demand

South Africa is the fourth largest producer of thermal coal globally. Demand for South African thermal coal is dominated by the requirements for the domestic market, which made up 74% of demand in 2020, while the remainder is exported to the seaborne market. Seaborne exports from South Africa are primarily bound for India and other parts of South Asia, and increasingly the Middle East and North Africa (“**MENA**”). Demand from these regions is expected to grow as power demand increases in South Asia, and the MENA region continues to utilise thermal coal to diversify away from oil- and gas-fired power. South Africa is expected to lose market share in JKT where investment into alternative fuel sources for power generation will drive an overall decline in export demand.

India

India is by far the largest destination for exported South African thermal coal, taking 48% of South Africa’s thermal coal exports in 2020. This is expected to continue at current levels through to 2030.

India is in the early stages of development and industrialisation, with large increases in power demand required to achieve its economic goals. While alternative fuel sources are being expanded, these are unlikely to meet ambitious government targets. Thermal coal will continue to maintain an important role in India’s energy mix, albeit growing at a slower rate, and Wood Mackenzie expects gross generation demand for coal-fired power to increase from 1,164 TWh in 2020 to 1,557 TWh in 2030.

Currently, domestic production of thermal coal is able to supply over 80% of demand, however, given the high growth rate of coal-fired power demand, Wood Mackenzie expects India to increase both domestic thermal coal production and imports of thermal coal over the forecast period. Total seaborne demand from India is expected to grow from 163 Mt in 2020 to 183 Mt in 2030 (1.2% CAGR).

Historically, India has imported low calorific value coals from Indonesia, however, growth in that sector has tapered off as the government curbed imports, domestic output of low calorific value coal increased and taxes on coal consumption increased. This resulted in Indonesian imports being reduced in favour of higher energy coals from South Africa. South African exports to India are expected to increase in the coming decade, from 35 Mt in 2020 to 41 Mt in 2023, before declining to an estimated 33 Mt in 2030.

Pakistan

Exports of thermal coal from South Africa to Pakistan are expected to increase in the short-term as the requirements for energy security and affordability drive increases in coal-fired power generation. South Africa is the supplier of choice for Pakistan due to its proximity and relatively cheap thermal coal. South African exports of thermal coal to Pakistan are expected to increase from 10 Mt in 2020 to 14 Mt in 2023 before declining to 9 Mt in 2030.

Increasing thermal coal imports to Pakistan depend on the timely construction of power projects. Historically, thermal power generation has primarily been based on domestic gas and fuel oil, however, the decline of domestic production of fuel oil and gas has driven diversification of the fuel mix in Pakistan.

Middle East and North Africa

The MENA region has historically been reliant on fuel oil and gas due to the high volume of production from the countries which it comprises. However, in recent years countries including Egypt, the United Arab Emirates and small African nations have shown a willingness to construct coal-fired power plants in order to diversify their fuel mixes. Exports of South African thermal coal to the MENA region are expected to decline slightly from 3.3 Mt in 2020 to a low of 2.3 Mt in 2025 due to reduced demand in the United Arab Emirates, before increasing to 3.3 Mt in 2030.

Japan, South Korea and Taiwan

Demand for thermal coal from the traditional major Northeast Asian coal importers, JKT, is in decline due to declining populations and static energy demand profiles. Of these countries, South Korea is the largest buyer of South African thermal coal, with a total of seaborne imports of 2.5 Mt of South African thermal coal in 2020. South African exports of thermal coal to South Korea are expected to increase slightly to 2.7 Mt in 2021 and 2022 but fall beyond that as South Korean demand declines and shipments from Indonesia increase. Exports of thermal coal to South Korea will fall to 1.0 Mt in 2024 and then gradually decline to 0.9 Mt in 2030.

Vietnam

Vietnam is expected to import thermal coal from South Africa in the short-term, with volumes in 2020 at 7 Mt and remaining between 2 Mt and 5 Mt between 2021 and 2026. Beyond 2026, Vietnam is expected to source additional thermal coal supplies from Australia and Indonesia, displacing South African supplies going forward.

China

South Africa has not exported thermal coal to China since 2015, following the imposition by Chinese authorities of import limits in relation to the content of key trace elements found in some thermal coal. The five trace elements restricted by Chinese authorities are mercury, arsenic, phosphorus, chlorine and fluorine, of which most South African thermal coal is above the 200 µg/g limit of fluorine.

However, since China placed restrictions on the import of Australian coal in November 2020, there has been renewed interest in the viability of thermal coal exports from South Africa to China. It is understood that small volumes of South African coal were sold to China for delivery in the first quarter of 2021, with further interest from Chinese buyers for coals which are under trace element import thresholds. If trade tensions between Australia and China continue as expected throughout 2021, there may be further opportunity for South African thermal coal,

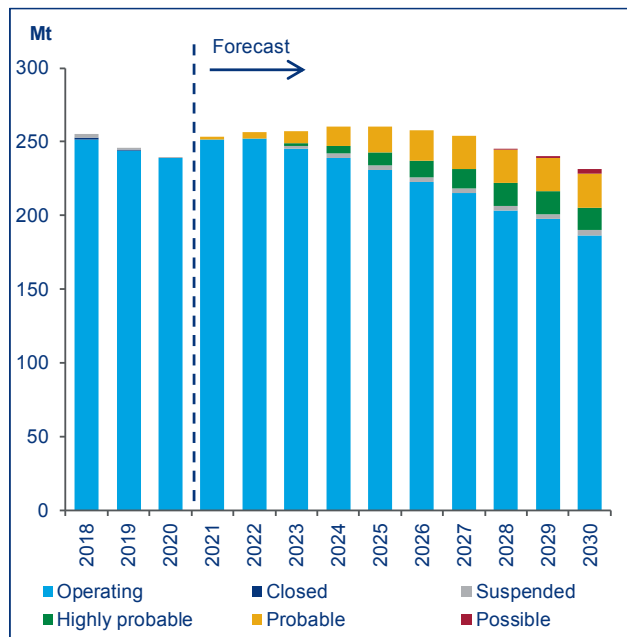
which meets the import specification, to enter the Chinese market. While Indonesia will supply a large share of China's additional import requirements, high energy coal is likely to be supplied by Colombia, Russia and/or South Africa.

3.2 Export Supply

Thermal coal comprised 99% of South Africa's marketable coal production in 2020 (243 Mt). South African thermal coal supply has declined over the last decade as many existing mines reached end of life and domestic demand slowed. Wood Mackenzie expects production volumes of thermal coal from existing mines to fall by 53 Mt between 2020 and 2030 as seven thermal coal mines in South Africa are expected to close in this period due to resource depletion. However, from 2022 new supply is expected to come from brownfield expansions beginning production. Between 2021 and 2025, South Africa's marketable thermal coal production capacity is expected to increase as a result of this new supply, peaking at 260 Mt in 2025.

Beyond 2025, marketable production capacity is forecast to decline as coal reserves deplete at currently operating mines and domestic demand declines. However, greenfield projects will continue to be developed to offset mine closures and maintain export volumes from South Africa.

Graph 10: South African thermal coal supply by status



Source: Wood Mackenzie

3.3 Coal Quality

A number of quality parameters affect a specific coal's suitability for different applications, including performance and cost to process and use, which in turn impacts pricing.

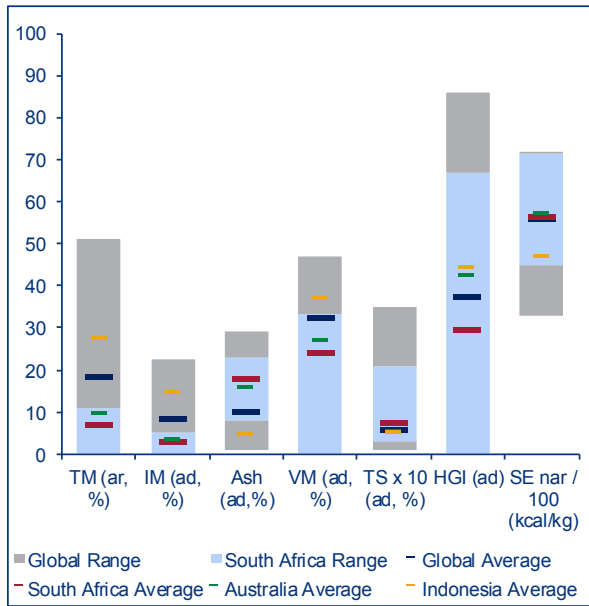
South Africa produces a range of coal types, from sub-bituminous to anthracite, including high ash coals. Exported South African coal is good quality thermal coal with a weighted average energy content of 5,594 kcal/kg NAR, just above the global weighted average of 5,588 kcal/kg NAR.

South African thermal coal has the lowest weighted average total moisture ("TM") and inherent moisture ("IM") levels of the major thermal coal producers, improving the relative efficiency of heating during combustion.

Australian and South African coals have similar average levels of ash, above the global weighted average. The high ash content of South African thermal coal means that all exported coal must be washed to be accepted by importers. Some coal is also sold as a high ash product, with ash contents of up to 22%. This is primarily exported to India, where domestic coal is very high ash, and as a result power stations are configured to deal with this coal composition.

The presence of volatile matter ("VM") in coal releases by-products during combustion. South Africa has the lowest weighted average VM of major thermal coal producing countries. South African export thermal coal is well known for its low sulphur content and continues to maintain a weighted average of less than 1%.

Graph 11: South African seaborne export thermal coal quality range in 2020



Source: Wood Mackenzie

The typical specifications for adjustments made to several benchmarks are outlined in the Standard Coal Trading Agreement that is maintained by GlobalCOAL. The contract specifications are outlined in Table 1 below. Within the limits specified, prices are adjusted on a pro-rata basis for energy content.

Table 1: Selected Standard Coal Trading Agreement specifications

	NEWC	High Ash Australia	RB1 (benchmark)
Calorific value basis (kcal/kg NCV)	6,000	5,500	6,000
Calorific value minimum (kcal/kg NCV)	5,850	5,300	5,850
Total moisture (ARB)	15% max	15% max	12.0% max
Volatile matter minimum (ARB)	27%	23%	22%
Volatile matter maximum (ARB)	35.0%	32.0%	-
Ash (ARB)	14.0% max	23% max	15% max
Sulphur (ARB)	0.75% max	1% max	1% max
HGI	45-70	45-70	45-70

Source: GlobalCOAL

4. TRADING AND PRICING

4.1 South African coal pricing

The seaborne thermal coal market is reasonably transparent, with prices generally related to agreed reference prices or indices. Prices for thermal coal from South Africa are typically linked to local benchmark price indices, specifically the 6,000 kcal/kg Richards Bay bituminous coal price ("RB1") or the 5,500 kcal/kg high ash Richards Bay bituminous coal price ("RB3"). Whilst there is no explicit link between the South African benchmark price indices and those in Australia, the interconnected nature of the seaborne market results in similar movements in those thermal coal price benchmarks.

The RB1 coal price usually trades at a slight market discount to the Newcastle benchmark coal price due to the higher freight to key demand locations such as China and Japan, but there can be periods of localised high demand which push the RB1 price above the Newcastle benchmark. This can be the result of supply shocks or increased demand for thermal coal in countries to which South Africa has a freight advantage over other origins, or with particular quality specifications that match supply from South Africa.

Similar to the high ash coal price in Australia, the RB3 price is based on an energy adjustment to the bituminous coal price, followed by an ash discount and additional adjustments based on supply and demand for that product.

Thermal coal prices are typically cyclical, with higher demand for coal in heating (both directly and via increased electricity demand) in the Northern Hemisphere winter driving higher prices.

4.2 Historical pricing

After almost five consecutive years of declining prices and falling costs, thermal coal prices increased dramatically to a high of US\$110/tonne in November 2016 and remained strong throughout 2018 with prices for FOB Newcastle 6,000 kcal/kg coal averaging over US\$100/tonne in 2018, driven by higher than expected seaborne thermal coal demand in China and India due to domestic supply

constraints. On the supply side, infrastructure-related issues in Australia and the United States, a lack of investment in South Africa and Colombia and consolidation of key thermal coal producers contributed to persistent price strength.

In 2019, China's seaborne thermal coal imports exceeded expectations. However, prices for FOB Newcastle 6,000 kcal/kg NAR coal dropped to a low of US\$64/tonne in the fourth quarter of 2019, mainly driven by a decline in demand growth in China which encouraged the Chinese government to implement policies to reduce imports. It was also impacted by a fall in gas prices and weak thermal coal demand in Europe following a reduction in coal-fired power generation capacities. Thermal coal prices tracked gas prices which reached a new low in September 2019, averaging US\$3.1/mmbtu at major European gas hubs compared to US\$8.6/mmbtu at the same time in 2018. The 2019 average FOB Newcastle 6,000 kcal/kg coal price was US\$78/tonne and the FOB Richards Bay 6,000 kcal/kg price tracked below this at US\$73/tonne.

COVID-19 turned markets on their heads in 2020, evidenced by a 4.8% decline in global GDP illustrating the economic impact of the pandemic. Global demand for commodities has been impacted by the pandemic, and decreased demand for power has resulted in a 5.5% fall in total global thermal coal demand and an 8.4% fall in seaborne demand, as domestic supply was given preference over imports.

In the first quarter of 2020, supply constraints in South Africa and Colombia outweighed initial declines in demand due to the outbreak of the pandemic, resulting in supply shortages in the Atlantic Basin. As a result, in the first quarter of 2020, the FOB Richards Bay 6,000 kcal/kg price rose to US\$80/tonne while the FOB Newcastle 6,000 kcal/kg coal price fell to US\$68/tonne. Lower specification coal prices did not fall by the same volume seen in higher calorific value coals. This is partly because of the lower base price that these coals started at, but also due to consistently strong demand from SEA, China and India.

Benchmark prices hit historical lows in the second quarter of 2020 amid lockdowns across the globe, as well as extended coal-to-gas switching risk and protectionist measures. For the first time since late 2015, the Newcastle benchmark fell below US\$50/tonne in August 2020. Prices of seaborne thermal coal rose in September 2020 as Chinese imports increased ahead of winter and industrial demand from India strengthened. In December 2020, a cold snap across Asia sent power demand to record highs, pushing prices higher, including the Newcastle indices, despite zero tonnes from Australia being exported to China. Suppliers of mid- to high calorific value coal, of which South Africa is a major source, benefited from strong demand from the Indian sponge iron sector in the fourth quarter of 2020. In 2020, a combination of supply disruptions in South Africa and trade tensions between China and Australia pushed Richards Bay prices above the Newcastle benchmark.

4.3 Price outlook

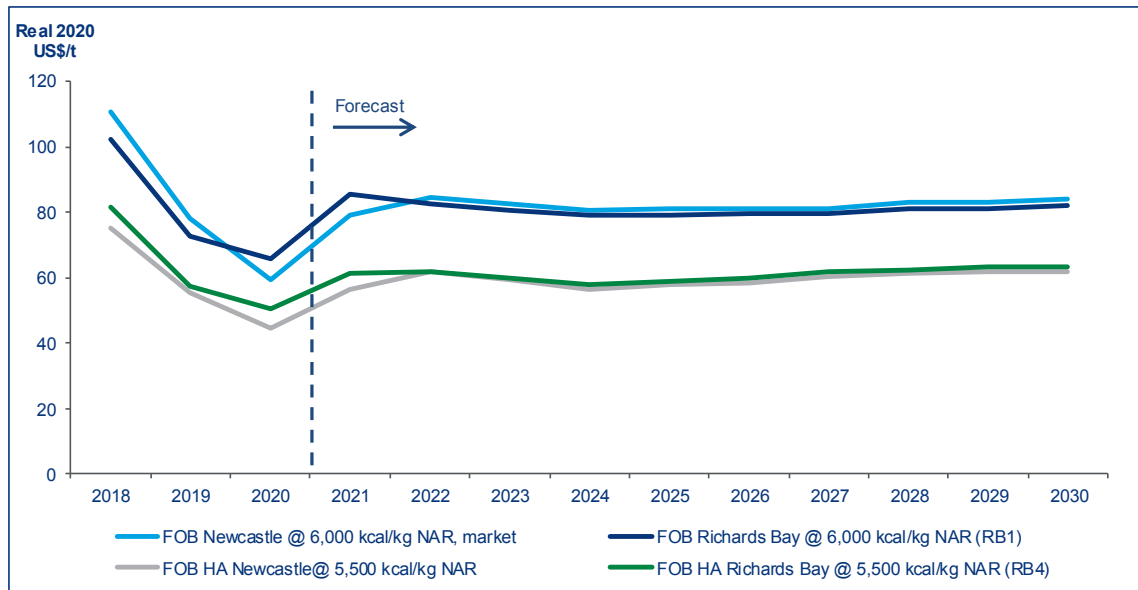
As was seen at the end of 2020, global demand for thermal coal recovered and this is expected to pick up pace throughout 2021. As lockdowns ease around the world, there have been positive demand signals since June 2020 such as improvement in daily consumption in China and strong demand in SEA, which suggest prices for both Newcastle and Richards Bay benchmarks will increase in 2021.

The strong premium enjoyed by South African producers selling FOB Richards Bay 6,000 kcal/kg into the Indian sponge market continued through the first quarter of 2021. Continued strong demand for South African coal in India, as well as trade tensions between China and Australia putting downward pressure on Newcastle benchmark prices is expected to result in FOB Richards Bay 6,000 kcal/kg benchmark pricing remaining above the Newcastle benchmark in 2021. Wood Mackenzie expects that the Chinese ban on Australian thermal coal imports will ease at the end of 2021, bringing FOB Richards Bay 6,000 kcal/kg benchmark pricing back in line with the Newcastle benchmark in 2022. South African pricing is expected to remain close to the Australian benchmark throughout the rest of the forecast period.

Prices of thermal coal are expected to recover from the lows of 2020, reaching a peak by 2022. Wood Mackenzie expects strong supply responses from all exporters as post-COVID-19 recovery and new growth of coal-fired power capacity in Asia is expected during this phase. However, at least some of the supply rationing from 2020 is expected to remain as higher cost producers with low remaining resources have closed assets. While the high prices seen in the first quarter of 2020 and the first quarter of 2021 could incentivise the development and restart additional production, prices for benchmark thermal coals are expected to decrease in the second and third quarters of 2021, during the Northern Hemisphere summer, limiting enthusiasm for additional supply. Overcapacity pressure is also expected to have peaked in 2020 and be halved by 2022.

Demand recovery and increases in new coal-fired power capacity will support real prices to recover and stabilise at marginal cost levels. The downside risk to the benchmark forecasts stem from concerns over continuing effects of COVID-19, including subsequent waves and varying strains, gas price weakness and import restrictions that may add pressure to the recovery pace.

Graph 12: Average annual FOB prices for key thermal coal brands



Source: Wood Mackenzie

Table 2: Average annual FOB prices for key thermal coal brands (USD/t real)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
FOB Newcastle @ 6,000 kcal/kg NAR, market	110.5	78.0	59.1	78.9	84.2	82.4	80.6	80.9	81.0	81.1	82.8	82.8	83.8
FOB Richards Bay @ 6,000 kcal/kg NAR (RB1)	102.2	72.5	65.8	85.2	82.4	80.7	79.0	79.3	79.4	79.5	81.1	81.2	82.1
FOB HA Newcastle @ 5,500 kcal/kg NAR	75.1	55.5	44.6	56.2	61.7	59.1	56.6	57.7	58.4	60.4	61.2	61.8	61.8
FOB HA Richards Bay @ 5,500 kcal/kg NAR (RB3)	81.3	57.1	50.6	61.4	61.5	59.6	57.7	58.9	59.6	61.6	62.4	63.1	63.1

Source: Wood Mackenzie

Beyond 2022, Wood Mackenzie forecasts three major long-term trends in seaborne thermal coal demand, each of which are expected to play a significant role in global pricing.

4.4 Chinese thermal coal import demand is volatile given the battle of protectionist policies against clear arbitrage opportunities for importers

The surge of Chinese thermal coal imports between 2008 and 2014 ended due to shifts to non-coal alternatives for power generation. Recent uplift in imports is expected to reverse from 2020 as tight import quotas are adhered to, in order to favour use of domestic thermal coal production. From 2027, coal power generation is expected to be challenged by renewable generation as the cost of renewable technologies fall below costs in relation to coal-fired generation.

China's dominance in terms of the volume of thermal coal it imports will be taken over by India and SEA. However, its ability to influence price and market balance remains stable amid supply-side reforms and the introduction of new environmental policies. On the supply side, China is at the tail end of executing a capacity control project to improve the health of the domestic coal market and remove illegal mining. Over 700 Mt of capacity from new projects is waiting to be commissioned in the next five years, supplying Chinese demand internally and reducing seaborne imports over this period. In 2020, China pledged to achieve carbon neutrality by 2060. In order to achieve this, China will require an accelerated transition away from coal-fired power generation. Chinese thermal coal demand is expected to fall by around 30% by 2050, however, seaborne thermal coal imports are expected to remain at approximately 100 Mtpa over the long-term due to their quality and competitiveness.

4.5 Developed economies are expected to shed thermal coal consumption while developing economies are increasing thermal coal use

SEA is expected to undergo strong demand growth for thermal coal over the medium to long-term – notably in Vietnam, Malaysia, the Philippines and Thailand as the cost of thermal coal remains competitive against intensive capital investment required for new alternative power generation sources.

With Indian power demand expected to more than double in the next 30 years, coal-fired power energy generation is expected to continue to be a major source of power in the absence of domestic gas resources. However, thermal coal's share is predicted to fall from 69% in 2020 to 61% by 2030. Power generation through renewables is expected to grow significantly in India, however, the intermittent nature of India's renewable power generation (particularly solar) means that existing coal-fired power plants are expected to remain key contributors to the country's growing power requirements. The implementation of stricter environmental policies for coal-fired generated emissions are expected to increase demand for high-energy, low-ash coals which are scarcely available domestically, leading to increased seaborne imports.

4.6 **Consumption of thermal coal from JKT is expected to slowly decline after 2022, offsetting growth in SEA**

Existing capacity is expected to start falling after 2023 due to reserve depletion, supporting a price return to marginal cost levels by 2024. Wood Mackenzie expects South African benchmark prices to increase from 2020 to 2022 as costs and demand of South African thermal coal increase. FOB Richards Bay 6,000 kcal/kg NAR is expected to reach US\$82/tonne in 2022, while FOB HA Richard's Bay 5,500 kcal/kg NAR will reach US\$62/tonne.

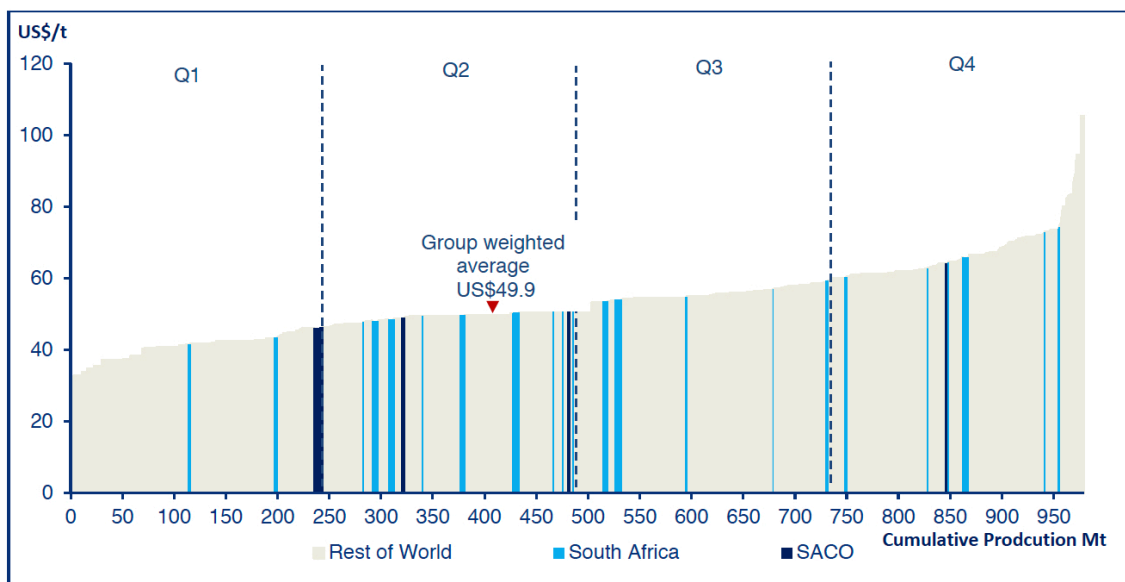
5. **RELATIVE CASH COST POSITIONING**

5.1 **Total cash costs**

South African thermal coal mines have production costs slightly lower than the seaborne average, with lower mining costs, but higher preparation costs due to the washing that is often required to reduce the ash content for export. Transport costs are also relatively high, and challenges with capacity on the rail lines mean miners compete to obtain capacity. Costs are estimated on an FOB basis, meaning the thermal coal is purchased as delivered to the port or FOB vessel for export.

South Africa's weighted average total cash cost for export thermal coal product is expected to be US\$52.8/tonne in 2021, below the global average of US\$53.3/tonne. South African thermal coal has benefited from low diesel prices and a declining exchange rate. The Group's thermal coal assets are all located at the lower half of the 2021 cost curve with the exception of Khwezela, which is in the mid fourth quartile. Based on consistent methodology, Wood Mackenzie estimate the Group's weighted average total cash cost is estimated at US\$49.9/tonne in 2021, which is significantly lower than the South African and global average costs.¹

Graph 13: 2021 Global seaborne thermal FOB total cash cost curve, energy adjusted to 6,322 kcal/kg

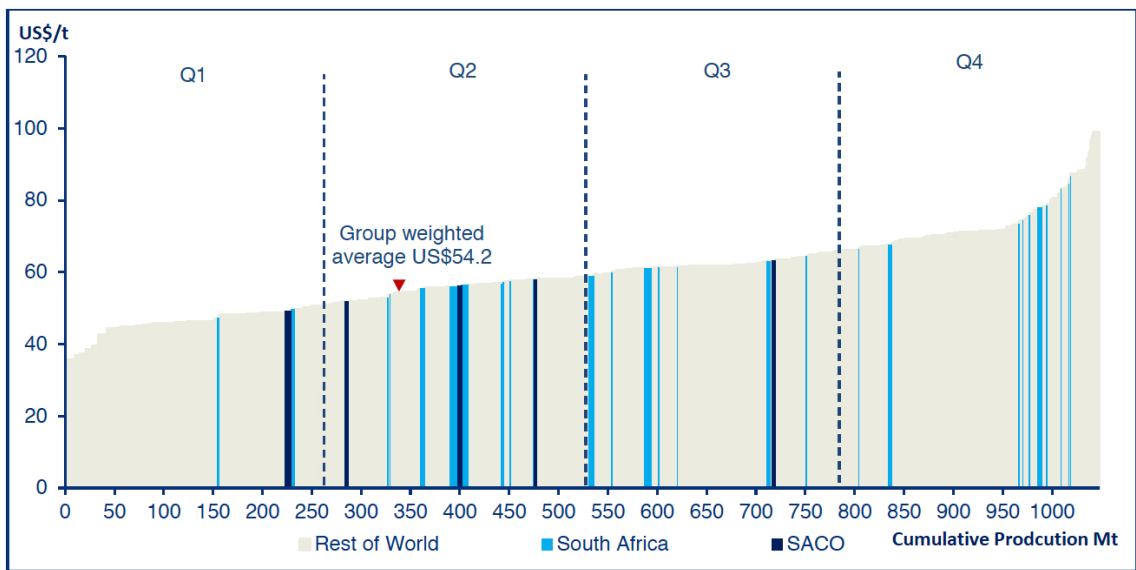


Source: Wood Mackenzie.

By 2023, global export thermal coal costs are expected to have increased due to input cost inflation, averaging US\$59.3/tonne. South African supply is expected to have moved up the curve to average US\$60.5/tonne, with more production in the third and fourth quartiles. Both Australian and South African costs are expected to increase relative to Indonesian supply due to strengthening exchange rates. Each of Goedehoop, Greenside, Isibonelo, Khwezela, Zibulo and Mafube collieries are expected to remain in operation in 2023. The weighted average cost for these mines is forecast to be US\$54.2/tonne in 2023, well below the global and South African average.

¹ The FOB costs reflected was calculated by Wood Mackenzie based on export tonne prices.

Graph 14: 2023 Global seaborne thermal FOB total cash cost curve, energy adjusted to 6,322 kcal/kg

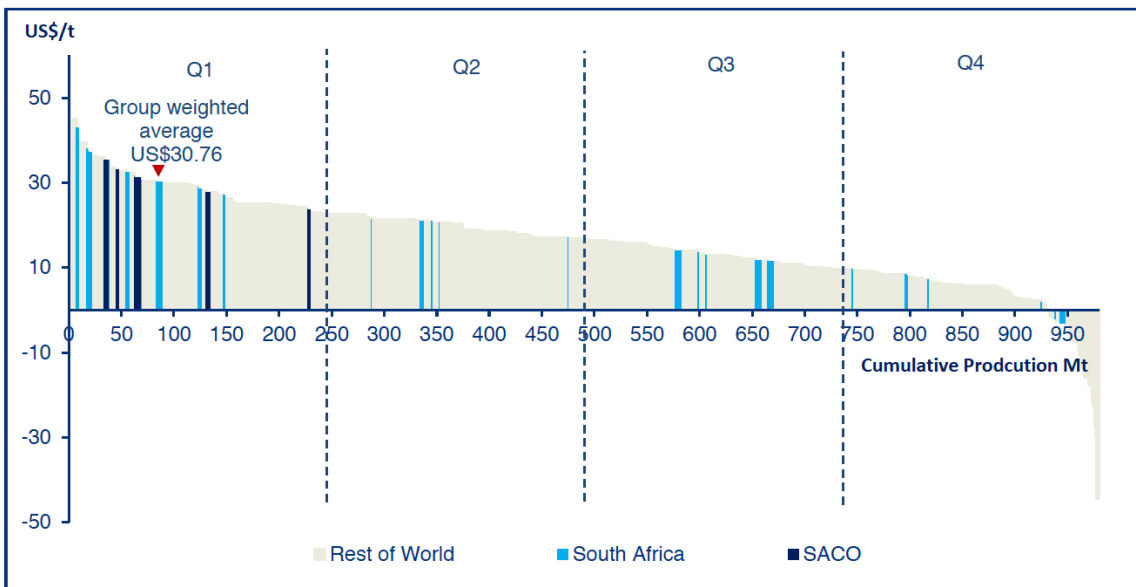


Source: Wood Mackenzie.

5.2 **Margins**

Decreasing thermal coal prices in 2019 and 2020 put pressure on global margins, but following price strengthening from the fourth quarter of 2020 only 5% of global supply is expected to continue to have negative margins in 2021. Global weighted average operating margins are expected to increase to US\$16.3/tonne in 2021, with South African supply as a whole producing above the global weighted average with average margins of US\$19.6/tonne. All of the Group's assets sit in the first quartile for operating margin with Greenside being the highest at US\$35.4/tonne. Khwezela has the lowest operating margin of US\$23.7/tonne. The weighted average margins for the Group are US\$30.8/tonne, placing it well above global and South African averages.

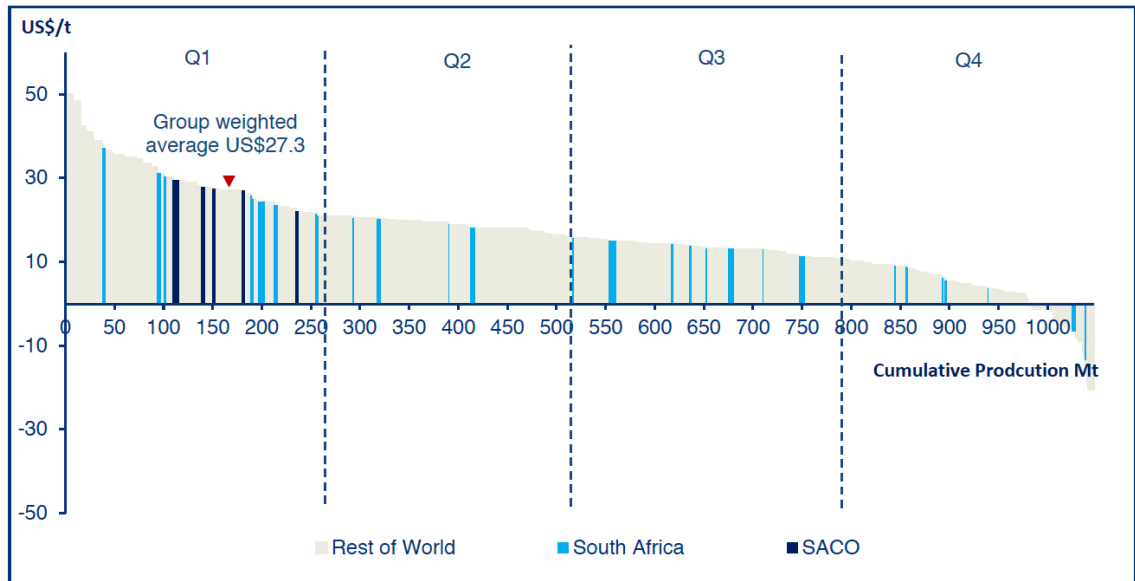
Graph 15: 2021 Global seaborne thermal FOB margin curve



Source: Wood Mackenzie.

A stabilisation in price by 2023 will result in 7% of supply expected to be earning negative margins. The global weighted average operating margin is estimated at US\$16.4/tonne, with South African supply marginally lower at US\$16.3/tonne. The Group's assets are forecast to earn average operating margins of US\$27.3/tonne in 2023, well above the global and South African average. Zibulo colliery will have the highest margin of the Group's assets at US\$29.5, followed by Mafube colliery with US\$27.8/tonne.

Graph 16: 2023 Global seaborne thermal FOB margin curve



Source: Wood Mackenzie.

PART VIII – BUSINESS OVERVIEW

1. INTRODUCTION

The Group is one of the largest pure-play producers and exporters of thermal coal in South Africa based on aggregate thermal coal reserves and marketable thermal coal production. The Group owns interests in, and produces its thermal coal predominantly from seven mining operations, namely Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo colliery), Mafube Coal Mining (operating the Mafube colliery) and Butsanani Energy (operating the Rietvlei colliery) which consist of both underground and open cast mines located in the Mpumalanga province of South Africa. The Group's operations are amongst the highest quality thermal coal mines in South Africa by calorific value. The Group also holds a 50% interest in Phola, which owns and operates the Phola Coal Processing Plant, and a 23.22% indirect interest in RBCT, which owns and operates the Richards Bay Coal Terminal. The Richards Bay Coal Terminal is one of the world's leading coal export terminals, with an advanced 24-hour operation and a design capacity of 91 Mtpa.

The Group is committed to carrying out its operations with a view to a sustainable future and as a leader amongst South African thermal coal miners in accordance with its environmental, social and governance (“ESG”) programmes. Accordingly, the Group has an ESG framework which prioritises those ESG areas most salient to its communities and stakeholders and sets out how these matters are integrated into the Group's operations. The Group's ESG framework is currently in place and will be implemented by the Group on an ongoing basis.

The Group operates a site-driven structure, supported by centralised corporate functions to improve efficiency across its operations. As at 31 December 2020, the Group had 7,525 employees and independent contractors (2019: 8,287) but excluding third-party service providers.

In FY20, the mines operated by the Group produced, in the aggregate, 16,463 kt of thermal coal to export markets and 14,015 kt to the domestic market in South Africa, generating aggregated sales volume (including coal acquired from third parties) of 18,153 kt for exports (representing 79.4% of total revenue) and 13,362 kt domestically (representing 20.6% of total revenue). Domestic sales volume accounted for 42.4% of total sales volume in FY20, however, constitutes a lower quality and lower value coal compared to export thermal coal. As at 31 December 2020, the Group had proved and probable ROM thermal coal reserves of 236.8 Mt. The following table sets out the SA Thermal Coal Operations' key operating and financial performance indicators for FY20, FY19 and FY18. The following figures have been sourced from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations and monthly operating performance reports:

	Year ended 31 December		
	2020	2019	2018
Run of mine (ROM) (kt)	32,174	33,388	39,982
Saleable production export (kt) ⁽¹⁾	16,463	17,795	18,359
Saleable production domestic (kt)	14,015	11,241	13,692
Export sales volume (kt) ⁽¹⁾	18,153	19,785	19,223
Domestic sales volume (kt)	13,362	10,858	13,111
Average export sales price (Rand/tonne)	798	788	1,060
Average domestic sales price (Rand/tonne)	282	276	318
FOB cost/export tonne (Rand/tonne) ⁽²⁾	833	763	807
Adjusted EBITDA ⁽³⁾ (R million)	(1,024)	702	8,116
Adjusted EBITDA margin ⁽⁴⁾ (%)	(5.6)	3.8	33.1
Adjusted operating free cash flow ⁽⁵⁾ (R million)	(1,741)	(1,688)	4,131
Sustaining capex (R million) ⁽⁶⁾	1,758	1,783	1,945
Environmental liability coverage (%) ⁽⁷⁾	(45)	(54)	(54)

Notes:

⁽¹⁾ Over the historical period export sales volume has exceeded export saleable production as it has been supplemented by third party purchases of coal.

⁽²⁾ FOB cost per export tonne represents direct cash cost incurred in producing one unit of export saleable product. This includes carbon monoxide costs, direct support costs, by-product credits logistics costs (also known FOB costs) and excludes, amongst other things, royalties, marketing, market development and corporate overhead, see “Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs”.

⁽³⁾ Adjusted EBITDA is defined as profit/(loss) before net finance income/(costs), tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation. See “Part XIV—Selected Financial Information” for a reconciliation of profit/(loss) for the Financial Year to Adjusted EBITDA and see “Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs”.

⁽⁴⁾ Adjusted EBITDA margin is derived from Adjusted EBITDA as a percentage of revenue during the reporting period. See “Part XIV—Selected Financial Information” for a reconciliation of profit/(loss) for the Financial Year to Adjusted EBITDA and see “Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs”.

⁽⁵⁾ Adjusted operating free cash flow is calculated by taking net cash flows from operating activities less sustaining capital expenditure. See “Part XIV—Selected Financial Information” for a reconciliation of net cash flows from operating activities for the Financial Year to adjusted operating free cash flow and see “Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs”.

⁽⁶⁾ Sustaining capex is defined as stay in business and stripping and development capital expenditure. See “Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs”.

⁽⁷⁾ Environmental liability coverage assesses the percentage cash and cash equivalent investments held to fund future rehabilitation, decommissioning and water treatment expenditure. See “Part XV—Operating and financial review—Other APMs”.

2. KEY STRENGTHS

The Group believes that the following key strengths have contributed to its successful development:

2.1 **A leading South African thermal coal business**

The Group is focused exclusively on thermal coal production and it is one of the largest export thermal coal producers in South Africa based on aggregate coal reserves and marketable coal production. As at 31 December 2020, the mines which the Group owned and operated had, in aggregate, coal reserves of approximately 236.8 Mt and an annual production footprint of 16,463 kt of export quality thermal coal. As such, the Group is one of South Africa's leading thermal coal mine operators, with production mainly from seven mining operations, namely Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo colliery), Butsanani Energy (operating the Rietvlei colliery) and Mafube Coal Mining (operating the Mafube colliery). Despite being in production for many decades, the Group's operations are still amongst the highest quality thermal coal mines in South Africa by calorific value. The Group focuses on exporting its thermal coal portfolio mainly to the Indian, Asian, SEA, Middle East and North African markets. The Group expects its existing portfolio of assets to provide it with continued cash generation from the duration of its portfolio's current life of mine over the next decade, with the possibility of life extension opportunities. In addition to export markets, the Group produces thermal coal for domestic consumption in South Africa, which provides it with inherent operational flexibility in response to changes in demand and other external factors.

Based on Wood Mackenzie analysis and assumptions, the Group's 2021 cash cost position is likely to be lower than the South African and global average costs. The Group's weighted average 2021 cash costs are expected to be at the bottom half of the global total cash cost curve as estimated by Wood Mackenzie.

Depressed thermal coal prices in 2019 and 2020 put pressure on global margins. However, most of the Group's assets are positioned in the first quartile of the operating margin curve, estimated by Wood Mackenzie, which is expected to support cash flow generation in a low pricing environment. The Group's weighted average margin in 2021 sits above global and South African averages. By 2023, the Zibulo and Mafube collieries are expected to have the highest margins within the Group's portfolio owing to their lower cash cost position.

2.2 **Integrated rail and port infrastructure**

The Group's export-focused operations have access to established and fully integrated infrastructure allowing for effective and economic transport of the Group's thermal coal to key export markets. The Group uses trucks, draglines, conveyor belts and other equipment to deliver coal to the processing plants servicing the collieries and, subsequently, to adjacent rail load-out terminals after which the coal is despatched to a railway network that traverses the Mpumalanga province of South Africa. The railway network is positioned within a few kilometres of the Group's operations, and, as a result of their close proximity, some of the Group's collieries, including Greenside and Khwezela, share a rapid loadout terminal and infrastructure, allowing the Group to ultimately deliver its thermal coal to the rail network in a coordinated manner while reducing costs and capital expenditure relating to transport infrastructure.

After delivery to the rail network, the Group's thermal coal is transported by TFR, a division of Transnet SOC Limited ("**Transnet**"), a South African state-owned company, directly to the Richards Bay Coal Terminal for seaborne shipment to key export markets, including India, Asia, SEA, Middle East and North Africa. The Richards Bay Coal Terminal is one of the world's leading coal export terminals, with an advanced 24-hour operation and a design capacity of 91 Mt per year. The Group has a 23.22% indirect interest in RBCT, which owns and operates the Richards Bay Coal Terminal. RBCT operates a quay that is 2.2 kilometres long with six berths and four ship loaders, and stockyard capacity of approximately 8 Mt.

The Group's shareholding interest in RBCT and associated entitlement provides it with security to access its key export markets and also provides it with optionality to fill this entitlement with third party volumes or temporarily lease out this entitlement in the event there is spare capacity after the shipment of the Group's own production volumes. For further detail regarding the Group's interest in RBCT and proposed repurposing of the Richards Bay Coal Terminal for multi-commodity use in order to maximise its full design capacity, see "*Part VIII—Business Overview—The Group's Mining Operations—Richards Bay Coal Terminal*".

2.3 **Right-sized organisational model and fit for purpose operating model**

The Group's organisational structure is transitioning from operating under the structure of a listed and diversified global company, to operating as a fit-for-purpose standalone organisation focused on efficiency and maintaining an appropriate cost structure. The site-driven structure is supported by centralised corporate functions providing efficient services to the Group's operations, enabling fast-decision making and efficient corporate processes appropriate to the Group's needs.

The centralised corporate functions provide administrative, technical and procurement services and develop the Group-wide standards and best practice guidelines. These are designed to improve the Group's efficiency, streamline a number of administrative processes centralised decisions by appropriate persons and economies of scale, and ensure that the Group engages with its employees and stakeholders effectively.

The site-driven operational structure shifts accountability and responsibility for each site to its management team, increasing the accountability of each operation across the portfolio by empowering management teams to focus specifically on their own mine's performance and operations. The organisational structure of each site comprises predominantly senior and highly experienced individuals, who are fully accountable for the operations and performance of the mine, and are required to provide for site-specific expertise. Additionally, the Group's leadership team across the portfolio is encouraged to promote a "tone at the top" approach and lead by example to create a results driven, high performance culture throughout the organisation. The Group will continue to identify, review and further enhance its critical business policies to ensure that they align with and support the Group's priorities as they evolve over time.

2.4 **A pipeline of life-of-mine enhancing options**

The Group has a range of potentially attractive options at its existing operations, primarily concentrated on optimising production and extending the lives of its operations by leveraging existing efficient infrastructure and processing facilities. The Group's operations today have a weighted average reserve life of approximately 8 years. Although the Group's management team considers the life of mine of its operations to be relatively robust, brownfield options at mines including Zibulo and Khwezela have the potential to extend the life of the Group's assets to approximately 2040.

Beyond existing brownfield opportunities, the Group also benefits from greenfield optionality through the Elders Project and Dalyshope Project. While these options are at an early stage, they do provide further life opportunity for the portfolio as a whole should the investment metrics be attractive and any such investments be deemed by the Group's management team and Board to be in the best interests of its shareholders and stakeholders. The Group believes that its dedicated and focused management team, having an extensive understanding of the Group's operations, will allow it to further optimise these life extension opportunities for consideration at the appropriate time. For further detail on the Group's management team see "*—Experienced and focused management team with a strong track record of driving operational performance, supported by an experienced Board*" and "*Part X—Management and Corporate Governance*".

2.5 **Low cash cost assets, well positioned to benefit from favourable thermal coal market environment**

The Group's weighted average cash cost position is expected to be in the bottom half of the global total cash cost curve for 2021 (Wood Mackenzie).

Management's expectation is for continued strength in thermal coal market fundamentals and a supportive pricing environment in the near- to mid-term, which is in line with Wood Mackenzie's expectations. Management also believes the Group will be in a position to leverage its standalone operating model as well as its low cash cost position to capitalise on these anticipated developments, particularly in the export thermal coal market.

The global demand for thermal coal contracted in 2020 as a result of COVID-19, decreasing from 6.9 Bt in 2019 to an estimated 6.6 Bt in 2020. However demand is expected to rebound from 2021, growing to a peak of 7.2 Bt in 2026 before declining again to 7.0 Bt by 2030 as costs of renewable energy (such as solar panel components and wind and battery-based storage systems) continue to fall and emission-reduction goals are increasingly adopted, leading to a reduction in the use of thermal coal in power generation globally (Wood Mackenzie). In the near-term, demand for thermal coal is expected to grow at 2.1% CAGR between 2020 and 2023.

South Africa remains well positioned in the global thermal coal market with India being the largest destination for exported South African thermal coal, accounting for 48% of South Africa's thermal coal exports in 2020. This demand from India is expected to continue at current levels through to 2030. Thermal coal is still a highly competitive fuel for electricity generation in India given the high growth rate of demand from coal-fired power stations, with South African exports to India expecting to increase in the coming decade, from 35 Mt in 2020 to 41 Mt in 2023, before declining to an estimated 33 Mt in 2030.

Further, despite a decrease in the price of thermal coal below long-run sustainable levels during parts of 2019 and 2020, strong prices as seen in the fourth quarter of 2020 and the first quarter of 2021 are expected to continue in the near- to mid-term according to Wood Mackenzie, market consensus and industry expectations. The average price in 2021 of US\$85.2/tonne in real 2020 terms for RB1 product, a key benchmark South African export product is above the Group's total cash cost position (Wood Mackenzie). Going forward, it is expected that RB1 product prices will stay around US\$80/tonne on average until 2030 in real 2020 terms (Wood Mackenzie).

The Group believes it is well placed to leverage its operating model and access to integrated rail and port infrastructure, to benefit from the expected ongoing consistent demand for thermal coal and attractive prices in light of continued supply constraints and discipline. In addition, the Group believes that the export-oriented nature of its business is a key differentiator as it is able to obtain global and market determined indexed pricing for most of its thermal coal sales. Conversely, domestic producers of thermal coal in the countries to where the Group exports are more susceptible to locally regulated pricing, or local production restrictions imposed by regulators, which favours the global seaborne thermal coal market.

For further detail regarding the South African thermal coal market, see "*Part VII—Industry Overview*".

2.6 **Offtake Agreement with Anglo American**

Historically, the Group's export sales were operated through AAML, an Anglo American business focused on the trading and distribution of metals and minerals, including thermal coal. AAML operates under the equity and trading books, whereby the equity book acquires thermal coal from the Group, transfers it to the trading book, and the trading book then sells the thermal coal to third parties. To ensure a seamless transition from the Demerger and to enable the Group to focus on its production operations, the Group has entered into a three-year offtake agreement with AAML, with an additional six-month transitional period thereafter (the "**Offtake Agreement**"). Under this agreement, and as part of Anglo American's responsible approach to its divestment of the Group, AAML will continue to provide sales and marketing services to the Group and purchase the Group's export thermal coal for the three-year period. The Offtake Agreement provides that during the additional six-month handover period AAML will assist the Group with the transition to its preferred arrangements at the end of the term of the Offtake Agreement.

The Offtake Agreement will ensure that the Group continues to receive as close to full market value as possible for its products that are sold, that the Group's customers receive a consistent service and supply, and that the Group can concentrate in its initial period as a listed company on further enhancing the performance of its operations as a market leader in South African thermal coal mining.

For further detail regarding the Offtake Agreement, see "*Annexe 15—Material Contracts*".

2.7 **Experienced and focused management team with a strong track record of driving operational performance, supported by an experienced Board**

The Group has a focused management team that operates the Group's thermal coal mines and has established cost optimisation strategies, productivity improvements and value accretive investments. The Group's management team is led by Chief Executive Officer July Ndlovu, who formerly served as the chief executive officer of Anglo American's thermal coal business in South Africa, and Chief Financial Officer, Deon Smith, who formally served as the chief financial officer of Anglo American's thermal coal business in South Africa and previously held various senior managerial roles in the Anglo American group, including head of corporate finance in South Africa. The Group's management team, supported by an experienced and high calibre Board, has an average of 20 years of experience in the mining industry, including specific expertise in coal mining and operating mines in South Africa. The Board is chaired by Sango Nisaluba, with Kholeka Mzondeki as chairperson of the Audit Committee, Thero Setiloane as chairperson of the Social and Ethics Committee and Ben Kodisang as chairperson of the Risk and Sustainability Committee, setting the appropriate tone of strong corporate governance from the outset of the Group's independence. The Group believes it will continue to benefit from the depth and breadth of experience of its management team and Board as it pursues its business strategy as an independent company.

3. STRATEGY

The Group's strategic focus is to establish itself as a leader amongst thermal coal miners and to maximise value for its shareholders and other stakeholders by focusing on four key areas, namely:

- establishing and committing to a robust environmental, social and governance policy;
- improving productivity and optimising the cost structure of the Group's operations;
- nurturing the Group's existing portfolio of assets to ensure a pipeline of life-of-mine extending investment opportunities; and
- creating strong alignment with investors through a transparent capital allocation framework and dividend policy.

The Group intends to operate a safe, lean and responsibly managed portfolio of thermal coal assets in South Africa, with the sustainability performance of its assets front of mind and disciplined management of its capital, as set out below:

3.1 **Establish and commit to a robust ESG policy to underpin the Group's social licence to operate**

The Group recognises that all stakeholders should benefit from sustainable businesses and considers it a strategic priority to operate in a way which maintains and enhances its safety, health, environmental, governance and social programmes for the benefit of the business, its operations, its employees and the communities in which it operates. The Group has an ESG framework which prioritises the ESG areas that are most salient to its host communities and other stakeholders. This framework has three pillars: environmental stewardship, shared value for its stakeholders and responsible decision making and leadership. The health and wellbeing of all people working on Group sites is paramount and as such the Group is working towards creating a working environment in which the number of recordable injuries continues to reduce and to eliminate level 4 to 5 serious environmental incidents and fatalities. The Group's existing community and social engagement programmes will be updated to align with the implementation of the Group's broad-based economic empowerment community ownership scheme. The Group remains committed to reducing its operational (scope 1 and 2 emissions) greenhouse gas emissions.

For further detail regarding the Group's ESG policy, see "*Part VIII—Business Overview—Environmental, Social, and Corporate Governance*".

3.2 **Further improve productivity and optimise costs**

The Group's flexibility as a single commodity producer in South Africa will enable it to adopt a leaner operating model. Although the Group's assets previously benefited from the productivity and cost optimisation initiatives provided by, and as a result of being owned by Anglo American, the Group will focus on implementing a fit-for-purpose organisational restructure with centralised corporate functions to support the operations of and relevant expertise required for each site, including the aggregation of administrative, technical and procurement services and in turn reduce costs and improve the efficiency and productivity of these services, leaving each site's management team to focus on achieving operational excellence of their own sites. The management teams for each site will have greater control and responsibility for their own mines, operational objectives and achieving productivity and cost targets through focused fit for purpose control of expenditure and utilisation patterns, 'a buy better and use better' procurement approach and optimal use of installed capacity. For further detail on the Group's operating model, see "*—Key Strengths—Right-sized organisational model and fit for purpose operating model*".

Additionally, the Group's strategy is to focus on aligning its stay in business capital expenditure with the remaining life of the existing assets in its portfolio. For further information on the Group's capital allocation framework, see "*—Create strong alignment with investors through a transparent capital allocation framework and dividend policy*".

3.3 **Nurture the existing portfolio of assets to ensure a pipeline of life-of-mine extending investment opportunities**

In accordance with its strict investment criteria, the Group considers, analyses and rigorously evaluates potential investment opportunities into low-cost, capital efficient, value-accretive brownfield options that would provide the Group life-of-mine extending options.

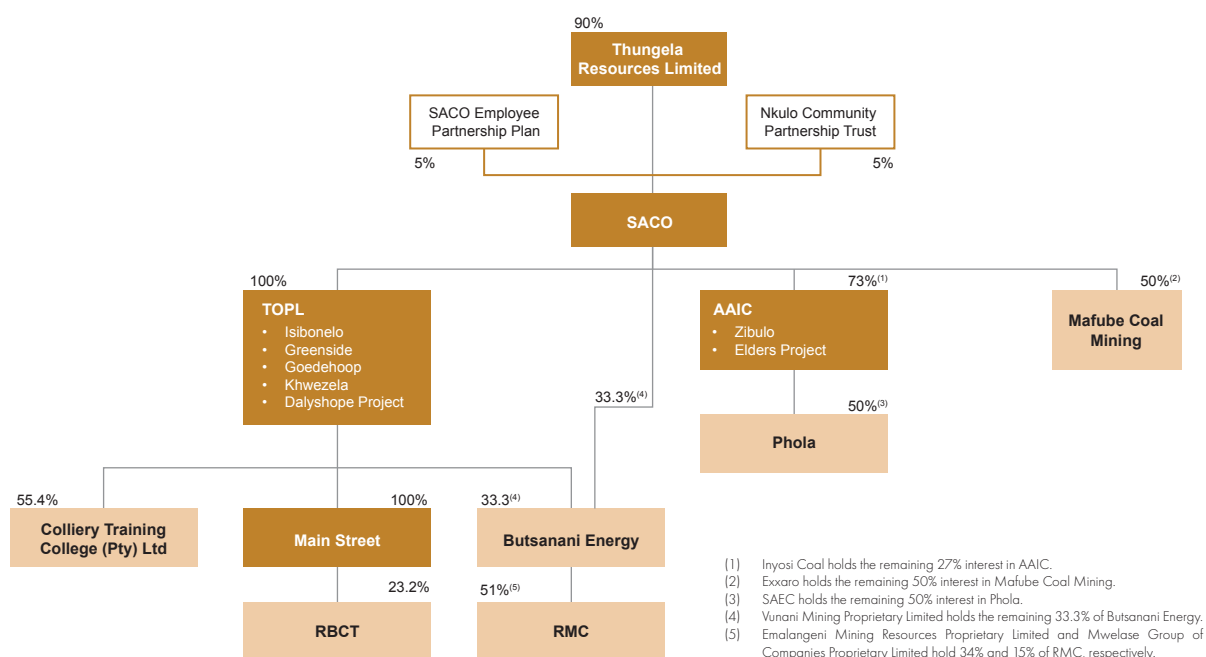
The Group is one of South Africa's leading thermal coal mine operators, with operations exclusively located in the operating basin of the Mpumalanga province of South Africa. To optimise the Group's position as a market leader, its experience and expertise, and its established production operations and infrastructure networks in this area, the Group will continue to focus on investment opportunities that result in life-of-mine extending options, potentially leveraging synergy options of mines and operations immediately contiguous to the Group's existing efficient operations and infrastructure.

3.4 **Create strong alignment with investors through a transparent capital allocation framework and dividend policy**

The Group expects to provide sustainable dividend flows to shareholders by focusing on generating strong cash flows through further productivity and cost efficiency gains in its thermal coal operations in South Africa. In order to manage its capital with a view to sustaining its existing operations, the Group expects to selectively invest in low risk, value-accretive brownfield life extension projects that meet its strict investment criteria whilst distributing excess cash flow to its shareholders in accordance with its dividend policy. Such brownfield projects would be expected to extend the Group's production profile and upgrade the overall quality of the Group's portfolio, which in turn would help to sustain strong cash flows for the benefit of all shareholders. For further information on the Group's portfolio of assets see "*—Nurture the existing portfolio of assets to ensure a pipeline of life-of-mine extending investment opportunities*".

4. THE GROUP STRUCTURE

The following diagram sets out the Group's simplified organisational structure of its operations and projects.¹



5. THE GROUP'S THERMAL COAL CHARACTERISTICS

The Group mines and processes subbituminous thermal coal and does not produce any metallurgical coal. Thermal coal produced from the Group's mines ranges from 4,600 kcal/kg to 6,000 kcal/kg NAR and is mainly sold for use in electric power generation. Trace amounts of mercury and chlorine in South African thermal coal, including the thermal coal produced by the Group, are relatively low compared to coal from certain other coal-producing regions.

6. THE GROUP'S COAL MINING METHODS

The geological characteristics of the Group's thermal coal reserves largely determine the coal mining method employed by the Group. The Group uses two primary methods of mining coal: surface or "open cast" mining and underground mining. The Group also treats and processes the coal mined through the beneficiation process and blends coal to meet the requirements of the end user.

6.1 Open cast mining

The Group uses open cast mining when the coal seams are found close to the surface, applying the strip mining method utilising dragline or truck-and-shovel equipment. Open cast mining typically involves the removal of topsoil and drilling and blasting the overburden (earth and rock covering the coal) and the inter-burden, or parting between the different lower coal seams, with explosives. The burden material is then removed with trucks, shovels or dozers. Trucks and shovels then remove the coal. The final steps involve the re-shaping of the burden material that has been placed in the void where the coal has been excavated and the replacing of the topsoil, re-establishing vegetation into the natural habitat and making other changes designed to restore or manage the flow of rain water and to also potentially provide local community benefits.

6.2 Underground mining

The Group uses underground mining methods when coal is located deep beneath the surface. The Group's underground mines are typically operated using the bord and pillar mining technique. Bord and pillar mining is effective for relatively flat-lying coal seams and it has the flexibility to accommodate irregular shaped blocks. In bord and pillar mining, a network of typically perpendicular roadways is cut into the coal seam, leaving a series of rectangular pillars of coal to support the roof of the mine. Continuous miners are used to cut the coal and shuttle cars are used to transport the coal from the continuous miner to a conveyor belt for further transportation to the surface. The pillars generated as part of this mining method can constitute 30% to 40% of the total coal in a seam.

¹ The Partnership Plans will be implemented immediately prior to the Demerger. For further information on the Partnership Plans, see "Part VIII—Business Overview—Employee Partnership Plan and Community Partnership Plan".

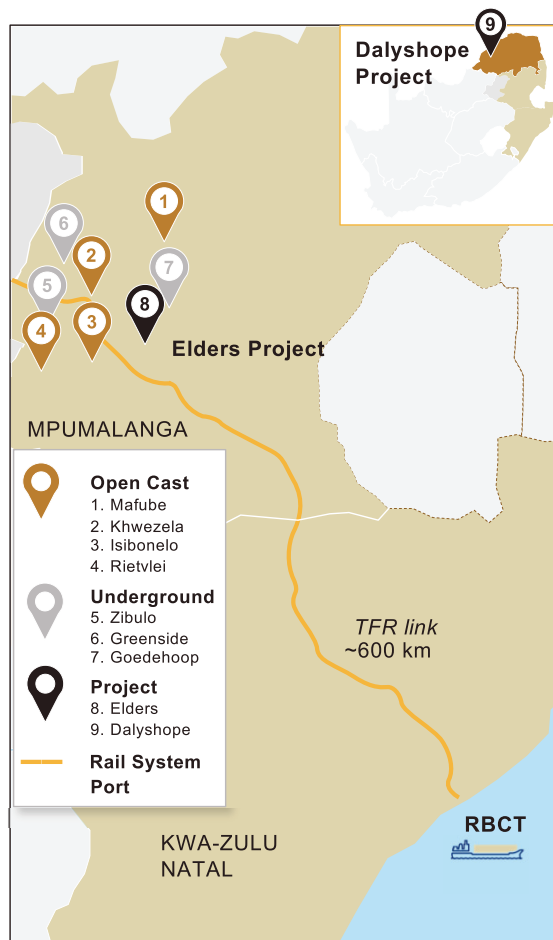
6.3 Coal preparation and blending

The majority of the thermal coal from the Group's mines is beneficiated through dense medium separation plants. Beneficiation is the treatment or processing of coal to remove certain parts within the coal to achieve a targeted suite of coal qualities. This typically involves the removal of non-coal bearing waste which is stockpiled in mine residue dumps. This ensures a consistent quality and enhances suitability of the coal mined and produced for particular end-users. In addition, depending on coal quality and customer requirements, coals of various sulphur and ash contents can be mixed or "blended" to meet the specific combustion and environmental needs of customers. All of the Group's coal can be blended with coal from other coal producers.

7. THE GROUP'S MINING OPERATIONS

The Group owns interests in and produces its thermal coal predominantly from seven mining operations, namely Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo colliery), Mafube Coal Mining (operating the Mafube colliery) and Butsanani Energy (operating the Rietvlei colliery). The Group is the sole owner of each of these operations, except for AAIC, Mafube Coal Mining and Butsanani Energy, in which the Group has a 73%, 50% and 66.7% interest, respectively. The Group also has plans for two proposed mining operations in the form of the Elders Project and Dalyshope Project. The Elders Project, in which the Group has a 73% interest, is a proposed underground mine (at the exploration and technical study stage) and the Dalyshope Project is a proposed open cast mine for which a mining right application is pending approval. The Group also holds a 50% interest in Phola, which owns and operates the Phola Coal Processing Plant and a 23.22% indirect interest in RBCT, which owns and operates the Richards Bay Coal Terminal. The Group also holds an interest of approximately 67% in Butsanani Energy, which in turn holds a 51% interest in RMC, which operates the Rietvlei colliery. Accordingly, the Company indirectly holds a beneficial interest of 34% in RMC.

The following map shows the locations of the Group's mining operations and the Richards Bay Coal Terminal:



7.1 Goedehoop colliery

Location

The Goedehoop colliery is an underground thermal coal mine located approximately 165 km east of Johannesburg and approximately 40 km southeast of eMalahleni (previously Witbank) in the Mpumalanga province of South Africa.

History

The Goedehoop colliery was formed in 2005 following the combination of two existing Group-owned collieries: Bank colliery (now known as Goedehoop North) and the original Goedehoop colliery (now known as Goedehoop South). After the combination in 2005, thermal coal was mined underground from four shafts, which included the Hope, Vlaklaagte, Simunye and South shafts, as well as from the Vlaklaagte and Haasfontein mini-pits. The Goedehoop South reserves, mined from the Haasfontein and Vlaklaagte shafts, were depleted during 2012 and at the end of 2019, respectively, with the rehabilitation of the Haasfontein shaft nearing completion and rehabilitation having commenced at the Vlaklaagte shaft.

Mining operations and processing methods

The Goedehoop colliery consists of two distinct mining areas, Goedehoop North and Goedehoop South. The operations at Goedehoop North predominantly focus on the number 4 seam with some localised mining of the number 2 seam. Goedehoop North has its own processing plant and train loading facility which facilitates the processing of all thermal coal produced at Goedehoop North. Based on the current Goedehoop LoM plan, mining operations at Goedehoop North are expected to cease in 2025. Goedehoop South also has its own coal preparation plant and train loading facilities, which has been closed since December 2019 with no further ongoing operations occurring in the area. The Group is in the process of deconstructing Goedehoop South and overseeing certain environmental, water management and rehabilitation matters in relation to the existing infrastructure.

The Group operates and extracts thermal coal from the Goedehoop colliery using a fully mechanised bord and pillar mining method in which each of the mine's six sections employs the use of mining equipment comprising continuous miners, shuttle cars, roof bolters and feeder breakers, supported by a conveyor system, load haul dumpers, service vehicles and associated plant and infrastructure.

Infrastructure

The Goedehoop colliery's regional infrastructure includes roads, railway lines, water and power supply and the mine-specific infrastructure includes offices, storerooms, changerooms, workshops, road, conveyors, shafts that access the underground workings, coal beneficiation plant and mineral residue deposits. The mine is accessible by tarred regional roads leading off a national road. A railway line traverses the property, connecting the dedicated rail load-out terminal with the Richards Bay Coal Terminal, where thermal coal is transported by TFR to the Richards Bay Coal Terminal for export. The Goedehoop colliery's operations are supplied with bulk power from Eskom. The completion of mining at Goedehoop South has led to a reduction of power consumption at certain take-off points.

Mining rights

The Goedehoop colliery has seven mining rights that cover the north and south operations comprising the colliery, covering a total area of approximately 29,062 ha. All Goedehoop mining rights other than Kleinfontein will expire in 2038 and the Kleinfontein mining right will expire in 2042. The conversion application from a prospecting to mining right over the Komati Power Station area has been submitted and is awaiting conversion. The maximum renewal period of a mining right is 30 years, but it can be renewed for further periods (each of which may not exceed 30 years at a time).

For further details regarding the Group's mining rights, see "*Mining rights held by the Group*".

Production, reserves and revenues

In 2020, the Goedehoop colliery produced 2.2 Mt of thermal coal to export markets and 3.9 Mt to the domestic market in South Africa (2019: 3.92 Mt for the export market and 2.12 Mt for the domestic market). As at 31 December 2020, the Goedehoop colliery had proved and probable ROM thermal coal reserves of 21.3 Mt and an additional 7.5 Mt ROM of residue deposit material. For further details regarding the Group's thermal coal resources and thermal coal reserves, see "*Summary of the Group's Thermal Coal Reserves*". In 2020, revenue generated from the Goedehoop colliery was R2,309 million (2019: R3,150 million and 2018: R4,599 million) with an Adjusted EBITDA of negative R196 million (2019: negative R196 million and 2018: R1,179 million).

7.2 Greenside colliery

Location

The Greenside colliery is an underground thermal coal mine located approximately 120 km east of Johannesburg and approximately 15 km southeast of eMalahleni in the Mpumalanga province of South Africa.

History

The Greenside colliery was established during the Second World War and was acquired in about 1944 by Apex Mines, which became a subsidiary of Gold Fields of South Africa in 1959. The Greenside colliery became one of the largest underground collieries in the area at the time and supplied thermal coal to both the export and domestic market, as well as to local steel producers. In the 1970s, it was one of the suppliers of low ash coal to the Japanese steel mills, exporting through the then newly developed Richards Bay Coal Terminal. In 1986, the coal interests of Gold Fields of South Africa were consolidated into Gold Fields Coal. By the 1990s, the Greenside colliery was converted to a fully mechanised mine. The Greenside colliery was purchased by the Anglo American Group in 1998.

Mining operations and processing methods

Although there are five coal seams present within the Greenside colliery, thermal coal is being extracted only on the number 4 seam through five underground sections. The number 4 seam is relatively shallow, enabling a high extraction rate in the panels and thus a high productivity. The Group's overall mine plan is to complete the remaining panels in the north of the property and to then develop the southern portion. The thermal coal mined from the Greenside colliery is supplied to both the export and domestic thermal coal markets. Based on the current Greenside LoM plan, mining operations at the colliery are expected to cease by 2026.

The Group operates the Greenside colliery using a fully mechanised bord and pillar mining method in which each of the mine's five sections employs the use of mining equipment comprising continuous miners, shuttle cars, roof bolters and feeder breakers supported by a conveyor system, load haul dumpers, service vehicles and associated plant and infrastructure.

Infrastructure

The Greenside colliery's regional infrastructure includes roads, railway lines, water and power supply and the mine-specific infrastructure includes offices, storerooms, changerooms, workshops, road, conveyors, an incline shaft that accesses the underground workings, coal beneficiation plant and two mineral residue deposits. The mine is accessible by tarred regional roads leading off a national road. A railway line traverses the property approximately 2.5 km north-east of the mine infrastructure area and is shared with Khwezela colliery, connecting the rail load-out terminal with the Richards Bay Coal Terminal, where thermal coal is transported by Transnet to the Richards Bay Coal Terminal for export. The Greenside colliery's operations are supplied with bulk power from Eskom. The eMalahleni Water Reclamation Plant is also located within the Greenside mining right and is operated by the Group but services Greenside, Khwezela and Zibulo collieries, as

well as the South Witbank Colliery (owned by SAEC and Seriti Resources), local communities, the eMalahleni Municipality and the Phola Coal Processing Plant.

Mining rights

The Greenside colliery has one mining right. The area subject to the Greenside mining right overlaps with certain areas subject to the Landau mining right and accordingly there are a number of properties common to both. The Greenside and Landau mining rights will expire in 2034 and 2029, respectively, each of which can be renewed for further periods of 30 years at a time. The approval terms of these mining rights provided that only seam 5 of the Landau mining right of the Khwezela colliery and only seams 1 to 4 of the Greenside mining right could be mined by the Greenside colliery operations. The Group intends to submit an application under section 102 of the MPRDA to incorporate all seams into one mining right.

The Greenside colliery also has one prospecting right, which is known as the Vlaklaagte prospecting right. An application for conversion of the prospecting right to a mining right was submitted on 8 February 2018 and is pending approval.

On 17 February 2021, the Group submitted an application to the DMRE under section 102 of the MPRDA for the inclusion of the East Block area, spanning 617 ha, currently falling under the Khwezela Kleinkopje mining right, to be consolidated with the Greenside mining right.

For further details regarding the Group's mining rights, see "*—Mining rights held by the Group*".

Production, reserves and revenue

In 2020, the Greenside colliery produced 3.6 Mt of thermal coal to export markets and 0.9 Mt to the domestic market in South Africa (2019: 3.5 Mt for the export market and 1.3 Mt for the domestic market). As at 31 December 2020, the Greenside colliery has *in-situ* proved and probable ROM thermal coal reserves of 25.9 Mt and an additional 5.1 Mt ROM of residue deposit material. For further details regarding the Group's thermal coal resources and thermal reserves, see "*—Summary of the Group's Thermal Coal Reserves*". In 2020, revenue generated from the Greenside colliery was R3,047 million (2019: R3,504 million and 2018: R3,941 million) with an Adjusted EBITDA of R690 million (2019: R1,053 million and 2018: R2,101 million).

7.3 Isibonelo colliery

Location

The Isibonelo colliery is an open cast thermal coal mine located approximately 150 km east of Johannesburg and approximately 90 km south of eMalahleni in the Mpumalanga province of South Africa.

History

The Isibonelo colliery was opened in 2005. In 2019, the Group entered into the Isibonelo Coal Supply Agreement with Sasol Mining for the supply of a minimum of 4.5 Mtpa of thermal coal to Sasol Synfuels. The Isibonelo Coal Supply Agreement is due to expire on 30 June 2025, with the possibility for extension.

For further details regarding the Isibonelo Coal Supply Agreement, see "*Annexe 15—Material Contracts—Isibonelo Coal Supply Agreement*".

The Isibonelo colliery's offices and workshops are located approximately 12 km south of the mining area, at what was formerly known as the Syferfontein open cast colliery. The Isibonelo colliery took over the infrastructure associated with the Syferfontein open cast colliery in 2005, which also includes a coal handling plant, a pollution control dam and a diversion dam.

Mining operations and processing methods

The Isibonelo colliery consists of two open cast pits, the north and south pits. Mining at the colliery focuses on the number 4 seam with thermal coal produced from both pits to supply Sasol Synfuels. The terms of Isibonelo colliery's LoM plan are dictated by the Isibonelo Coal Supply Agreement, and based on the current plans, mining operations at the Isibonelo colliery are expected to cease by 2026. The Group operates the Isibonelo colliery using the open cast strip mining method by utilising draglines and truck and shovel equipment with the assistance of a pre-strip operation in the north pit as well as a 13 km long overland conveyor. The thermal coal is screened and crushed for effective conveying. Thermal coal is conveyed 14 km from the pits to the point of sale at the Isibonelo bunker. From this point it is conveyed a further 22 km to the Sasol Synfuels coal stockyard situated at the Sasol Synfuels plant immediately south of the town of Secunda.

Infrastructure

The Isibonelo colliery's regional infrastructure includes a coal handling plant, a pollution control dam and a diversion dam. There is no beneficiation plant or mine dumps at the Isibonelo colliery. The towns of Kriel and Secunda, located approximately 8 km west and 13 km south of the property, respectively, are accessible by several provincial, district and farm roads, and the mine is accessed through internal access roads. The Isibonelo colliery's regional infrastructure includes roads, water supply and power supply. Power and potable water is provided by Sasol Synfuels as part of the Isibonelo Coal Supply Agreement. The Isibonelo colliery does not have a power supply agreement with Eskom.

Mining rights

The Isibonelo colliery has one mining right covering a total area of approximately 2,053 ha, which expires in 2038, with a further renewal period of no more than 30 years.

For further details regarding the Group's mining rights, see "*—Mining rights held by the Group*".

Production, reserves and revenue

In 2020, the Isibonelo colliery supplied Sasol Synfuels with 4.2 Mt of thermal coal (2019: 4.5 Mt). As at 31 December 2020, the Isibonelo colliery had proved and probable ROM thermal coal reserves of 27.1 Mt. For further details regarding the Group's coal resources and reserves, see "*—Summary of the Group's Thermal Coal Reserves and Resources*". In 2020, revenue generated from the Isibonelo colliery was R1,476 million (2019: R1,423 million and 2018: R1,254 million) with an Adjusted EBITDA of negative R97 million (2019: negative R194 million and 2018: R9 million).

7.4 **Khwezela colliery**

Location

The Khwezela colliery is an open cast thermal coal mine located approximately 120 km east of Johannesburg and approximately 22 km south west of eMalahleni in the Mpumalanga province of South Africa.

History

The Khwezela colliery was formed in 2016 following a merger of the mining operations of the Kleinkopje and Landau collieries. The thermal coal produced at the Khwezela colliery is exported and used in the domestic market.

Mining operations and processing methods

The Khwezela colliery currently consists of two distinct open cast operations, Khwezela North and Khwezela South. Mining operations at Khwezela are presently focused on the Navigation area in Khwezela North, with additional areas being the Clydesdale Pan area, the North West Block and Landau.

The Group operates the Khwezela colliery using the open cast strip mining method utilising draglines, truck and shovel equipment. The mining at the Khwezela colliery predominantly focuses on the number 2 seam. A number of the pits forming part of the Khwezela colliery are either in rehabilitation or under care and maintenance, with the Navigation pit being the only operating pit going forward as the Bokgoni pit was placed on care and maintenance in the first quarter of 2021. Based on the current Khwezela LoM plan, mining operations at the colliery are expected to cease by 2027. The Group is also progressing an extension project at the Khwezela colliery to extend the current life of mine, which is currently in the feasibility study phase.

Infrastructure

The Khwezela colliery's regional infrastructure includes roads, railway lines, water and power supply and the mine-specific infrastructure includes housing, office, storerooms, change rooms, workshops, road, conveyors, three coal beneficiation plants and four mineral residue deposits. The mine is accessible by tarred regional roads leading off the N4 national road. A railway line traverses the property (the Transnet railway line to Komatipoort) connecting the rail load out terminal with the Richards Bay Coal Terminal (shared with the Greenside colliery) where thermal coal is transported by TFR to the Richards Bay Coal Terminal for export. Khwezela colliery's operations are supplied with bulk power from Eskom.

Mining rights

The Khwezela colliery has two mining rights covering a total area of approximately 20,010 ha, which expire in 2029 and 2030.

On 17 February 2021, the Group submitted an application under section 102 of the MPRDA to the DMRE for the inclusion of the East Block area, spanning 617 ha, currently falling under the Khwezela Kleinkopje mining right, to be consolidated with the Greenside mining right.

For further details regarding the Group's mining rights, see "*–Mining rights held by the Group*".

Production, reserves and revenue

In 2020, the Khwezela colliery produced 3.7 Mt of thermal coal to export markets and 2.5 Mt to the domestic market in South Africa (2019: 2.8 Mt for the export market and 2.9 Mt for the domestic market). As at 31 December 2020, the Khwezela colliery had proved and probable ROM thermal coal reserves of 37.1 Mt. For further details regarding the Group's coal resources and reserves see "*–Summary of the Group's Thermal Coal Reserves*". In 2020, revenue generated from the Khwezela colliery was R2,988 million (2019: R2,823 million and 2018: R4,015 million) with an Adjusted EBITDA of negative R1,451 million (2019: negative R1,038 million and 2018: R278 million).

7.5 **Zibulo colliery**

Location

The Zibulo colliery is an underground and open cast mini-pit thermal coal mine located approximately 100 km east of Johannesburg and approximately 60 km south west of eMalahleni in the Mpumalanga province of South Africa.

History

The Zibulo colliery was formed in 2010 and it is operated as a company in which the Group, through AAIC, has a 73% interest with the remaining 27% interest held by Inyosi Coal, a B-BBEE consortium. The thermal coal produced at the Zibulo colliery is beneficiated at the Phola Coal Processing Plant and is used in the export and domestic markets. The Group's shareholding in AAIC is governed by a shareholders' agreement between SACO and Inyosi Coal, which sets out the rights and responsibilities of each shareholder in respect of AAIC.

There are also intra-group funding arrangements between AAIC and the Group, which comprise a revolving credit facility and acquisition preference shares, under which the Group has an inter-company receivable in excess of R8 billion. The repayment of these intra-group funding arrangements takes precedence over the distribution of ordinary dividends to shareholders of AAIC.

Mining operations and processing methods

The Zibulo colliery consists of two separate mining areas, the larger underground mine and the smaller open cast pit. The underground colliery is operated using the continuous miner bord and pillar mining method in which each of the mine's nine sections (which is planned to reduce to eight sections) employs the use of mining equipment comprising continuous miners, shuttle cars, roof bolters and feeder breakers supported by a conveyor system, load haul dumpers, service vehicles and associated plant and infrastructure. The open cast mini-pit is operated by contractors utilising a truck and shovel fleet. ROM thermal coal from the underground and open cast mines are beneficiated at the Phola Coal Processing Plant. For further details regarding the Phola Coal Processing Plant, see "*–Phola Coal Processing Plant*".

The mining at the Zibulo colliery predominantly focuses on the number 2 seam. Based on the current LoM plan, mining operations at two of the open cast operations are expected to cease in 2026/2027 with the remaining operations at the underground operations expected to cease in 2029. The Group is also progressing a two-seam extension project at the Zibulo colliery to extend the current life of mine, which is currently in the pre-feasibility phase.

Infrastructure

The Zibulo colliery's regional infrastructure includes roads, water and power supply and the mine-specific infrastructure includes offices, storerooms, changerooms, workshops, road, an incline shaft that provides access to the underground workings and a 16 km overland conveyor belt conveying ROM thermal coal to the Phola Coal Processing Plant. The mine is accessible by tarred regional roads leading off a national road. The Zibulo colliery's operations are supplied with bulk power from Eskom.

Mining rights

The Zibulo colliery has two mining rights (one open cast and one underground) covering a total area of approximately 14,222 ha, which expire in 2034 and 2040, respectively, each of which may be extended by further periods of 30 years at a time.

For further details regarding the Group's mining rights, see "*—Mining rights held by the Group*".

Production, reserves and revenue

In 2020, the Zibulo open cast and underground colliery produced 3.1 Mt of thermal coal to the export market with 2.3 Mt of middlings (2019: 3.5 Mt export production with 1.8 Mt of middlings). As at 31 December 2020, the Zibulo open cast colliery had proved and probable ROM thermal coal reserves of 7.4 Mt and the Zibulo underground colliery had proved and probable ROM thermal coal reserves of 58.3 Mt. For further details regarding the Group's coal resources and reserves see "*—Summary of the Group's Thermal Coal Reserves*". In 2020, revenue generated from the Zibulo colliery was R3,750 million (2019: R4,032 million and 2018: R5,870 million) with an Adjusted EBITDA of R145 million (2019: R339 million and 2018: R2,084 million).

7.6 **Mafube colliery**

Location

The Mafube colliery is an open cast thermal coal mine located approximately 30 km east of Middelburg in the Mpumalanga province of South Africa.

History

The Mafube colliery was formed in 2004 and is operated by Mafube Coal Mining as a 50/50 joint operation between the Group and Exxaro. The thermal coal produced at the Mafube colliery is used in the export and domestic markets.

Mining operations and processing methods

The Mafube colliery consists of three open cast pits, being Springboklaagte, Nooitgedacht and Wildfontein.

Springboklaagte is the original pit that commenced operations in 2006 and is currently in rehabilitation. Nooitgedacht was developed and became operational in May 2018, covering approximately 7,806 ha, producing A-grade export thermal coal and thermal coal for domestic consumption by power stations.

All thermal coal extracted from the Nooitgedacht pit is crushed and screened and then conveyed via an overland conveyor belt to the beneficiation plant at Springboklaagte. The beneficiation plant covers approximately seven ha and is designed to produce export grade thermal coal and a "middling" fraction which is suitable for the export market or for power station consumption.

Wildfontein became operational in February 2018, producing domestic thermal coal consumed by power stations. All thermal coal extracted from Wildfontein is currently mined through a contracting agreement with Hlagisa Mining Proprietary Limited ("**Hlagisa Mining**") and is transported to the adjacent Hlagisa Mining screening plant from where it is then directly transported to local power stations. An application for a mining right is currently pending in respect of Wildfontein and once such right has been granted, it is proposed that an application will be made under section 102 of the MPRDA to transfer the mining right to Hlagisa Mining.

The mining at the Mafube colliery predominantly focuses on the number 2 seam. Based on the current Mafube LoM plan, mining operations at the colliery are expected to cease by 2031.

Infrastructure

The Mafube colliery's regional infrastructure includes roads, railway lines, water and power supply and the mine-specific infrastructure includes offices, storerooms, changerooms, workshops, roads and an overland conveyor belt conveying ROM thermal coal to its beneficiation plant situated at the Springboklaagte pit. The mine is accessible by tarred regional roads leading off a national road. A railway line traverses the property, connecting the dedicated rail load-out terminal with the Richards Bay Coal Terminal, where thermal coal is transported by TFR to the Richards Bay Coal Terminal for export. The Mafube colliery's operations are supplied with bulk power from Eskom.

The Mafube colliery has a train loading siding situated approximately 10 km from the mine plant site where coal is loaded on trains and transported to the Richards Bay Coal Terminal by TFR.

Mining rights

The Mafube colliery has two mining rights covering a total area of approximately 10,933 ha, which expire in 2030 and 2043, each of which may be extended by further periods of 30 years at a time.

For further details regarding the Group's mining rights, see "*—Mining rights held by the Group*".

Production, reserves and revenue

In 2020, the Mafube colliery produced 1.8 Mt of saleable thermal coal to export markets (2019: 1.8 Mt of saleable thermal coal). As at 31 December 2020, the Mafube colliery had proved and probable ROM thermal coal reserves of 55.1 Mt. For further details regarding the Group's coal resources and reserves, see "*—Summary of the Group's Thermal Coal Reserves*". In 2020, revenue generated from the Group's 50% interest in Mafube was R1,671 million (2019: R1,418 million and 2018: R1,323 million) with an Adjusted EBITDA of R399 million (2019: R386 million and 2018: R565 million).

7.7 Rietvlei colliery

Location

The Rietvlei colliery is an open cast thermal coal strip mine located approximately 27 km north-east of Middelburg, between Stofberg and Middelburg, in the Mpumalanga province of South Africa.

History

The Rietvlei colliery is operated by RMC, in which the Group owns a 34% effective interest through its shareholding in Butsanani Energy, an entity which was created to facilitate enterprise development by identifying junior coal mining operations and companies in South Africa to collaborate with. Butsanani Energy holds a 51% stake in RMC with B-BBEE consortiums, Mwelase Group of Companies Proprietary Limited and Emalangen Mining Resources Proprietary Limited, being the other shareholders holding 15% and 34%, respectively. Construction of the Rietvlei colliery commenced in November 2018 with its first coal sales delivered in March 2019. The thermal coal produced at the Rietvlei colliery is currently supplied exclusively to Eskom and used for power generation at several nearby coal-fired power stations.

Although the Group holds a controlling interest in RMC, neither the Group nor Butsanani Energy take part in the day-to-day operational management and decisions of RMC in respect to the Rietvlei colliery. Butsanani Energy is entitled to appoint up to three directors to the RMC board, with the remaining shareholders entitled to appoint an additional three directors to the RMC board. Of the six directors currently appointed to the RMC board, two of the directors are nominated and appointed by Butsanani Energy.

Mining operations and processing methods

The Rietvlei colliery is a small-scale truck and shovel open cast mine operation consisting of a single strip cut of over 1.5 km with several low wall access ramps. Unlike other operations within the Group, all mining activities at the Rietvlei colliery are conducted by contractors, including crushing and screening which is also performed on site. The Rietvlei colliery produces and supplies power station thermal coal directly to Eskom under a coal supply agreement that expires on 28 February 2024. The Rietvlei colliery is the only operation within the Group to supply thermal coal directly and exclusively to Eskom. Based on the current LoM plan, mining operations at the colliery are expected to cease by 2027.

Infrastructure

The Rietvlei colliery's regional infrastructure includes provincial roads and a Transnet railway line and the mine-specific infrastructure includes a coal beneficiation plant. Saleable product is transported by trucks from the product stockpiles stored at the beneficiation plant directly to Eskom at the various nearby coal-fired power stations in the Mpumalanga province. The Rietvlei colliery's operations are supplied with bulk power from Eskom.

Mining Rights

The Rietvlei colliery has one mining right covering a total area of approximately 2,225 ha, which expires in 2037 and may be extended by a further period of 30 years at a time. Of the total area covered by the mining right, approximately 320 ha will actually be mined.

For further details regarding the Group's mining rights, see "*Mining rights held by the Group*".

Production, reserves and revenue

In 2020, the Rietvlei colliery produced 2.5 Mt of thermal coal which was supplied domestically to Eskom under a coal supply agreement (2019: 1.2 Mt for the domestic market). Attributable production to the Group was 0.8 Mt in 2020 (2019: 0.4 Mt), representing less than 5% of the Group's total coal production.

As at 31 December 2020, given the remaining life of contract, the Rietvlei colliery had proved and probable ROM thermal coal reserves of 4.6 Mt. The current reserve is sufficient to support a short life mining operation as supported by the existing coal supply agreement with Eskom. For further details regarding the Group's coal resources and reserves, see "*Summary of the Group's Thermal Coal Reserves*". Attributable proved and probable coal reserves to the Group are 1.5 Mt, which represents less than 1% of the Group's attributable proved and probable coal reserves.

In 2020, revenue generated from the Rietvlei colliery was R1,049 million (2019: R179 million) with an Adjusted EBITDA of R87 million (2019: R11 million) with the attributable revenue to the Group being R315 million (2019: R54 million) and with attributable Adjusted EBITDA of R26 million (2019: R3 million).

7.8 Dalyslope Project

Location

The Dalyslope Project is a thermal coal exploration project in relation to a proposed open cast thermal coal mine located approximately 280 km north of Johannesburg and approximately 55 km west-northwest of Lephalale within the largely undeveloped Waterberg Coalfield of the Limpopo Province of South Africa.

Overview of proposed operations

In March 2020, the Group entered into a Farm-Out Agreement with Universal Coal Development IV Proprietary Limited ("**UCD**"), appointing UCD to conduct and fund the prospecting operations for the Dalyslope Project. UCD has a right under the Farm-Out Agreement to earn a 15% participating interest in the Dalyslope Project, provided UCD meets four earn-in conditions related to obtaining various approvals by 20 March 2024. As two of the four earn-in conditions have not yet been met by UCD, the Dalyslope Project remains wholly-owned by the Group.

For further details regarding the Farm-Out Agreement, see "*Annexe 15—Material Contracts—Farm-out Agreement*".

The Group proposes to extract thermal coal from an open cast pit using truck and shovel equipment. Future potential life extensions may involve underground mining bord and pillar techniques, depending on target seams. A feasibility study is currently underway which will provide the size and shape of the Dalyslope Project development, however, the proposed plan is to establish a small-scale operation

extracting thermal coal for the domestic market. Should market price improve sufficiently and access to the Waterberg rail become available making a larger mine development economically viable, then the Dalyshope Project could provide thermal coal for both the domestic and export markets.

Mining rights

The Group has a pending mining right application in respect of the Dalyshope Project covering a total area of approximately 4,945 ha. The mining right application was submitted and accepted by the DMRE on 27 November 2020, however, approval to grant the mining right is still pending.

For further details regarding the Group's mining rights, see "—Mining rights held by the Group".

7.9 **Elders Project**

Location

The Elders Project is a thermal coal exploration project in relation to a proposed underground thermal coal mine located approximately 60 km south of Middelburg and 15 km north of Bethal in the Mpumalanga province of South Africa.

Overview of proposed operations

The Elders Project is wholly-owned by AAIC, in which the Group has a 73% interest with the remaining 27% interest held by Inyosi Coal, a B-BBEE consortium. The Group's shareholding in AAIC is governed by a shareholders' agreement between SACO and Inyosi Coal, which sets out the rights and responsibilities of each shareholder in respect of AAIC. The Elders mining right (MP 30/5/1/2/2/10117 MR), which was granted by the DMRE in April 2018 to TOPL, was ceded to AAIC by means of a deed of cession being notarially executed on 29 July 2020.

On or about 8 November 2019, AAIC entered into an agreement with Sudorcoal Proprietary Limited ("**Sudorcoal**") in terms of which, *inter alia*, AAIC will abandon a portion of portion 4 of the Farm Halfgewonnen 190 IS, measuring approximately 6 ha in extent, to Sudorcoal. The abandonment has not yet completed and will only be effective following approval and execution of two section 102 applications currently submitted to the DMRE in respect of the same site. The section 102 applications pending approval by the DMRE are (i) an application by Sudorcoal dated 30 November 2020, to incorporate a portion of portion 4 into their existing mining right (with DMRE reference MP 30/5/1/2/2/418 MR); and (ii) an application by AAIC dated 18 December 2020, to abandon a portion of portion 4 of the farm Halfgewonnen 190, Registration Division IS, Mpumalanga Province, measuring approximately 6 ha in extent, in favour of Sudorcoal (the same part Sudorcoal is looking to incorporate into their mining right).

Portion 4 of the farm Halfgewonnen 190, Registration Division IS, Mpumalanga Province, measuring approximately 471 ha in extent, which area is partially encompassed within the Elders mining right and in respect of which the surface rights are owned by AAIC and registered in its name under title deed T7182/2011 will be transferred to Sudorcoal. The transfer of immovable property has not yet commenced as it is only effective once the section 102 is approved and executed.

The Group proposes to extract thermal coal from the number 2 seam and number 4 seam by means of bord and pillar underground mining methods, making use of continuous miners and shuttle cars. The Elders Project plans to produce an estimated steady state production rate ranging between 3.5 Mtpa of ROM thermal coal to 4.5 Mtpa of ROM thermal coal with an expected construction time of two years and a life of mine of approximately 17 years. Based on current technical studies, coal from Elders will be processed at the existing Goedehoop South coal handling preparation plant ("**CHPP**") with on-site processing limited to primary crushing of ROM coal only. ROM coal will be transported to the CHPP using road transport, where the thermal coal will be transported via a newly constructed 10 km conveyor belt to Block 20 (a mined out shaft currently on care and maintenance, owned by the Group's Goedehoop colliery). The thermal coal will then be transported from Block 20 to the Goedehoop colliery on an existing 7 km conveyor belt. The thermal coal will be washed and processed at the Goedehoop colliery's processing plant.

Infrastructure

The Elders Project's regional infrastructure includes roads, railway lines connecting to the Richards Bay Coal Terminal, water supply and communication infrastructure and to date no mine-specific infrastructure has been developed.

Mining rights

The Group, through AAIC, has a mining right in respect of the Elders Project covering a total area of approximately 5,777 ha, which expires in 2048.

For further details regarding the Group's mining rights, see "—Mining rights held by the Group".

7.10 **Richards Bay Coal Terminal**

The Group, through Main Street, indirectly holds approximately 23.22% in RBCT, the joint venture that owns and operates the Richards Bay Coal Terminal. The Richards Bay Coal Terminal is one of the leading coal export terminals in the world and is located on a 276 ha site in Richards Bay, situated on the north-eastern coast of South Africa. The Richards Bay Coal Terminal is an advanced 24-hour operation with a design capacity of 91 Mtpa. The Richards Bay Coal Terminal operates a quay that is 2.2 km long with six berths, four ship loaders and a stockyard capacity of 8.2 Mt. The Group currently routes all of its export thermal coal through the Richards Bay Coal Terminal, which exports the Group's thermal coal mainly to the Indian, Asian, SEA, Middle East and North African markets.

As an indirect shareholder of RBCT, the Group is entitled to: (i) use of the Richards Bay Coal Terminal, providing guaranteed access to key export markets and, in addition, provides it with optionality to fill this entitlement with third-party volumes or temporarily lease out this entitlement in the event there is spare capacity after the shipment of the Group's own production volumes; and (ii) representation on the RBCT board. Currently, the Group has unused capacity at the Richards Bay Coal Terminal and has therefore entered into a Management Services Agreement with ACSSA, in terms of which TOPL renders management services to ACSSA in relation to RBCT services. For further details regarding the Management Services Agreement, see "Annexe 15—Material Contracts—RBCT Agreements—Management Services Agreement".

Proposed repurposing of the Richards Bay Coal Terminal

RBCT has initiated an evaluation process for the proposed repurposing of the Richards Bay Coal Terminal for multi-commodity use in order to maximise its full design capacity ("**RBCT Repurposing**"). Currently RBCT exports approximately 70 Mtpa, which is well below its design capacity of 91 Mtpa. The Group intends to partner with Anglo American and the other RBCT shareholders to evaluate and consider the RBCT Repurposing. For further details regarding the arrangements in relation to the RBCT Repurposing, see "*Annexe 15—Material Contracts—RBCT Agreements—Main Street MOI, Term Sheet and Option Agreement*".

7.11 **Phola Coal Processing Plant**

The Group and SAEC established Phola, a 50/50 joint operation which was incorporated for the purposes of, amongst other things, undertaking the construction and joint utilisation of a coal processing plant, which is jointly fed by the Zibulo colliery and the Klipspruit colliery. The Phola Coal Processing Plant is located near Ogies and has a nominal capacity of 16 Mtpa of feed of which each joint operation party is entitled to a 50/50 split of 8 Mtpa each. The processing plant is operated and maintained by Minopex on contract, whilst logistics are controlled by Phola. The Minopex contract expires on 31 May 2021 and negotiations for its renewal are underway. The Phola Coal Processing Plant, load-out terminal and rail loop are shared by the Group and SAEC on an equal-time basis. A flotation plant to treat ultrafine material is in the process of being installed, which is solely financed by the Group and will treat only thermal coal from Zibulo. South32 is currently in the process of selling SAEC to Seriti Resources, which is expected to complete in the first half of 2021. Following completion of this sale, Seriti Resources will become the owner of Klipspruit colliery and will assume SAEC's interest in Phola.

Thermal coal is transported from Zibulo's underground mine to the processing plant via overland conveyor and from Zibulo's open cast mine via truck. The feed from the two mines combine at the stacker before being fed onto the ROM thermal coal stockpiles at the Phola Coal Processing Plant. The thermal coal is then fed through different stages of the plant, for beneficiation and sorted into stockpiles depending on the product type. Each product is then loaded at the rail load-out terminal to be transported to the Richards Bay Coal Terminal for export. All logistics for washing each feed and loading-out of the products is controlled by Phola.

The infrastructure surrounding the Phola Coal Processing Plant includes, an electrical switchyard, offices, workshops and stores, the head end of the overland conveyor from Zibulo underground mine, ROM stockyard, coal beneficiation plant, pollution controlled water dams, balancing dam, product stockpiles and train load-out terminal.

8. **SUMMARY OF THE GROUP'S THERMAL COAL RESERVES**

ROM Thermal Coal Reserves

ROM Thermal Coal Reserves as at 31 December 2020						
Deposit	Mining Method (UG/OC)	ROM (Mt)	Total Moisture (%)	CV (kcal/kg)	Reserve life (years)	Group's interest (%)
Goedehoop						
Proved	UG	20.0	5.7	4,996		
Probable		1.3	5.7	4,897	5	100
Total		21.3	5.7	4,990		
Greenside						
Proved	UG	25.8	8.0	5,202	6	100
Probable		0.1	8.0	4,889		
Total		25.9	8.0	5,201		
Isibonelo						
Proved – North Pit	OC	10.2	8.0	4,637		
Proved – South Pit		11.7	8.0	4,682		
Probable – North Pit		5.2	8.0	4,696	6	100
Probable – South Pit		–	8.0	4,720		
Total – Proved		21.9	8.0	4,661		
Total – Probable		5.2	8.0	4,696		
Total		27.1	8.0	4,668		
Khwezela						
Proved	OC	31.2	4.7	4,085		
Probable		5.9	4.6	3,812	8	100
Total		37.1	4.7	4,042		
Zibulo						
Proved	OC	7.4	7.2	5,270		
Probable		–	–	–		
Total		7.4	7.2	5,270		
Mafube						
Proved	OC	32.1	5.7	4,680		
Probable		23.0	5.8	4,640	11	50
Total		55.1	5.7	4,660		
Rietvlei						
Proved	OC	4.6	5.0	5,020	3	34
Probable		–	–	–		
Total		4.6	5.0	5,020		

Saleable Thermal Coal Reserves

Saleable Thermal Coal Reserves (NAR) as at 31 December 2020

Deposit	Mining Method (UG/OC)	Sales (Mt)	Practical Yield (%)	Total Moisture (%)	CV (kcal/kg)
Goedehoop					
Proved	UG	10.8	54.0	8.0	6,310
Probable		0.7	53.6	8.0	6,310
Total		11.5	54.0	8.0	6,310
Greenside					
Proved – Prime	UG	16.7	64.6	8.0	6,006
Proved – Secondary		1.3	5.3	8.0	4,930
Probable – Prime		0.0	63.9	8.0	5,993
Probable Secondary		0.0	4.7	8.0	4,943
Total – Prime		16.7	64.6	8.0	6,006
Total – Secondary		1.3	5.3	8.0	4,930
Isibonelo					
Proved – North Pit	OC	10.2	100.0	8.0	4,637
Proved – South Pit		11.7	100.0	8.0	4,682
Probable – North Pit		5.2	100.0	8.0	4,696
Probable South Pit		0.0		8.0	4,720
Total – Proved		21.9	100.0	8.0	4,661
Total – Probable		5.2	100.0	8.0	4,668
Total		27.1	100.0	8.0	4,668
Khwezela					
Proved	OC	14.9	47.8	7.5	5,993
Probable		2.5	41.8	7.5	5,980
Total		17.4	46.8	7.5	5,991
Zibulo – Open cast					
Proved – Prime	OC	3.3	45.0	7.7	6,501
Proved – Secondary		2.1	27.8	7.3	5,178
Probable – Prime		0.0	0.0	0.0	0.0
Probable Secondary		0.0	0.0	0.0	0.0
Total – Prime		3.3	45.0	7.7	6,501
Total – Secondary		2.1	27.8	7.3	5,178
Zibulo – Underground					
Proved – Prime	UG	16.4	43.8	8.5	6,501
Proved – Secondary		11.1	29.5	8.0	5,345
Probable – Prime		9.0	43	8.4	6,501
Probable Secondary		6.3	30.5	8.0	5,289
Total – Prime		25.4	43.5	8.5	6,501
Total – Secondary		17.4	29.9	8.0	5,325
Mafube					
Proved – Prime	OC	13.6	41.5	8.0	5,840
Proved – Secondary		7.5	22.1	10.0	4,630
Probable – Prime		9.1	38.7	8.0	5,870
Probable Secondary		5.7	23.8	10.0	4,600
Total – Prime		22.7	40.4	8.0	5,850
Total – Secondary		13.1	22.9	10.0	4,620
Rietvlei					
Proved	OC	4.6	100	5.0	5,020
Probable		0.0	0.0	0.0	0.0
Total		4.6	100	5.0	5,020

9. MINING RIGHTS HELD BY THE GROUP

The Group manages the following mining, prospecting and exploration rights, which were granted to the Group by the DMRE. For further information on these rights, see "Part IX—Regulatory Considerations".

	Right Reference Number	Province	Expiry date
Elders			
Elders 10117 MR	MP 30/5/1/2/2/10117 MR	Mpumalanga	April 2048
Goedehoop			
GH Main 122 MR	MP 30/5/1/2/2/122 MR	Mpumalanga	August 2038
GH Van Dyksdrift 38 MR	MP 30/5/1/2/2/38 MR	Mpumalanga	April 2038
GH Kleinfontein 466 MR	MP 30/5/1/2/2/466 MR	Mpumalanga	September 2042
GH Komati Power Station 23 MR	MP 30/5/1/2/2/23 MR ⁽¹⁾	Mpumalanga	Pending
GH Bank Colliery 143 MR	MP 30/5/1/2/2/143 MR	Mpumalanga	November 2038
GH Bank Colliery Roodepoort 57 MR	MP 30/5/1/2/2/57 MR	Mpumalanga	April 2038
GH Bullfontein 124 MR	MP 30/5/1/2/2/124 MR	Mpumalanga	August 2038
Greenside			
Greenside 304 MR	MP 30/5/1/2/2/304 MR	Mpumalanga	July 2034
Vlaklaagte 184 PR	MP 30/5/1/1/2/184 PR ⁽²⁾	Mpumalanga	March 2018
Vlaklaagte 10199 MR	MP 30/2/1/2/2/10199 MR ⁽²⁾	Mpumalanga	Pending
Isibonelo			
Isibonelo 130 MR	MP 30/5/1/2/2/130 MR	Mpumalanga	November 2038
Khwezela			
Landau 306 MR	MP 30/5/1/2/2/306 MR ⁽³⁾	Mpumalanga	July 2029
Kleinkopje 307 MR	MP 30/5/1/2/2/307 MR ⁽³⁾	Mpumalanga	November 2030
Wolwekrans 185 PR Renewal	MP 30/5/1/1/2/185 PR ⁽⁴⁾	Mpumalanga	November 2011
Waterberg			
Dalyshope mining right (Waterberg 5 & 7)	LP 30/5/1/2/2/10183 MR ⁽⁵⁾	Limpopo	Pending
GAS			
Waterberg 1 (12-03-02 ER)	2012/03/002ER B	Limpopo	September 2022
Zibulo			
Oogiesfontein 338 MR	MP 30/5/1/2/2/338 MR	Mpumalanga	October 2034
Zibulo 305 MR	MP 30/5/1/1/2/305 MR	Mpumalanga	June 2040
Zondagsvlei 10204 MR	MP 30/5/1/2/2/10204 ⁽⁶⁾	Mpumalanga	Pending
Mafube			
Nooitgedacht 10026 MR	MP 30/5/1/2/2/10026 MR	Mpumalanga	November 2043
Springboklaagte 172 MR	MP 30/5/1/2/2/172 MR	Mpumalanga	July 2030
Middleburg Steam & Station 11939 PR			
Middleburg Steam & Station	MP 30/5/1/1/2/11939 PR	Mpumalanga	Pending

Notes:

- ⁽¹⁾ Komati Power Station Mining Right (MP 30/5/1/2/2/23 MR) was accepted by DMRE on 27 October 2004.
- ⁽²⁾ A conversion application from Vlaklaagte prospecting right (MP 30/5/1/1/2/184 PR) to mining right (MP 30/5/1/2/2/10199) was lodged with the DMRE on 8 February 2018 and is awaiting approval.
- ⁽³⁾ The mining rights of Landau (MP 30/5/1/2/2/306 MR) and Kleinkopje (MP 30/5/1/2/2/307 MR) are included in the Greenside Area of Responsibility. Each mining right is separate and relates to different operations across the Greenside and Khwezela collieries.
- ⁽⁴⁾ A renewal application for the prospecting right (MP 30/5/1/1/2/185 PR) was acknowledged by the DMRE on 8 August 2012 and is awaiting approval.
- ⁽⁵⁾ A conversion application from the Dalyshope prospecting rights (LP 30/5/1/1/2/10648 PR and LP 30/5/1/1/2/10649 PR) to mining right (LP 30/5/1/2/2/10183 MR) was lodged with the DMRE on 27 November 2020 and is awaiting approval.
- ⁽⁶⁾ A conversion application from Zondagsvlei prospecting right (MP 30/5/1/1/2/07 PR) to mining right (MP 30/5/1/2/2/10204) was lodged with the DMRE on 16 February 2018 and is awaiting approval.

10. LAND TENURE

10.1 Core surface tenure

The Group either owns, or by way of long-term mining servitudes has security of tenure over, the majority of the land required to continue with the Group's mining operations, particularly the land required for open cast operations.

The Group is also constantly reassessing its land tenure and security of its mining rights and as a result may be required to secure additional land from time to time. The Group is currently assessing the possibility of securing an additional 600 ha of land for purposes of expanding its mining operations. The required hectares may vary depending on the project needs and once acquired, the land is expected to be utilised for the erection of project infrastructure for the Group's mining operations. The Group has also secured an additional 206 ha of land for mining purposes at the Isibonelo colliery and it is expected that the transfer of land to the Group will be registered by June 2021.

The Group is often required to purchase land, in order to continue its mining operations, at prices higher than the market value from land owners that may not be actively keen to sell. In instances where the Group is not able to acquire the land required for mining outright, the Group may enter into land swap arrangements with the owners of the land required or secure the land with a mining servitude.

10.2 Non-core surface tenure

Non-core surface land is the land in, or around, the Group's operations that is not required for ongoing mining activities, but rather provide ancillary benefits to the operations, such as security and safety. This land is typically leased under short-term lease arrangements to farmers in and around the Group's operations and has no material impact on the Group's operations. Core and non-core land collectively support the activities in and around the Group's operations.

The Group does not require any specific authorisations for the conclusion of the abovementioned type of lease agreements, except in terms of the Subdivision of Agricultural Land Act No. 70 of 1970. This requires the consent of the Minister of Agriculture, Land Reform and Rural Development to enter into a lease in respect of a portion of agricultural land where the term of the lease is (i) ten or more years; or (ii) endure for the duration of the life of the lessee; or (iii) renewable from time to time at the instance of the lessee, either by continuation of the original lease or by entering into a new lease, for an indefinite period or for periods which, together with the first period of the lease, will amount to 10 or more years.

There are also, under certain circumstances, requirements that must be met in terms of the Rental Housing Act No. 50 of 1999 and certain formalities under the Leases of Land Act No. 18 of 1969.

11. SALES AND OFFTAKE ARRANGEMENTS

11.1 Export Sales

Historically, the marketing of export thermal coal produced by the Group has been marketed by AAML. AAML is an Anglo American Group business focused on the trading and distribution of physical metals and minerals (including thermal coal) as well as providing logistics and technical support, price and financing solutions. AAML acquires thermal coal from the Group and other third-party providers and then sells the thermal coal to its customers. To ensure a seamless transition from the Demerger and enable the Group to focus exclusively on its production operations, the Group entered into the Offtake Agreement with AAML for a three year period commencing on the first day of the month in which the Admissions Date occurs in terms of which, and as part of Anglo American's responsible approach to its divestment of the Group, AAML will continue to purchase export thermal coal from, and provide sales and marketing services to, the Group at an agreed fee, and the Group will sell and deliver its export thermal coal to AAML. The price to be paid by AAML for the export coal supplied by the Group will be determined in accordance with an agreed formula, linked to index prices, taking into consideration the quality of the export coal supplied (including branded products) less a market related marketing fee.

Through AAML's commitment to purchase the agreed thermal coal as well as the provision of sales and marketing services to the Group under the Offtake Agreement, the Group is able to continue supplying export thermal coal, consistent with current practice, such that existing customers continue to receive an uninterrupted and reliable service and supply of export thermal coal, leaving the Group to concentrate its initial period as a listed group of companies and on further enhancing the performance of its operations as a market leader in South Africa's thermal coal mining sector.

Anglo American has committed to provide and transfer the appropriate sales and marketing knowledge and skills to the Group's sales and marketing team for a period of six months following the expiry of the three year term of the Offtake Agreement.

For further details regarding the Offtake Agreement, see "*Annexe 15—Material Contracts—Offtake Agreement*".

11.2 Domestic Sales

The Group currently supplies domestic thermal coal into three markets, namely the industrial, petrochemical and power markets.

Industrial market

The Group supplies the industrial market with sized coal, from the Umlalazi pit at the Khwezela colliery. The Umlalazi pit came to its natural end of life during 2020 and consequently the coal supply contracts currently in place under this arrangement will be closed out.

Petrochemical market

The Group supplies the petrochemical market to Sasol Synfuels through the Isibonelo Coal Supply Agreement. The current supply arrangement with Sasol Synfuels is in place until 30 June 2025 with possible extension.

For further details regarding the Isibonelo Coal Supply Agreement, see "*Annexe 15—Material Contracts*".

Power market

The Group used to supply the power market with thermal coal directly through coal supply agreements with Eskom until 2017 when three Eskom-tied mines were sold to Seriti Resources. RMC, which the Group has a c.34% effective interest in, presently has a coal supply agreement with Eskom. The Group continues to hold certain contracts with B-BBEE suppliers who supply thermal coal to Eskom. The Group will continue to supply thermal coal to the contracted suppliers on an ad-hoc basis.

12. CAPITAL SUPPORT AGREEMENT

Whilst the current outlook for export thermal coal prices remains positive, abnormally weak market conditions for seaborne thermal coal were experienced globally during 2020 as a result of lower global demand and market uncertainty stemming from the effects of COVID-19. As the ongoing effects of COVID-19 remain uncertain, as part of the Demerger arrangements, Anglo American (through ASA) has agreed that, if there are adverse global market conditions, as determined by thermal coal prices falling below a certain threshold, ASA will provide capital support to the Group until 31 December 2022.

Pursuant to the Capital Support Agreement:

- ASA will provide the Company with capital support if the market price of Market Price grade thermal coal declines below a price of R 1,175 per tonne, which price is adjusted in accordance with the quality of export thermal coal product that is actually sold by the Company (in respect of calorific value and product specifications as contained in the Capital Support Agreement) (the **"Trigger Price(s)"**). Based on the Company's export thermal coal product basket for the 2020 financial year, the blended discount (taking into account both product and calorific discounts) to the Trigger Price would have been approximately 24%, implying that the effective Trigger Price across the portfolio of products would have been approximately R894 per tonne;
- the level of capital support to be provided by ASA will be determined by calculating the difference between the actual, proceeds received by the Company pursuant to the Offtake Agreement (the **"Actual Proceeds"**), converted to Rand at the ruling exchange rate on date of payment and the proceeds that would have been received by the Company had the Trigger Prices been applied to the actual equity tonnes delivered by the Company to AAML (the **"Trigger Price Revenue"**);
- payments by ASA will be subject to an annual maximum amount (the **"Annual Support Cap"**) of: (i) R 1,500 million from the beginning of the month of the Admissions Date until the end of FY21; and (ii) R2,500 million for FY22. If the Actual Proceeds for FY21 or FY22 are greater than the Trigger Price Revenue calculated for that year, the Company will not benefit from any capital support for that year; and
- any capital support payments are calculated and trued up on a calendar year-to-date basis after the end of every month.

For further details regarding the Capital Support Agreement, see *"Annexe 15—Material Contracts—Capital Support Agreement"*.

13. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group is committed to a sustainable future and making sure it has a social licence to operate. Accordingly, it considers its environmental, social and governance programmes as strategic priorities.

The Group has an ESG framework which broadly prioritises ESG, albeit with a particular focus on those areas most salient to its communities and stakeholders, and this framework sets out how these matters are integrated into the Group's operations. The Group addresses, as appropriate, the needs of all of its stakeholders and continuously reviews how it can do so, with particular focus on the needs of local communities. The ESG framework helps the Group deliver responsible mining through all stages of asset life cycles through (i) adherence to generally accepted best practice standards; (ii) management of environmental and social impacts to avoid, minimise, mitigate and where appropriate offset these impacts; and (iii) strong governance underpinning operating practices to ensure ESG risks and opportunities are addressed. The ESG framework is already in place and is being implemented by the Group.

The ESG framework is underpinned by four enablers: Robust Management Systems; Open and Engaged Leadership; Values and the Group's Code of Conduct; and Effective and Transparent Stakeholder Engagement. Transformation and diversity are imperative to, and underpin, all aspects of the framework.

The Group's ESG framework has three pillars: Environmental Stewardship – Environment, Shared Value for its Stakeholders – Social, and Responsible Decision Making and Leadership – Governance. Further details in relation to each of these areas is set out below.

13.1 Environmental Stewardship – Environment

One of the Group's core aims is to minimise its impact on the environment and operate to achieve sustainable closure outcomes. In line with commitments to operational excellence, the Group will operate in a manner such that resources like water and energy are used in an efficient manner and waste generation is minimised. At the same time, the Group commits to ongoing rehabilitation and land stewardship to minimise long-term adverse impacts of the Group's operations. The Group is committed to applying the mitigation hierarchy to biodiversity management and will pursue biodiversity objectives while mines are in operation and seek opportunities to undertake monitoring and mitigation actions during this time. The Group shall close mines responsibly to enable sustainable future land uses and to manage residual environmental impacts, especially on water.

Climate change is one of the biggest challenges that society faces today. As the Group commits to minimising its impact on the environment, it is important that it is part of the energy dialogue in Southern Africa, and that it provides solutions for reducing the climate change impacts of its activities. The Group recognises that climate risks and opportunities that may affect its business and will actively and transparently disclose its approach to managing these. The Group will assess and, where required, address climate risks and opportunities in line with good industry practice as regards both potential mitigation and adaptation measures. The Group also intends to leverage strategic relationships to support reduced emission from the usage of thermal coal and will continue to investigate opportunities for reducing greenhouse gas emissions on its operations. Each aspect of the Group's business will require a tailored approach. The Group will report on greenhouse gas emissions as well as climate risks and opportunities in line with regulatory requirements and corporate reporting standards, e.g. the GHG Protocol and ISO 14064-1 and the Task Force for Climate Related Financial Disclosure.

Furthermore, the Group is committed to reducing the impact of thermal coal mining on ambient air quality in areas in and around its operations (and therefore the impact on workers and surrounding communities). The Group will use industry leading standards as a benchmark for its measures to reduce the amount of air pollution from its thermal coal operations.

13.2 **Shared Value for the Group's Stakeholders – Social**

Commitments to the Group's people: The Group is committed to empowering its workforce and operating responsibly to enable its workforce's safety, health and wellbeing. The Group aims to provide equal opportunities to foster an inclusive, diverse and empowered workforce. In order to help achieve this, the Group will invest in the ongoing and sustainable education of its employees, including providing scholarships, skills development workshops and programmes as well as higher education opportunities. Part of this process is aimed at ensuring there are continuous opportunities available for employee development and the promotion of diversity and transformation in the work force in a way that eliminates gender and racial disparities. The Group will continuously seek new ways of eliminating such gaps.

Commitments to the Group's communities: The Group understands the macro-economic and societal context in which it operates and respects and engages with its stakeholders to create value for the communities in which it operates. The Group will engage with the local communities in which it operates in order to maintain a strong understanding of the communities' needs and to address any concerns within the community such as education, healthcare and employment and develop programmes which are aimed at addressing these concerns, including skills development, procurement from local communities, school-age development, mentoring/coaching and employment of local community members.

The Group's position on human rights will be broadly equivalent to Anglo American's human rights standards. The Group will uphold and respect the human rights of all of its stakeholders (including its workforce) and conduct appropriate human rights due diligence across the Group's operations and business relationships to avoid infringing on the rights of others and address any adverse impacts from the Group's involvement. The Group recognises all internationally recognised Human Rights Declarations, including those in the International Bill of Human Rights; the International Labour Organisation's ("ILO") Declaration on Fundamental Principles and Rights at Work; and international humanitarian law, where applicable. The Group's commitment to the ILO's fundamental labour rights entails respect for the right to freedom of association and collective bargaining, the right to equal remuneration for equal work and a zero tolerance approach to forced and bonded labour, child labour, inhumane treatment, harassment or intimidation and unfair discrimination.

13.3 **Responsible Decision Making and Leadership – Governance**

Conducting business ethically and in line with good corporate governance practice is a top priority for the Group. The Group acts responsibly and ethically to build trust and accountability. The Group will demonstrate its leadership amongst South African thermal coal miners by embracing strong corporate governance principles to manage risk and build trust with its stakeholders through ethical business behaviours, meeting its commitments and maintaining transparency and accountability in its management approaches and reporting. The Group is committed to adhering to the corporate governance principles set out in the King Code, the International Finance Corporation Performance Standards and other relevant adopted industry standards. The Group will publish reports on ESG performance in accordance with applicable standards such as the 2018 Mining Charter, the Group's social labour plan, GRI Sustainability Reporting Standards, King IV Principles and the Integrated Reporting Framework. The Group will ensure the Board composition incorporates gender, age, racial diversity, as well as appropriate competence and tenure. It will also ensure transparent and fair executive pay structures, linked to ESG performance, and in conformity with financial accounting and reporting standards ("IFRS") as applicable in South Africa and the UK and as may be relevant to the Group's financial reporting policies.

The Group commits to proactively identify and assess the risks and opportunities to the business and develop and implement strategies to address these. The Group aims to promote diversity and inclusion on its Board. The Group has implemented strategies to promote equality and develop a workforce that is diverse in terms of race, age and gender.

The Group has zero tolerance for corruption and will implement policies, procedures and associated training which aim to ensure that this is achieved. The Group will also implement policies and initiatives to, among other things, protect whistle blowers, encourage tax transparency and discourage anti-competitive practices.

13.4 ESG Targets

The Group has a core set of metrics and targets to measure its ESG performance. These metrics and targets are being reviewed and may change in the future. At present, the Group's core ESG metrics and targets are as follows:

Metric	Purpose	Target
Fatalities	To report the number of work-related losses of life.	Zero work-related losses of life.
Total Recordable Case Frequency Rate ("TRCFR")	To report the frequency of total number of recordable injuries.	15% improvement in YTD TRCFR performance, measured against a baseline of the prior three-year average TRCFR performance.
Wellness	To report the number (as a percentage) of employees who know their status, and the number (as a percentage) of employees whose status is known to be HIV positive who are enrolled in anti-retroviral treatment ("ART").	90% of employees know their status, and 90% of HIV positive employees are on ART.
Medical Surveillance	To report the percentage of employees at risk of exposure to inhalable hazards (not including carcinogens) that have undergone medical surveillance.	All persons potentially at risk of exposure must have undergone medical surveillance in the last 12 months (measured on a cumulative basis quarterly).
Inclusion & Diversity	Achieve and surpass Mining Charter targets and create a conducive representative work environment.	DMRE and DEL (Department of Employment & Labour) targets.
Reportable Environmental Incidents	To report the number of significant-major impact environmental incidents.	Zero Reportable Incidents (as defined by ESG Framework).
Energy Efficiency	To improve energy efficiency on operations.	2025 Energy Efficiency Target is 15% improvement against business as usual projections.
Carbon Emissions	Achieve a reduction in carbon emissions through substitution of carbon intensive energy with 'green' energy, offset of carbon emissions and reductions from improved efficiency.	Absolute reduction in carbon emissions of 15% off the 2016 baseline by 2025.
Water Management	Become a Responsible Water Steward, by enabling mining whilst seeking to achieve no long-term net harm where we operate and reducing our long-term liability.	1. Reuse/recycle water – 75% 2. Treated volume – 40% 3. Water abstraction reduction by 20% (fresh and potable import).
Reportable incidents with Social consequence	Proactively address adverse incidents and impacts.	Zero Reportable Incidents (as defined by ESG Framework).
Inclusive Procurement	To ensure business compliance with the 2018 Mining Charter. To improve the socio-economic livelihood of our hosting communities by monitoring procurement spend with local suppliers.	Meet all KPIs as set out in the 2018 Mining Charter.
Governance Body Composition	Ensure that the Board and Management are able to support long-term value creation.	Compliance with King IV requirements.

Note:

⁽¹⁾ The Group's serious social incidents are reported on the basis of a five level scale according to the potential consequence and impact on the incident.

14. COMPETITIVE LANDSCAPE

The coal industry, particularly the thermal coal industry, is highly competitive and remains a significant source for electricity generation in key markets including China, India, Japan, South Korea and Taiwan. The Directors consider Glencore to be the major competitor of the Company in the key end markets given it is one of the biggest players in the seaborne thermal coal market. In addition to Glencore, key South African competitors for the Company are Exxaro and SAEC. South32 is in the process of selling SAEC to Seriti Resources, which is expected to complete in the first half of 2021. In relation to the export market, South African coal's main competition will come from Indonesian and Australian coals. Whilst higher quality South African export thermal coal enjoys certain quality benefits over other types of coal in the Indian market, a portion of lower calorific value South African coal has to compete against lower rank Indonesian coal.

As the primary end-use for thermal coal is as a source for electricity generation, there is increasing pressure on the Group and the thermal coal industry more widely from alternative sources in terms of thermal coal's role in supplying fuel for energy generation. Costs of renewable energy, such as solar, wind and battery systems, continue to fall and emission-reduction goals gain further traction.

Although the renewables market is encroaching market share of the thermal coal industry in relation to the product end-use for electricity generation, the Directors consider that thermal coal will continue to be a cost effective fuel source for many developing nations, particularly in Asia, with continued short-to-medium-term growth in power demand.

15. EMPLOYEES

Each of the Group's mines has employees and contractors. The following table sets out the Group's employees and contractors as of the periods indicated, broken down by each of the Group's mining operations (wholly-owned and joint operations), as well as the Group's corporate office.

	As at 31 December		
	2020	2019	2018
Goedehoop	1,104 ⁽¹⁾	1,756	1,885
Greenside	904	1,009	9,045
Isibonelo	572	408	481
Khwezela	1,357	1,988	1,216
Zibulo	1,591 ⁽²⁾	1,402	1,451
Mafube	759	587	637
Rietvlei	517	354	–
Corporate	721	783	842
Total	7,525	8,287	7,417

Notes:

⁽¹⁾ The total number of employees has been on a declining trend since closure of the Goedehoop South pit in December 2019.

⁽²⁾ The total number of employees is expected to increase from 2020 due to expansion of the underground operation at Zibulo.

The Group's employees' terms and conditions of employment are governed by the BCEA and by their individual contracts of employment. The terms and conditions of employment, for approximately 86% of the Group's permanent workforce, are regulated by collective bargaining agreements, which are negotiated with the relevant trade unions.

15.1 Talent and Development

One of the Group's goals is to retain and attract the most talented people into its business and help employees realise their full potential. Through proactive talent management, the Group identifies its current and potential future leaders and work with them to achieve their full potential. The Group also hires new talent to increase the bench strength and diversity of its talent pool. By adopting this approach, the Group aims to develop a pipeline with the right quantity and quality of talent over a multi-year time frame and ensure it has well-executed systems and processes for moving people through the pipeline. The Group does this through both a current and future world of work perspective, taking into account the implications of the Group's skill requirements and social contracts with government and communities.

The Group's process of identifying talent and successors for its various talent pools is extensive, but simple. Leadership teams deliberate on their talent, their growth potential and their ability to occupy business critical roles. Significantly, at the top end of the organisation, discussions around career succession planning, career moves and development are firmly incorporated into the executive committee's annual agenda.

The Group believes that by driving succession planning across the organisation, growing and finding the right talent for senior roles, improving the standard of talent in the organisation over time and fostering the motivation and engagement of its talented people, their managers will ensure that the Group has the best talent, in the right place and at the right time to meet its business needs now and in the future. Succession plans have therefore been developed for all critical roles in the Group's executive and senior management levels. In identifying successors for roles, the Group is intentional about ensuring that it has a diverse profile in line with its inclusion and diversity objectives.

The Group plans to leverage its previous achievements through:

- the Bursary and Graduate Development programme for key disciplines including among others, mining, engineering, metallurgy, geology, safety, ventilation and occupational health engineering which ensures that investment is made into the communities in which it operates;
- leadership development programmes for talent pools, including high potential and executive pipeline employees;
- career development panels and manager-once-removed sessions to optimise employee engagement, career development and retention of critical skills;
- annual talent reviews and succession planning;
- mentoring and coaching to ensure successor readiness;
- encouraging participation in short duration projects and arranging secondment opportunities for employees to expand the skillsets and experiences available to them in their existing roles; and
- nurturing a culture of high performance teams.

16. EMPLOYEE PARTNERSHIP PLAN AND COMMUNITY PARTNERSHIP PLAN

The Company and SACO are committed to enhancing their environmental, social and governance factors through a partnering agreement with employees and communities ("**Partnership Transaction**"). As part of the implementation of the Partnership Transaction, it is envisaged that several agreements will be concluded in order to implement the Partnership Transaction. The Group believes that its employees and local communities are key stakeholders in SACO and, as such, should have a direct stake in the future success of SACO.

Accordingly, provision has been made for both an Employee Partnership Plan ("**EPP**") and a Community Partnership Plan ("**CPP**") (collectively, the "**Partnership Plans**") to each hold direct equity stakes in SACO. Prior to the Demerger ("**Partnership Plan Date**"), the Group will establish the following entities which are intended, as at the Partnership Plan Date, to each hold 5% of the ordinary shares in SACO:

- the EPP, to be known as the SACO Employee Partnership Plan has been established as a trust, for the benefit of employees of a number of significant Group companies including AAIC and TOPL (collectively, the "**EPP Employer Companies**"). It is the intention that the Employees of the EPP Employer Companies who are at Patterson Grade D level and lower will benefit under the EPP; and
- the CPP, to be known as the Nkulo Community Partnership Trust has been established as a trust for the benefit of people that ordinarily reside in the communities surrounding the mines operated by the Group.

As a result, it is envisioned that the employees of the EPP Employer Companies and the residents of the communities surrounding the Group's operations, will directly benefit from SACO's future success. Collectively, the EPP and CPP will be entitled to 10% of the ordinary dividends of SACO from the Partnership Plan Date, with employee beneficiaries of the EPP being entitled to a guaranteed dividend of no less than R4,000 per beneficiary per annum from 2021 to 2024. The CPP entitlement (by direct contribution in 2021 and dividends in 2022, 2023 and 2024) will be a minimum of R6 million per annum commencing in 2021 and ending in 2024, unless extended by the Company ("**CPP Entitlement**").

The implementation of these Partnership Plans will be executed on the Partnership Plan Date by the Board and management of SACO, and the Company as shareholder of SACO. However, if consensus with the beneficiary representatives is not obtained prior to the Admissions Date, implementation of the EPP may be deferred to a later date.

Eligible employees of the EPP Employer Companies will benefit under the EPP through the distribution of any dividends the EPP receives from the SACO Shares and the SACO Preference Shares it holds. All of the allocations to employees will be made on an annual basis in accordance with the provisions of the trust deed in respect of the EPP.

Community members will benefit from the CPP through the distribution of any dividends that the CPP receives from the SACO Shares and the SACO Preference Shares it holds on an annual basis in accordance with the provisions of the trust deed in respect of the CPP. The economic benefits obtained from the CPP Entitlement will be utilised solely for public benefit activities as outlined in the SA Income Tax Act, which will assist in the creation of sustainable economic development in the various communities in which the Group operates.

For further information on the agreements entered into in relation to the Partnership Plans, see "*Annexe 15—Material Contracts—Agreements in relation to the Partnership Plans*".

17. SOCIO ECONOMIC TRANSFORMATION

All of the Group's current mining rights were issued under the MPRDA. Holders of mining rights under the MPRDA are required to comply with the socio-economic transformation objectives set out in section 2(d) and (f) of the MPRDA which requires mining right holders to:

- substantially and meaningfully expand opportunities for historically disadvantaged persons, including women and communities, to enter into and actively participate in the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources; and
- promote employment and advance the social and economic welfare of all South Africans.

The Group is compliant with the socio-economic transformation objectives set out in sections 2(d) and 2(f) of the MPRDA.

For further information on the requirements under the MPRDA and related mining charters, see "*Part IX—Regulatory Considerations—The Mineral and Petroleum Resources Development Act*".

18. ENVIRONMENTAL REHABILITATION GUARANTEES

The Group is required to make financial provision for its environmental rehabilitation liabilities to the satisfaction of the DMRE, which may include the requirement for a parent company or third-party guarantee to be provided. For further information on financial provisioning required by the DMRE, see "*Part IX—Regulatory Considerations—Environmental Regulations—Financial Provisioning Regulations*". Prior to the Demerger, AASA provided the guarantee for such environmental rehabilitation liabilities on behalf of the SA Thermal Coal Operations (as primary obligor). For further information on the Group's guarantees for environmental rehabilitation liabilities, see "*Part XV—Operating and Financial Review—Contingent Liabilities*". Before the Demerger Effective Time, the Group will conclude the Environmental Guarantees Agreement in order that following the Admission, it will satisfy its obligations in respect of financial provisioning.

19. INSURANCE

The Group has a standalone insurance programme covering business interruption and asset damage effective from 1 January 2021 for a period of 12 months, which can be extended for a total timeframe of 18 months at which point new insurance arrangements will have to be sourced and negotiated. On implementation of the Demerger, the Group's Directors will be covered by directors' and officers' liability insurance. The Group also negotiated various other insurance policies, including commercial crime, cyber liability and medical malpractice, which were effective from 1 March 2021.

PART IX – REGULATORY CONSIDERATIONS

This section is intended to provide an overview of certain principal regulations to which the Company and the Group will be subject to if carrying on certain mining activities in South Africa. This overview is not intended to be a comprehensive description of all the regulatory requirements to which the Company and the Group is subject to and should be read in conjunction with the rest of this Document.

1. INTRODUCTION

The Group's operations are subject to oversight and monitoring by regulatory authorities that have broad administrative and discretionary powers over the Group in South Africa. In addition to the general corporate and commercial law regimes (including the Companies Act and the Competition Act), the Group is subject to comprehensive mining laws and regulations. The Group is also subject to other laws and regulations relating to mining and prospecting, distribution of dividends, employment practices, remuneration, ethical standards, competition and exchange controls.

The principal laws and regulations to which the Group is subject in South Africa are set out below.

2. CORPORATE LAW

Publicly listed companies incorporated in South Africa are regulated by, among other things:

- the Companies Act, which regulates the incorporation, registration, management and reporting requirements applicable to corporate actions such as acquisitions, disposals, financial assistance, share transactions and insolvencies;
- the Financial Markets Act No. 19 of 2012 (the "**FMA**") which is aimed at reducing systemic risk in financial markets by regulating market abuse and market manipulation while promoting international competitiveness;
- the JSE Listings Requirements, which regulate, among other things, the relationship between the JSE and the issuer of listed securities and sets out the JSE's rules for such issuers, including the conditions for listing, the methods of listing securities on the exchange, and continuing obligations once listed such as those governing corporate actions; and
- the King IV Report on Corporate Governance for South Africa, 2016 (the "**King Code**").

For further information on the Company's MOI, see "*Part XX—Additional Information—Summary of the Company MOI and Certain Explanatory Statements in Respect of Applicable Law and Regulation Affecting Shareholders*".

3. COMPETITION LAW

The Competition Act regulates competition and uncompetitive behaviour in South Africa and deals with both prohibited practices and merger control. Prohibited practices include anti-competitive agreements and practices between competitors, as well as decisions by associations of competitors, such as price fixing. Firms which dominate the market in which they operate are also prohibited from abusing their position of dominance in terms of the Competition Act. With regard to merger control, qualifying mergers and acquisitions must be approved by the relevant competition authorities.

4. THE MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT (THE "MPRDA")

4.1 Background

The MPRDA is the primary legislation that regulates the South African mining industry, which is implemented and regulated by the DMRE.

Since its promulgation, the MPRDA extinguished private ownership of mineral rights and replaced it with a regime of State custodianship where the State grants the right to prospect and mine. The MPRDA replaced the common law position which provides that the landowner is the owner of the whole of the land, including the air space above the surface and everything below it. The common law position was supported by the Minerals Act No. 50 of 1991 (the "**Minerals Act**") which has since been repealed by the MPRDA.

While the MPRDA does not expressly provide that the State is the owner of unmined minerals, the ability of a landowner to exercise absolute rights over minerals found on or under their land has been neutralised. The owner retains ultimate ownership, but not the incidence of ownership in respect of the minerals. Accordingly, the holder of a new order right to minerals under the MPRDA is granted a "limited real right" in such minerals.

The MPRDA contains certain transitional provisions aimed at protecting security of tenure in respect of prospecting and mining operations that were taking place immediately before the MPRDA commenced, giving the holders of certain rights under the Minerals Act an opportunity to comply with the MPRDA and promoting equitable access to South Africa's mineral and petroleum resources. The transitional provisions in the MPRDA accordingly provide for the:

- continuation of old order prospecting rights;
- continuation of old order mining rights; and
- processing of unused old order rights (i.e. rights entitlements and permits of licences in respect of which no prospecting or mining was conducted immediately before the MPRDA came into effect).

The holder of an old order prospecting right had the exclusive right to apply for a new order prospecting right or mining right within two years of the commencement of the MPRDA, failing which the old order prospecting right ceased to exist on 30 April 2006.

The holder of an old order mining right had the exclusive right to apply for a new order mining right within five years of the commencement of the MPRDA, failing which the old order mining right ceased to exist on 30 April 2009.

The holder of an unused old order right had the exclusive right to apply for a new order prospecting right or mining right within one year of the commencement of the MPRDA, failing which the unused old order right ceased to exist on 30 April 2005.

Under the MPRDA, applicants can apply for rights for the prospecting or mining of minerals. Prospecting rights are granted for a period of up to five years with a single right to renew for a period of up to three years. Mining permits are granted for a period not exceeding two years for an area less than five ha in extent and may be renewed for three consecutive periods each not exceeding one year. Mining rights are granted for a period of up to 30 years with a right to renew the mining right twice for a further period of up to 30 years in respect of each renewal, provided that the holder can justify that it can continue mining operations.

Under the MPRDA, rights are granted to entities by the State on a “first come, first served” basis in terms of an application system. Applicants must meet certain requirements set out in the MPRDA, and, on meeting such requirements, the Resources Minister must grant the right. A failure to grant a right is an administrative action that is capable of internal appeal before the DMRE. After an internal appeal, a judicial review process is available to aggrieved applicants. The MPRDA provides that administrative processes must be conducted, or administrative decisions must be taken, within a reasonable time and in accordance with the principles of lawfulness, reasonableness and procedural fairness, and that these decisions and the reasons behind them must be given in writing. Once rights are granted to applicants, the right must be executed in the form of a notarial deed and registered at the Mining and Petroleum Titles Registration Office (“**MPTRO**”) in order for the right to be a “limited real right” enforceable against third parties.

Holders of mining rights must also comply with the mining work programme (the “**MWP**”) that is approved as part of the application for the mining right. The MWP relates to the obligations in relation to mining methods, expected production and other technical aspects of the mining operations.

4.2 **Renewal of a mining right**

The holder of a mining right has the exclusive right to apply for and be granted a renewal of the mining right in respect of the mineral and mining area in question. The maximum period of a renewal of a mining right is 30 years, but it can be renewed for further periods (each of which may not exceed 30 years at a time).

When renewing a mining right an applicant must: (i) not be in contravention of any provision of the MPRDA; (ii) confirm its compliance with the requirements of the approved environmental authorisation, the conditions of the expiring mining right and the prescribed SLP; and (iii) provide a detailed MWP for the renewal period.

4.3 **The holder of a prospecting right has the exclusive right to apply for a mining right**

The holder of a prospecting right has the exclusive right to apply for and be granted a mining right in respect of the mineral and prospecting area in question up until the expiry of the prospecting right. Once the prospecting right holder has lodged the mining right application, it receives protection on the basis of a first-come first-served application regime.

The Resources Minister must grant a mining right if:

- the mineral can be mined optimally in accordance with the MWP;
- the applicant has access to financial resources and has the technical ability to conduct the proposed mining operation optimally;
- the financing plan is compatible with the intended mining operation and duration thereof;
- the mining will not result in unacceptable pollution, ecological degradation or damage to the environment;
- the applicant has provided for the prescribed SLP;
- the applicant has the ability to comply with the relevant provisions of the MHSA;
- the applicant is not in contravention of any provision of the MPRDA; and
- the grant of the right will further the objectives set out in sections 2(d) and (f) and in accordance with the charter contemplated in section 100 of the MPRDA and the prescribed SLP.

4.4 **Protection of ownership of mining assets and relevant rights**

A prospecting right or a mining right which has been registered at the MPTR0 is considered to be a “limited real right” in respect of the mineral and land to which such right relates. The holder of a mining right has ownership of the mineral resources once the minerals have been severed from the land, which is enforceable against all third parties.

Security and continuity of tenure are listed among the objectives of the MPRDA. While the MPRDA does not expressly provide for the protection of ownership of mining assets, section 25 of the Constitution protects the right to property, including mine assets, by stipulating that no one may be deprived of property except in terms of a law of general application, and no law may permit arbitrary deprivation of property. Property may be expropriated only in terms of a law of general application, for a public purpose or in the public interest, and subject to compensation. Therefore, although the State (including the Resources Minister) is empowered to expropriate land and rights in land, provision is made for payment of compensation. However, in 2018 an amendment to section 25 of the Constitution was proposed which would permit the expropriation of land and property, without compensation, in order to address historic wrongs of land dispossession, as well as ensuring fair access to land and empowering the majority of South Africans. This proposed amendment to section 25 of the Constitution has not been passed.

Lastly, under the MPRDA an application for a right will not be accepted if another person holds a prospecting right, mining right, mining permit or retention permit for the same mineral and land in respect of which such application is made.

4.5 **Suspension or cancellation of mining rights**

A prospecting or mining right may be suspended or cancelled by the DMRE if the holder contravenes the MPRDA or a term of the right or the relevant environmental authorisation, or if the holder has submitted inaccurate, false or misleading information in applying for the right.

Before suspending or cancelling the right, the holder is notified of the reasons for the proposed suspension or cancellation and given directives as to how they may be remedied. The holder is given a reasonable opportunity to make representations as to why the permit or right should not be cancelled or suspended and the Resources Minister is compelled to consider such representations before making a determination. If the holder satisfies the Resources Minister with its representations or complies with the Resources Minister’s directives and remedies its non-compliance, the Resources Minister has the discretion to lift the suspension on written notice.

In cases of operational non-compliance, the DMRE can direct the holder to take steps to remedy non-compliance or suspend the applicable mining right.

If an authorised person under the MPRDA, such as a regional manager, a mine inspector or any other designated officers of the DMRE, discovers or suspects a contravention of the MPRDA or a term attaching to any mining or prospecting right, they can order the holder to take immediate rectifying steps to remedy the contravention, and, if the holder fails to do so, the authorised person may order that the relevant operations be suspended or terminated. The DMRE's director general must confirm or set aside such an order by an authorised person and notify the relevant holder thereof within 60 days after the issue of the order, failing which such order shall lapse.

4.6 **Black Economic Empowerment**

The objectives of the MPRDA include the following:

- promoting equitable access to South Africa's mineral and petroleum resources to all the people of South Africa (section 2(c) of the MPRDA);
- substantially and meaningfully expanding opportunities for historically disadvantaged persons, including women and communities, to enter and actively participate in the mineral and petroleum industries and to benefit from the exploitation of South Africa's mineral and petroleum resources (section 2(d) of the MPRDA); and
- promoting employment and advancing the social and economic welfare of all South Africans (section 2(f) of the MPRDA),

(collectively, the "**Transformation Objectives**").

The Resources Minister and the DMRE must exercise their administrative discretion under the MPRDA in a manner that ensures that the Transformation Objectives are fulfilled.

The MPRDA provides that the Resources Minister must develop a "broad-based socio-economic charter" for the South African mining industry (the "**Mining Charter**"). The Mining Charter is a policy instrument, which supports the objects of sections 2(d) and (f) of the MPRDA. The first version of the Mining Charter was published in 2004 and there have been two revisions since, the most recent of which was published in the South African Government Gazette on 27 September 2018 (the "**2018 Mining Charter**").

The 2018 Mining Charter serves as a guideline for the framing, measurement and implementation of a mining company's contribution to the achievement of the objectives of sections 2(d) and 2(f) of the MPRDA. This guidance includes descriptions of what initiatives would qualify for recognition, the targeted impact and timeline for implementation as well as the manner of measuring completion. Being a policy instrument, this guidance does not give rise to any binding legal obligations.

An application for a judicial review of the 2018 Mining Charter instituted by the Minerals Council against the Resources Minister in the High Court of South Africa, Gauteng Provincial Division, Pretoria, was commenced in early May 2020 concerning:

- the judgment of the High Court of South Africa, Gauteng Provincial Division, Pretoria, in the matter of the *Chamber of Mines of South Africa v Minister of Mineral Resources and Others*, which affirmed the view that a mining charter gazetted under section 100 of the MPRDA is a policy instrument rather than a binding and enforceable legal instrument. The Resources Minister had initially noted an appeal against this judgment, but withdrew that appeal in August 2020, with the result that the judgment now forms part of settled law. However, the 2018 Mining Charter retains several provisions which are constructed as if the 2018 Mining Charter were a legal instrument rather than a policy instrument. Until these provisions are revised by the DMRE (in line with the abovementioned judgment) or reviewed by the Courts, their existence will continue to create confusion and, consequently, contribute to ongoing regulatory uncertainty; and
- the inclusion of provisions in the 2018 Mining Charter suggesting that new and further B-BBEE ownership transactions will need to be concluded at the point of renewal of a mining right, which is contrary to the provisions of the MPRDA.

The Resources Minister contended that the Minerals Council had failed to join certain parties to the application and this argument was successful. While the Court is yet to deal with the substance of the judicial review application, the Minerals Council has been ordered to join these additional parties and thereafter return to Court to argue the judicial review. A delay of up to nine months in determining the judicial review is anticipated.

4.7 **DEVELOPMENTS AFFECTING THE MPRDA AND THE 2018 MINING CHARTER**

On 4 April 2018, the High Court of South Africa, Gauteng Provincial Division, Pretoria in *Chamber of Mines of South Africa v the Minister of Mineral Resources and Another* (case number 41661/2015) held that:

- once the Resources Minister is satisfied that the grant of a mining right applied for will further the applicable objects of the MPRDA (relating to HDSA participation and beneficiation, and the promotion of employment and social and economic welfare of all South Africans), the mining right holder is not required to continually restore the percentage ownership, however, measured, controlled by HDSAs to the 26% target referred to in the 2004 Mining Charter and the 2010 Mining Charter where such percentage falls below 26%, unless such obligation is specified as an obligation in terms of the conditions stated in the right;
- the failure by a holder of a mining right or converted mining right to meet the requirements of the 2004 Mining Charter and the 2010 Mining Charter does not constitute a breach of a material term of the mining right entitling the Resources Minister to cancel or suspend the mining right in terms of the MPRDA, nor does it constitute an offence under the MPRDA, unless an obligation to meet such a requirement is specified as an obligation in the terms attached to the granting of the mining right; and
- neither the 2004 Mining Charter nor the 2010 Mining Charter requires the holder of a mining right who has, subsequent to the grant of the right, fallen below the 26% HDSA ownership threshold to enter into further HDSA empowerment transactions to increase its HDSA ownership percentage.

The Resources Minister appealed this decision by the High Court of South Africa, Gauteng Provincial Division, Pretoria but has subsequently withdrawn its appeal. The withdrawal of the appeal by the Resources Minister means that the principles set out in the above is settled law, until such time as there are further legislative changes or new matters are brought before the judiciary.

2018 Mining Charter

On 27 March 2019, the Minerals Council applied to the High Court in Pretoria for the judicial review of certain elements of the 2018 Mining Charter, in the main challenging provisions in the 2018 Mining Charter relating to the continuing consequences of previous empowerment transactions which appear to contradict certain provisions of the MPRDA.

On 30 June 2020, the court ruled that the Minerals Council had erred in failing to join previously disadvantaged groups who may be affected by the outcome of the judicial review to the proceedings, and ordered the Minerals Council to join such groups in the proceedings. The court has yet to rule on the merits of the judicial review application.

Draft Mine Community Resettlement Guidelines, 2019 (the “Resettlement Guidelines”)

The Resettlement Guidelines published on 4 December 2019 in draft form apply to existing prospecting and mining rights where there has been incremental project expansion that will result in the displacement or resettlement of stakeholders such as landowners, lawful occupiers, holders of informal and communal land rights, mine communities and host communities. The Resettlement Guidelines require the rights holder to conduct stakeholder mapping to identify and profile stakeholders in a meaningful consultation process with a view to developing a resettlement plan (which includes a project description; impact analyses; costs and budgetary considerations and consultation mechanisms), an action plan (which includes the steps to be taken and resources required to achieve the goals in the resettlement plan) and a resettlement agreement (which includes the legal commitments by the holder in favour of stakeholders).

The Resettlement Guidelines prohibit the commencement of mining activity until a resettlement agreement is reached on compensation for the resettlement of stakeholders.

5. THE ROYALTY ACT

The Royalty Act imposes a royalty on mining companies on the transfer of mineral resources extracted in South Africa. Any holder of an exploration, prospecting or mining right (or a lease or sublease in respect of such a right) or any other person who has recovered a mineral resource in South Africa is subject to a levy in terms of the Royalty Act.

Royalties imposed differ between refined and unrefined mineral resources but in both instances are based on a percentage of gross sales, derived from a pre-determined formula measuring the ratio of EBIT and the product of gross sales realised multiplied by a pre-determined number. EBIT and gross sales are specifically defined in the Royalty Act. In particular, EBIT refers to taxable mining income (with certain exceptions, such as no deduction for interest payable and foreign exchange losses) before assessed losses, but after capital expenditure. Refined minerals attract a maximum royalty limit of 5% of the gross sales and a minimum of 0.5% of gross sales if the EBIT is negative. Unrefined minerals attract a maximum royalty limit of 7% of the gross sales and a minimum royalty limit of 0.5% of gross sales if the EBIT is negative.

The royalty percentage for the transfer of unrefined mineral resources is calculated by dividing EBIT by the product of nine times gross sales of unrefined mineral resources calculated as a percentage, plus an additional 0.5%.

The Royalty Act allows a mining right holder to agree with the Finance Minister that any amendment to the determination of the royalty percentage formulae will have no effect on the formulae applied by the mining right holder prior to this amendment in respect of all mining operations carried out for the resource for as long as the holder holds the right. The holder may withdraw from such agreement at any time.

6. ENVIRONMENTAL REGULATIONS

Section 24 of the Constitution compels the South African Government to make legislation and to take other measures to protect the environment, prevent pollution and ecological degradation, promote conservation and secure sustainable development in South Africa.

The “One Environment System” is South Africa’s environmental authorisation regime, which was implemented on 8 December 2014. This regime was introduced to streamline the regulation of environmental matters in the mining and petroleum industries from the MPRDA to NEMA and other environmental statutes.

NEMA is the overarching legislation which gives effect to the environmental right protected in section 24 of the Constitution, which provides the underlying framework and principles underpinning the coordinated and integrated management of environmental activities. The legislative changes associated with implementation of the One Environment System have streamlined the licensing processes for mining rights, environmental authorisations and water use licences. For instance, the requirement to obtain an environmental management programme or plan under the MPRDA has been removed and replaced by the requirement to obtain an environmental authorisation under NEMA.

6.1 Environmental authorisations

An environmental authorisation is required from the Resources Minister under NEMA to commence a listed activity, including activities which require a prospecting right or mining permit under the MPRDA, or the primary processing of minerals. Commencing such a listed activity without an environmental authorisation is an offence under NEMA.

Applicants for environmental authorisations are required to follow a public participation process to enable consultation with all interested and affected parties.

In doing so, applicants must submit an environmental impact assessment report and an environmental management plan containing, among other things: information on the pre-mining environment; identification and quantification of any potential environmental, economic and social impacts; and providing appropriate mitigating measures to minimise any negative impacts caused by the mining operations and enhance any positive impacts.

The Environmental Minister remains the appeal authority in respect of any appeals against the issue of an environmental authorisation.

6.2 Water use licences

South Africa’s water resources are regulated by the NWA. A water use licence is required under the NWA to undertake one of the specified water uses in the NWA, subject to a number of exceptions. Water uses include, among others: the taking of water from a water resource, the diversion of water courses, mine dewatering, discharge of wastewater and the disposal of waste on land. Most mining operations require

a water use licence in order to conduct their operations, particularly for activities relating to water abstraction, storage, effluent discharge, diversions, and facilities which have the potential to pollute groundwater resources.

The Minister of Human Settlements, Water and Sanitation (the “**Water Minister**”) is responsible for issuing water use licences and has issued regulations setting out the procedural requirements and steps for applications for water use licences, as well as appeal processes for decisions taken. The regulations provide that security, in the form of a deed of suretyship, may have to be provided to the Department of Human Settlements, Water and Sanitation pursuant to a water use licence application. Such security, where required, must be enforceable for a period of at least five years after the water use licence activities have lapsed.

Mines are also required to comply with regulations, which were specifically published for the use of water for mining and related activities in the South African Government Gazette. The regulations provide for limitations on the location of mining infrastructure, requirements for separation of dirty and clean water systems and the design of certain water management infrastructure.

6.3 **Waste management licences**

The Resources Minister issues waste management licences in terms of NEMWA, including in respect of the management of mine waste. A waste management licence is required in order to undertake certain waste management activities that are listed in regulations published by the Environmental Minister. The Environmental Minister may, by notice in the South African Government Gazette, prohibit or restrict the granting of a waste management licence by the licencing authority for a listed activity in a specified geographical area if deemed necessary to ensure the protection of the environment, conservation of resources, sustainable development or human health and well-being.

Under NEMWA, a waste management licence is also required for the establishment or reclamation of residue stockpiles or residue deposits resulting from activities which require a prospecting right, mining permit, mining right, exploration right or production right.

This position is anticipated to change once the National Environmental Management Laws Amendment Act 4 Bill (the “**NEMLAA4**”) is enacted as law. One of the main objectives of NEMLAA4 is to address the incongruous treatment of residue stockpiles and residue deposits under the waste and landfill provisions by removing their regulation from the ambit of NEMWA and placing them under the regulation of NEMA.

As of May 2014, NEMWA also regulates contaminated land, including land where the contamination arose before the commencement of NEMWA. Any land identified as an investigation area by the environmental authorities, or which a landowner notifies as contaminated to the environmental authorities, is to be assessed and reported on. A directive may be issued by the environmental authorities requiring the remediation of the site following such assessment and report, depending on the level of risk associated with the contamination.

6.4 **Atmospheric emissions licences**

An atmospheric emissions licence is required in terms of the National Environmental Management: Air Quality Act No. 39 of 2004 (the “**NEMAQA**”) to undertake certain listed activities, including mining related and processing activities. NEMAQA requires the Environmental Minister to establish a national framework for achieving the objectives of NEMAQA, which must include, among other things, minimum emission standards and norms and standards. Local government is entrusted with the competence to manage air pollution, with municipalities being the licensing authority for purposes of issuing atmospheric emissions licences.

The measurement and monitoring of atmospheric emissions is regulated through various tools, such as: the air dispersion modelling framework, the declaration of priority pollutants and pollutant areas, and the mandatory reporting of data and information from identified point, non-point and mobile sources of atmospheric emissions to the National Air Emission Inventory System. DEFF’s declaration of greenhouse gases as priority air pollutants in 2017 has been followed by the imposition of a regulatory framework for greenhouse gas emission reporting, which forms the basis and input for imposition of the carbon tax which commenced on 1 June 2019.

The Carbon Tax Act, which took effect on 1 June 2019, introduces a carbon tax on identified affected sectors on the basis of their greenhouse gas emission concentrations as a controlled climate change mitigation measure. The Group’s carbon tax liability for FY19 in the amount of R2.6 million was settled in October 2020. It is expected that the tax liability for FY20, payable in FY21 will be approximately R3.9 million. As the Carbon Tax Act commenced mid-2019, the tax liability in FY19 was levied on the second half of 2019, rather than the full financial year in FY20.

Under the Carbon Tax Act, a person is liable to pay carbon tax if that person conducts an activity in South Africa resulting in greenhouse gas emissions equal to or above the defined threshold. A detailed list of activities and sectors, as well as their capacity thresholds and applicable allowances are set out in a schedule to the Carbon Tax Act. Activities carried out at the Group’s operations may fall within a number of these categories.

Carbon tax is being introduced in a phased manner, with the first phase running until 31 December 2022. The Carbon Tax Act imposes a carbon tax of R120 per tonne of CO₂-eq of the greenhouse gas emissions of a taxpayer, which will increase annually at CPI plus 2% until 31 December 2022, and afterwards in line with inflation. Carbon tax liability is calculated as the tax base (sum of greenhouse gas emissions from combustion, industrial processes and fugitive emissions in accordance with a reporting methodology approved by the DEFF, proportionately reduced by certain tax-free allowances) multiplied by the rate of the carbon tax.

However, a number of transitional tax-free allowances apply during the Carbon Tax Act’s first phase of implementation, which aim to ensure a smooth transition to a low carbon economy. The first phase maximum percentages of each permissible allowance for each listed activity conducted are set out in a schedule to the Carbon Tax Act.

The Carbon Offset Regulations issued under section 19 of the Carbon Tax Act, which took effect on 1 June 2019, provide the first material mechanism permitting companies to reduce their carbon tax liability (between 5% to 10% of their total greenhouse gas emissions) through investment in a carbon offset programme. On 19 June 2020, the Finance Minister finalised the next set of regulatory mechanisms applicable to the Carbon Tax Act, which include regulations governing trade exposure allowances, greenhouse gas emissions intensity benchmarks, and a notice regarding a renewable energy premium.

6.5 Historical and cultural heritage

Pursuant to the promulgation of the National Heritage Resources Act No. 25 of 1999 (the “**NHRA**”), the removal or demolition of any articles of historic or cultural importance requires a permit from the South Africa Heritage Resources Agency or relevant provincial authority, as the case may be. Burial grounds and graves are also protected under the NHRA and a permit is required to destroy, alter or remove such articles.

6.6 National Environmental Management: Biodiversity Act 10 of 2004 (the “**NEMBA**”)

The NEMBA regulates the management and conservation of South Africa’s biodiversity within the framework of NEMA and cooperative governance. The NEMBA provides for; among other things: (i) the protection of species and ecosystems that warrant national protection; (ii) giving effect to ratified international agreements relating to biodiversity that are binding on South Africa; (iii) the sustainable use of indigenous resources; (iv) the fair and equitable sharing of benefits arising from bioprospecting involving indigenous biological resources; and (v) the establishment of the South African Biodiversity Institute. Biodiversity is defined as the variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part, and also includes diversity within species, between species, and of ecosystems.

6.7 The National Nuclear Regulator

The National Nuclear Regulator Act No. 47 of 1999 (the “**NNRA**”) requires that a nuclear authorisation be acquired from the National Nuclear Regulator for certain activities which involve radioactive materials. The authorisation issued can be in the form of either a nuclear installation licence, nuclear vessel licence, certificate or registration or certificate of exemption. In the case of mining, the duty to obtain a certificate or registration can be triggered when there are trace amounts of radioactive materials in mineral waste, particularly where the coal that is mined contains uranium. The certificate of registration would govern the handling, storage, transportation and disposal of these materials.

6.8 Financial Provisioning Regulations

Financial provisioning for the remediation of environmental damage is regulated in terms of section 24P of NEMA and the Financial Provisioning Regulations, 2015 (the “**2015 Financial Provisioning Regulations**”). Section 24P of NEMA provides that an applicant for an environmental authorisation relating to prospecting, exploration, mining or production must, before the Environmental Minister issues the environmental authorisation, comply with the prescribed financial provision for the rehabilitation, closure and ongoing post decommissioning management of negative environmental impacts. Therefore, companies undertaking mining activities must make financial provision for rehabilitation liabilities to the satisfaction of the DMRE, which may include the requirement for parent company or third-party guarantees to be provided. This means that the holder of a mining right must set aside financial provisioning for rehabilitation of the mining activities for concurrent rehabilitation, rehabilitation upon closure and the costs of managing latent and residual post closure impacts.

Assessment under the 2015 Financial Provisioning Regulations, which are currently in force, have led to significantly increased closure costs and are likely to significantly increase the amount of financial provisioning required to be set aside by existing rights holders, compared with the financial provisioning requirements that were previously required under the MPRDA and determined in accordance with a guideline document published by the DMRE.

The timeline for existing mining rights holders to ensure that the amount of financial provisioning that is required to be set aside in terms of the 2015 Financial Provisioning Regulations was initially by 19 February 2019 but was then extended to 19 February 2020 and has currently been extended to 19 June 2021.

The regulation of financial provisioning is currently in a state of flux as the 2015 Financial Provisioning Regulations are expected to be replaced by a new set of regulations in the near future. A revised draft set of regulations were published in November 2017 and again in 2019 (the “**2019 Financial Provisioning Regulations**”), but are yet to be finalised. Once the additional round of public consultations on the proposed 2019 Financial Provisioning Regulations have been concluded and the effective date has been confirmed, existing mining right holders will likely be obligated to significantly increase their financial provisioning due to the expanded requirement to provide detailed itemisation of all activities and costs, calculated based on the actual costs of implementation of the measures required for: (i) annual rehabilitation; (ii) final rehabilitation, decommissioning and closure; and (iii) remediation.

Some of the fundamental changes proposed by the 2019 Financial Provisioning Regulations include the imposition of criminal sanctions for financial institutions which fail to notify the various South African Government ministries (being the DEFF, the DMRE and National Treasury) and the holder of a mining right, of an intention to cancel or withdraw financial guarantees provided for purposes of financial provisioning. Implications of a failure to notify under the 2019 Financial Provisioning Regulations introduces strict liability by way of a penalty of up to R10 million and requires that costs for annual rehabilitation be provided for in the operation budget of applicants and holders of mining rights, rather than being able to be included in the separate financial provision vehicle methods.

In relation to mine closures and the issuance of closure certificates, miners currently have to comply with the requirements set out in section 43 of the MPRDA and its corresponding regulations, NEMA and the 2015 Financial Provisioning Regulations. The 2019 Financial Provisioning Regulations will, in relation to mine closures, require the use of financial guarantees for post-closure obligations to remediate and manage residual and latent impacts with a provision for an automatic call up of such guarantees on the issuing of a closure certificate.

6.9 Environmental liability

As set out above, mining companies operating in South Africa are subject to extensive environmental laws and regulations.

In particular, NEMA imposes a duty of care on every person who causes, has caused or may cause significant pollution or degradation of the environment to take reasonable steps to prevent such pollution or degradation from occurring, continuing or recurring, or, insofar as such harm to the environment is authorised by law or cannot reasonably be avoided or stopped, to minimise and rectify such pollution or degradation (the “**duty of care provision**”). It is arguable that given the stringent requirements to comply, any breach of such duty is subject to strict liability.

A similar duty of care exists under the NWA where owners, controllers or occupiers of land on which an activity, or process, is or was performed that causes, has caused or is likely to cause the pollution of a water resource, must take all reasonable measures to prevent such pollution from occurring, continuing or recurring.

Contravention of NEMA and the NWA is an offence and an offender may be liable for significant penalties in the form of a fine and/or imprisonment. Both NEMA and the NWA permit the DEFF to issue administrative directives to persons to take reasonable measures to prevent pollution from occurring, continuing or recurring where such measures have not been taken. In addition, these authorities can order the suspension of part or all of a company's operations for non-compliance.

A person may be held liable under these duties of care for the pollution and/or environmental harm caused by it during mining operations, despite the mining activities having since ceased (with or without the issuance of a closure certificate under the MPRDA) or the mining operations having been sold or transferred to a third-party.

A person who was a director of the offending company at the time the offence under NEMA was committed may be held jointly and severally liable for any negative impact on the environment, whether advertently or inadvertently caused by the company which they represent, including damage, degradation or pollution. In order for liability to be established, the director in question must have been (i) the principal in control at the time of the commission of the offence; (ii) an accomplice (if the director was party to the offence committed by the company or its employees); (iii) a co-conspirator (if it is alleged that the director was party to a conspiracy to commit an offence); or (iv) cited as a party to the proceedings where the company is found to have committed an offence, and the director failing to discharge the onus that they took reasonable measures to prevent or mitigate the offence.

If a company receives a directive ordering it to take reasonable measures to prevent pollution or to rectify or minimise pollution or degradation and fails to take such measures, the authority may recover the cost of implementing the measures from any person who directly or indirectly contributed to the pollution or degradation, or negligently failed to prevent the pollution. Directors may be cited as jointly and severally liable for such claims in the event that they meet the requirements for associated liability (any person responsible for, or who directly or indirectly contributed to the pollution) with the amount being apportioned according to the degree to which each party was responsible for the pollution.

NEMA does not expressly provide for shareholder liability. However, there is a possibility that a shareholder may be deemed to be liable where it exercises a sufficient degree of control over the company to satisfy the test of "control" i.e. shareholders who exercise sufficient control over a company so as to influence the manner in which it is managed may be in a position where they are exposed to statutory liability under NEMA. There is no legal precedent in South Africa to support this interpretation as there have been no reported judgments in South Africa where a court has been asked to deal with the issue of shareholders' liability under environmental law. However, various foreign jurisdictions have, to varying degrees, imputed environmental liability to a shareholder who exercises sufficient control over the company so as to influence the manner in which it is managed. In these jurisdictions the question of whether a shareholder exercises sufficient control over a company is a question of fact that must be determined on a case by case basis.

Lastly, NEMA facilitates private prosecution by any person in a matter which relates to the protection of the environment or a breach or threatened breach of the environmental duty of care. The offences are listed in NEMA, which range from commencement of unauthorised activities, failure to comply with a condition in a licence to operate, unlawful or intentional acts which lead to significant pollution and failure to comply with compliance orders or directives. Under NEMA any person may initiate the prosecution of an entity, its directors or employees in their personal capacity. The person initiating prosecution does not require the public prosecutor's permission and does not need to provide security for such action. The accused on conviction may be ordered to pay the costs of the prosecution.

7. OCCUPATIONAL HEALTH AND SAFETY REGULATION OF THE MINING INDUSTRY

Occupational health and safety of all employees in the mining industry is governed by both legislation and the common law. The common law plays an important role in that it encompasses principles relating to contractual, delictual (i.e. tortious) and criminal liability.

The MHS Act together with its regulations and the regulations to the now repealed Minerals Act (which remains in force in terms of schedule 4 of the MHS Act), is the primary legislative regime governing occupational health and safety at mines (collectively referred to as the "**MHSA**").

An important objective of the MHSA is to protect the health and safety of all persons at, and who may be affected by, the operation of activities at mines. Therefore, the MHSA is not merely concerned with the health and safety of persons directly employed by the holder of the mining right. An employer, being a holder of a mining right, is obliged to protect as far as reasonably practicable, the health and safety of non-employees (such as visitors to a mine or persons in the vicinity that may be affected by the operations at the mine) and employees of independent contractors and all other persons performing work at a mine, irrespective of the type of work being conducted.

The MHSA imposes obligations on an employer to ensure, as far as reasonably practicable, that the mine is designed, constructed and equipped to provide conditions for safe operation and a healthy working environment and to maintain a healthy and safe mine environment. An employer must staff the mine with due regard to health and safety by appointing competent and experienced managerial and supervisory personnel and ensure an adequate supply of health and safety equipment.

The employer must establish a health and safety policy, prepare and implement mandatory codes of practice, and provide health and safety training.

The employer must also assess and respond to risk. This includes identifying hazards to health and safety at mining operations, assessing the risks posed by the operations and determining measures to eliminate, control or minimise such risks.

The employer is required to establish a system of medical surveillance, conduct occupational hygiene measurements, keep records of medical surveillance and medical examinations of current and former employees, and complete and submit various ad hoc, quarterly and annual reports to the relevant inspectorate, including an annual medical report.

The Mine Health and Safety Inspectorate (the "**MHSI**") enforces the MHSA and conducts investigations and inquiries into work-related injuries, fatalities and dangerous occurrences. The MHSI also plays an important role in the promotion of health and safety at mines.

Should employers or employees fail to comply with their MHSA obligations, the MHSI may issue instructions to comply with the regulations or to halt all or part of the mines' operations.

The MHSI may also instruct employers to take actions to address a condition that may have exposed persons to risks of injury or disease.

The MHSI may impose an administrative fine or suspend a responsible person's certificates of competency. A Principal Inspector of Mines could also issue a company with an administrative fine for contraventions of the MHSA, in terms of section 55B of the MHSA. The maximum amount that can be imposed for each contravention of the MHSA is R1 million per contravention.

Finally, the MHSI may recommend that the employer or responsible persons be prosecuted for a breach of the MHSA (which constitutes an offence), or culpable homicide in the event of a fatality at a mine.

An MHSI inspector may issue a notice halting some or all operations if they believe an occurrence, practice or condition at a mine endangers or may endanger the health or safety of any person at the mine.

The Group's operations must ensure that: (i) the correct legal appointments are made; (ii) all third-party contractors on the operations are well equipped and have the requisite knowledge and competence with regards to health and safety and the MHSA; and (iii) the contracts between the Group's operations and the third-party contractors make sufficient provision and warranties for health and safety on site. In the event of any non-compliance by third-party contractors, the Group's operations may be exposed to the imposition of administrative fines and/or prosecution.

8. LAND EXPROPRIATION LEGISLATION

8.1 Restitution of Land Rights Act No. 22 of 1994 (the "Restitution of Land Rights Act")

The Restitution of Land Rights Act provides for the restitution of rights in land to persons or communities who were dispossessed of such rights as a result of past racially discriminatory laws or practices subsequent to 19 June 1913. Claims under the Restitution of Land Rights Act initially had to be lodged by 31 December 1998. This period was reopened with the enactment of the Restitution of Land Rights Amendment Act No. 15 of 2014 (the "**Restitution of Land Rights Amendment Act**") which extended the cut-off date for the lodgement of claims to 31 December 2019. However, the South African Constitutional Court declared the Land Rights Amendment Act invalid and the Land Claims Commission is prohibited from processing claims lodged after the Land Rights Amendment Act became operational on 1 July 2014 until all claims lodged prior to 31 December 1998 have been finalised.

The Restitution of Land Rights Act establishes that the SA Land Claims Court may order: (i) the restoration of land or any portion of land to a claimant (provided the court deems it feasible and practical to do so); (ii) the State to grant a claimant an appropriate right in alternative State-owned land; (iii) the State to pay compensation to a claimant; (iv) the South African Government to include the claimant as a beneficiary of a South African Government supported programme for housing or the allocation and development of rural land; or (v) the State to grant the claimant any alternative relief.

Case law indicates that a person cannot claim the restitution of a mineral or mining right under the Restitution of Land Rights Act. Accordingly, an order for restoration of land does not result in the restoration of mineral rights or entitle the claimant to interfere with the mineral or mining rights in the land. Therefore, if land is being actively mined in terms of a mining right, it is less likely that the land will be restored to the claimant in which case the claimant will receive financial compensation. A landowner cannot be compelled to grant rights in land or compensation to any successful claimants. Any restitution claim lies against the South African Government and any form of restitution (restoration or equitable redress) must be granted by the South African Government.

Where restitution is granted in the form of restoration of rights in land, the State is required to compensate the owner of the land in accordance with the fair value of the land. Although the existing expropriation laws do not allow for expropriation of land for restitution purposes (the Expropriation Act No. 63 of 1975 (the "**Expropriation Act**"), allows for expropriation for public purposes only), the Expropriation Bill 2019 (the "**Expropriation Bill**") allows for expropriation, not only for public purposes, but also if it is in the public interest, which includes South Africa's commitment to land reform, and reforms that will bring about equitable access to all of South Africa's resources. Therefore, should the Expropriation Bill be enacted, the current position may change and land restitution may take the form of expropriation, in which case the Expropriation Bill allows for compensation to the owner based on just and equitable factors and not merely the value of the land and could, if it is just and equitable to do so, result in expropriation without compensation.

An Ad Hoc Parliamentary Committee constituted to consider possible amendments to the provisions of section 25 of the Constitution recently published and called for comments on the Draft Constitution Eighteenth Amendment Bill, 2019 (the "**Draft 18th Amendment**"). The Draft 18th Amendment seeks to amend section 25 of the Constitution so as to provide explicitly that an amount of nil compensation is a legitimate option for the purposes of expropriation aimed at land reform and, more specifically, to empower South Africans to be productive participants in land ownership, food security and agricultural reform programmes. Written submissions on this score were due to be submitted to the Ad Hoc Parliamentary Committee by 31 January 2020, which date was extended to 29 February 2020. Expropriation without compensation will only be permitted by an order of court, and the Draft 18th Amendment contemplates that national legislation must be enacted to prescribe the circumstances under which a court may make an order to that effect.

8.2 The Expropriation Act

Expropriation is the act of taking possession of property from its owner in exchange for compensation, irrespective of the wishes of the original owner. The Expropriation Act provides for the Minister of Public Works and Infrastructure, subject to an obligation to pay compensation, to expropriate any property for public purposes or take the right to use temporarily any property for public purposes, for example, road widening purposes or for municipal services.

In terms of the Expropriation Act, compensation is based on the value of the property, however, in terms of the Expropriation Bill, compensation is based on just and equitable factors and a property may therefore be expropriated for nil compensation, where it is just and equitable to do so, having regard to all relevant circumstances, including but not limited to, where the:

- land is occupied or used by a Labour Tenant;
- land is held for purely speculative purposes;
- land is owned by a State-owned corporation or State-owned entity;
- owner of the land has abandoned the land; and
- market value of the land is equivalent to, or less than, the present value of direct South African Government investment or subsidy in the acquisition and beneficial capital improvement of the land.

As the Expropriation Bill was published for public comment, it is likely that the Expropriation Act will be amended, following the comments process.

9. LABOUR-RELATED LEGISLATION

Employment in South Africa is regulated by the law of contract and by legislation. There is a body of legislation providing minimum protection for employees to which employers and employees cannot contract out of. This legislation is found in a number of acts that regulate, among others, maximum hours of work, rates applicable to work performed overtime, minimum periods of leave, notice of termination, organisational rights in respect of trade unions, strike law, rights and responsibilities of employers and workers in the event of retrenchments, insolvency and transfers of businesses, protection from unfair dismissal and the prohibition of unfair discrimination. Below is a succinct overview of the relevant legislation and its purpose.

9.1 **Labour Relations Act No. 66 of 1995 (the “Labour Relations Act”)**

The Labour Relations Act is the primary labour law statute in South Africa. It gives effect to section 27 of the Constitution, being the right to fair labour practices, it: (i) regulates the organisational rights of trade unions; (ii) promotes and facilitates collective bargaining at the workplace and at sectoral level; (iii) regulates the right to strike and the recourse to lock-out in conformity with the Constitution; (iv) promotes employee participation in decision-making through the establishment of workplace forums; (v) provides simple procedures for the resolution of labour disputes through statutory conciliation, mediation and arbitration and through independent alternative dispute resolution services accredited for that purpose; and (vi) requires the transfer of a business or a part thereof as a going concern.

9.2 **Basic Conditions of Employment Act No. 75 of 1997 (the “BCEA”)**

The BCEA applies to all employees and employers in South Africa and ensures that the minimum acceptable conditions of employment are implemented by employers and regulates other working conditions such as working hours, wage rates, leave, termination, severance pay and deductions from remuneration. It also regulates the variation of basic conditions of employment.

According to section 10(2) of the BCEA, it is mandatory to make overtime payment to an employee who earns less than the threshold of R205 433.30 per annum and works overtime. The BCEA, however, excludes certain employees earning more than the prescribed threshold from the application of the aforementioned provision in section 10(2) of the BCEA and certain other sections of the BCEA. Employees in those excluded categories who work overtime are instead compensated at the normal rate or wage for the extra hours worked. Customarily in the mining industry, terms and conditions of employment are governed by collective agreements. Accordingly, the BCEA would not be applicable to those employees whose terms and conditions of employment are governed by a collective agreement. To the extent that terms and conditions are not governed by collective agreements, the BCEA will apply to these employees.

9.3 **National Minimum Wage Act No. 9 of 2018 (the “NMWA”)**

On 1 January 2019, the NMWA came into force and established minimum hourly wage rates for workers. The prescribed minimum rates depend on the type of worker. Failure to comply with the NMWA may lead to the imposition of fines on employers. An exemption process has been established for employers who cannot afford to comply with the prescribed minimum rates. Customarily in the mining industry, wages are governed by wage agreements and the provisions of the NMWA would only be applicable to these employees.

9.4 **Employment Equity Act No. 55 of 1998 (the “EEA”)**

The EEA is intended to achieve equity in the workplace by promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination and by implementing affirmative action measures to redress disadvantages in employment experienced by people of designated groups. If an employer does not comply with affirmative action measures in terms of the EEA, a labour inspector may issue a compliance order to a designated employer if the employer has refused to give a written undertaking or failed to comply with a written undertaking in respect of compliance with such affirmative action measures. For greater enforcement prospects, the director-general may apply to the SA Labour Court to have the compliance order made an order of court. Non-compliance with such court order may result in a fine of up to R2.7 million or up to 10% of the revenue of the employer, depending on the number of contraventions by the employer in a specified period.

9.5 **Unemployment Insurance Act No. 63 of 2001 (the “Unemployment Insurance Act”)**

The Unemployment Insurance Act and the Unemployment Insurance Contributions Act 4 of 2002 provide for the payment of unemployment benefits to certain employees in certain express circumstances such as retrenchment benefits, maternity benefits, parental benefits and reduced work time benefits. Learners undergoing learnership training in terms of the Skills Development Act (as defined and more fully discussed below) at the completion of the learnership contract are also obliged to contribute to the unemployment insurance fund.

9.6 **Pension Funds and Medical Schemes**

All retirement funds (other than certain statutory or public service funds) and medical schemes must be registered in terms of the Pension Funds Act, or the Medical Schemes Act. Only registered pension and medical aid funds may conduct business in South Africa otherwise it is not possible for a South African employer to provide a pension or medical plan under its own administration, and employers who do offer pension or medical plans to employees (this is not a compulsory requirement) are required to subscribe to be registered retirement funds or medical schemes for that purpose, or to register as retirement funds or medical schemes.

9.7 **Skills Development Act No. 97 of 1998 (the “Skills Development Act”)**

The Skills Development Act aims to develop the skills of the South African workforce. Sector Education and Training Authorities have been established in terms of the Skills Development Act, with the task of contributing to the improvement of skills in South Africa, thereby establishing “learnerships”, to improve workplace skills plans, allocate grants and monitor education and training in the sector, and to collect and disburse skills development levies. Training is financed by a levy equivalent to 1% of each employer’s payroll, which is levied in terms of the Skills Development Levies Act. All employers are required to budget for such levy which cannot be deducted from workers’ pay.

9.8 **Immigration Act No. 13 of 2002 (the “Immigration Act”)**

The Immigration Act prohibits foreign nationals from being employed in South Africa without being in possession of a valid work permit obtained from the Department of Home Affairs. It is important to note that there is no limitation under South African law on the number of foreign employees that a South African company may employ, however, each foreign employee is required to obtain a work permit to live and work in South Africa.

9.9 **Occupational Health and Safety Act No. 85 of 1993 (the “OHSA”)**

The OHSA sets out the minimum rights and duties of employers and employees to maintain a healthy and safe working environment. The OHSA does not apply to mines (unless specifically directed by the Labour Minister) and instead are regulated by the MHSA detailed above. Where the Group operates or manages workplaces that fall outside of the MHSA (such as its non-mining operations or workplaces), the OHSA is likely to apply and the employer is required to discharge the duties as set out in the OHSA. The OHSA contains similar duties as those prescribed in the MHSA relating to the identification, assessment and control of occupational health and safety risks, which are enforced by inspectors from the Department of Employment and Labour and who have similar powers in terms of the OHSA as inspectors under the MHSA. A notable distinction between the OHSA and the MHSA is that each employer remains responsible for the occupational health and safety of their own employees and where an employer has engaged contractors, the employer can enter into a contract with the contractor agreeing to the arrangements and procedures between them to ensure compliance by the contractor with the provisions of the OHSA. This has the effect of the employer contracting out of its obligations in respect of the employees of contractors.

9.10 **Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 (the “COIDA”)**

COIDA provides a system of “no fault” compensation for employees who are injured or killed in accidents that arise out of, and in the course and scope of their employment, or who contract occupational diseases. Employers must be registered with the Compensation Commissioner, or approved Mutual Assurance, and pay all levies and amounts due to the fund.

In the event of an occupational injury or disease resulting in disablement of an employee or the death of an employee, the employee or the dependants of such deceased employee (as the case may be) are prevented from recovering damages from the employer of the employee or deceased employee, but must follow the procedures in place in terms of COIDA. Accordingly, the aforementioned persons shall have no civil claim against the employer of the injured or deceased employee.

The employee or the dependants of the deceased employee, however, may lodge a claim with the Compensation Commissioner in terms of COIDA for increased compensation if the occupational injury or disease was due to the negligence of an employer or other persons stipulated in section 56 of COIDA.

The protection of employers under COIDA does not extend to a third-party contractor and the employer may still be liable for any civil claims relating to occupational diseases and injuries contracted and sustained by a contractor’s employees while working at the employer’s operations depending on the health and safety agreements between the employer’s operations and third-party contractors.

9.11 **Occupational Diseases Mines and Works Act No. 78 of 1973 (the “ODIMWA”)**

ODIMWA applies to all “controlled mines” or “controlled works” or where “risk work” is performed at a mine or works. An indication as to whether a mine or works is governed by the provisions of ODIMWA, is the certification of the mine or works by a Risk Committee in terms of ODIMWA and the requirement to pay ODIMWA levies to the Compensation Commissioner for Occupational Diseases. ODIMWA provides for the payment of compensation for certain specified lung diseases contracted by employees (including contractor employees) at controlled mines or works. It must be noted, however, that if an employee contracts an occupational disease which is not compensable under ODIMWA (i.e. noise-induced hearing loss), such employee will have a claim under COIDA regardless of whether the mine or works is “controlled”.

ODIMWA does not provide protection to an employer against liability for common law damages in respect of compensable diseases (as defined in ODIMWA). Accordingly, if an employee (including a contractor employee) contracts a compensable disease; such employee will be entitled to compensation under ODIMWA, and may also institute a common law claim for damages against the employer for the balance of the employee’s claim to the extent that the claim is not to be covered under ODIMWA. The owner of the controlled mine or works is responsible to pay ODIMWA levies in respect of all persons working at a mine or works, including contractors’ employees.

PART X – MANAGEMENT AND CORPORATE GOVERNANCE

The following section provides a description of the Directors and Senior Management of the Company. The description of the Major Subsidiaries' directors is set out in "Annexe 11—Major Subsidiaries, their directors and subsidiary undertakings".

1. DIRECTORS

The following table lists the names, positions and ages of the Directors of the Company. The business address for each of the Directors and the Company Secretary is 25 Bath Avenue, Rosebank, Johannesburg.

Name, age and nationality	Position	Date of Group appointment ⁽¹⁾
Sango Siviwe Ntsaluba (59) (South African)	Chairperson	1 January 2021 ⁽²⁾
July Ndlovu (55) (South African) (Zimbabwean)	CEO	1 September 2016 ⁽²⁾
Gideon Frederick (Deon) Smith (43) (South African)	CFO	1 July 2017 ⁽²⁾
Benjamin Monaheng (Ben) Kodisang (50) (South African)	Independent Non-executive Director	16 March 2021 ⁽³⁾
Kholeka Winifred Mzondeki (54) (South African)	Independent Non-executive Director	12 February 2021 ⁽⁴⁾
Thero Micarios Lesego Setiloane (62) (South African)	Independent Non-executive Director	7 March 2021 ⁽⁵⁾
Seamus Gerard French (58) (Irish)	Non-executive Director	4 June 2021 ⁽⁶⁾

Notes:

- ⁽¹⁾ This column discloses the date on which each Director was first engaged with the Group, notwithstanding the date of their appointment as Directors.
- ⁽²⁾ Sango Ntsaluba, July Ndlovu and Deon Smith were appointed as Directors on 9 February 2021 by the sole Shareholder at the time, ASA.
- ⁽³⁾ Ben Kodisang was appointed as Director on 18 March 2021 by the sole Shareholder at the time, ASA.
- ⁽⁴⁾ Kholeka Mzondeki was appointed as Director on 5 March 2021 by the sole Shareholder at the time, ASA.
- ⁽⁵⁾ Thero Setiloane was appointed as Director on 7 March 2021 by the sole Shareholder at the time, ASA.
- ⁽⁶⁾ Seamus French's appointment is conditional upon the implementation of the Demerger and will therefore, if the Demerger becomes unconditional, only become effective at the Demerger Effective Time.

The management expertise and experience of each Director and the Company Secretary is set out below.

1.1 Chairperson

Sango Ntsaluba – BCom, MCom, CA(SA)

Sango is the Chairperson of the Company. Sango co-founded SNG-Grant Thornton, one of South Africa's leading auditing and accounting firms. He currently serves as the executive officer and founder of Aurelian Capital, an investment holding company and chairman for Goldplat Recovery Proprietary Limited. Sango holds a Bachelor of Commerce with Honours, Bachelor of Accounting Sciences (Honours), a Master of Commerce, a Certificate in the Theory of Accounting and a higher diploma in tax law.

1.2 Executive Directors

July Ndlovu – BSc(Hons), MBL

July is the CEO of the Company. He was appointed as the chief executive officer of the South African coal division of Anglo American in September 2016. Prior to that role, July held the position of executive head of processing at AAPL, where he was first appointed as business manager of the Polokwane Smelter in 2001 and then as head of process technology. He has also held various senior positions in metallurgical operations and technical services in Anglo American subsidiaries in Zimbabwe. July was appointed as the chairman of the World Coal Association in July 2020. July holds a Bachelor of Sciences with Honours in engineering from the University of Zimbabwe, a Masters of Business Leadership from the University of South Africa and has completed the Senior Executive Programme at Columbia Business School.

Deon Smith – BCom(Hons), CA(SA)

Deon is the CFO of the Company. He was appointed as the chief financial officer of the South African coal division of Anglo American in July 2017. Since joining the Anglo American Group in 2006, Deon has held various senior managerial roles, including head of corporate finance in South Africa, head of capital management, head of accounting services and head of risk and assurance for AAPL. Prior to joining the Anglo American Group, Deon held various managerial positions at KPMG Inc. and was the chief executive officer of Cura Software Solutions. Deon holds a Bachelor of Commerce with Honours from the University of Johannesburg and is a certified chartered accountant (South Africa).

1.3 Non-executive Directors

Ben Kodisang – Bcom(Hons), CA(SA)

Ben is an Independent Non-executive Director. He is the Founder and CEO of ALT Capital Partners. He previously served as the CEO of Sanlam Alternative Investments as well as the managing director of STANLIB Asset Management and Africa and Old Mutual Properties. He has further served as the chairman of the South African Property Association and the Western Province Trade, Investments and Destination Marketing agency. He holds a Bachelor of Commerce from the University of Natal, Pietermaritzburg, Honours in Accounting Science from the University of South Africa and is a certified chartered accountant (South Africa).

Kholeka Mzondeki – BCom, FCCA (UK)

Kholeka is an Independent Non-executive Director. She previously served in various executive roles during which time she also served as financial director and chief financial officer in various organisations, including multinational conglomerate, 3M. She has also served on the boards of Reunert Limited, and Aveng Limited and was previously the chairperson of Trudon Proprietary Limited. Kholeka currently serves as director on the boards of Nampak Limited, Telkom SA SOC Limited and Balwin Properties Limited. Kholeka was a finalist in the Nedbank/BWA Business Woman of the Year Awards and has served as an audit committee member of the UN World Food Programme on a *pro-bono* basis. She holds a Bachelor of Commerce from the University of Botswana, a Diploma in Investment Management as well as a certificate in Digital Disruption from the University of Cambridge. Kholeka is a chartered accountant and fellow member of the association of chartered certified accountants.

Thero Setiloane – BSc (Mechanical Engineering)

Thero is an Independent Non-executive Director. He previously served as the chief executive officer of Business Leadership South Africa, the executive vice president of business sustainability at AngloGold Ashanti Limited, an executive director at the Real Africa Group and as the deputy chief executive officer for the commercial division of Transtel. He formerly held various board positions, including as chairman of Rand Refinery Proprietary Limited, chairman of the Nuclear Fuels Corporation of South Africa, chairman of the Agricultural Research Council and chairman of Swiss Re Africa. He currently serves on the boards of Foskor as non-executive director, the Gauteng Growth and Development Agency as non-executive director and the Oppenheimer Memorial Trust as board member. He holds a Bachelor of Sciences in Mechanical Engineering from the University of Warwick.

Seamus French – BEng (Chemical)

Seamus is a Non-executive Director. Seamus was appointed as chief executive officer of Anglo American's bulk commodities and other materials division in October 2009, being responsible for the Anglo American Group's coal, iron ore and nickel businesses. He is also a non-executive director of Kumba Iron Ore Limited and Laing O'Rourke plc. Prior to joining the Anglo American Group in 2007, Seamus held various strategic and managerial roles in WMC Resources before being appointed to executive general manager of the Copper-Uranium division and then global vice president, business excellence, of BHP Billiton in 2005. He holds a Bachelor in Chemical Engineering from the University College of Dublin.

2. COMPANY SECRETARY

Francois Klem – CIS

Francois is the Company Secretary. He previously served as the company secretary for Massmart Management & Finance Company Proprietary Limited. He then joined Anglo American Proprietary Limited in 2002 as a contractor company secretary until his appointment as Manager Company Secretarial in 2003. He transferred to the South African coal division of Anglo American in 2012 where he worked as Administrative and Secretarial Specialist and eventually the corporate governance manager looking after the company secretarial function for the South African coal division of Anglo American. He completed his Chartered Institute of Secretaries qualification in 2001.

3. SENIOR MANAGEMENT

The following table lists the names, positions and ages of the Senior Management of the Company. The business address for each of the members of Senior Management is 25 Bath Avenue, Rosebank, Johannesburg.

Name and age	Nationality	Occupation/function	Date of appointment by Group
Johannes Petrus Daniel (Johan) Van Schalkwyk (46)	South African	Chief Operating Officer	1 January 2018
Carina Venter (43)	South African	Executive Head: SHE	1 April 2020
Lesego Elias Mataboge (48)	South African	Executive Head: HR	1 December 2018
Leslie Martin (48)	South African	Executive Head: Technical	1 April 2020
Nompumelelo (Mpumi) Sithole (42)	South African	Executive Head: Corporate Affairs	1 February 2019

The management expertise and experience of each member of the Senior Management is set out below.

Johan Van Schalkwyk – BEng (Mining)

Johan is the Chief Operating Officer of the Company. He was formerly the head of operations and business services of the South African coal division of Anglo American. Johan has held a number of managerial roles at various collieries of Anglo America's South African coal operations and was the general manager at the Sishen mine of Kumba Iron Ore. During Johan's tenure as general manager, the mines under his responsibility achieved various prestigious safety, productivity and efficiency awards within the Anglo American Group. Johan holds a Bachelor of Mining Engineering degree from the University of Pretoria and he is a member of the South African Colliery Managers Association.

Carina Venter – Diploma, MBA

Carina is Executive Head: SHE (Safety, Health and Environment) of the Company. She was previously the head of safety and health at the South African coal division of Anglo American. Carina has held several managerial roles at Anglo American's South African coal operations, having started her career at SasCoal Engineering. Carina holds a Diploma in Safety Management from the Vaal University of Technology, a post-graduate certificate in Business with a specialisation in Occupation Health and Safety and an MBA from the University of Southern Queensland.

Lesego Mataboge – BA, PGDip

Lesego is Executive Head: HR (Human Resources) of the Company. He was formerly the head of human resources at the South African coal division of Anglo American. Lesego has extensive human resources experience within the natural resources space, having worked at Kumba Iron Ore and Iscor (now ArcelorMittal). Lesego holds a Bachelor of Arts and a post-graduate diploma in Human Resources Management from the University of Cape Town.

Leslie Martin – BEng (Mechanical Engineering)

Leslie is Executive Head: Technical of the Company. Leslie is a mechanical engineer by training, having commenced his career at Anglo American in 1996 as a junior engineer in the coal division. He then went on to fill a number of roles in the business, including general manager and head of the safety and sustainability development department. He has experience in underground and open cast mining, process plants, projects and construction. Leslie successfully integrated the operational risk management process into the operating model of the South African coal division by providing the necessary tools to employees to break down the barrier between operations and risk management. Leslie holds a Bachelor of Mechanical Engineering degree from Stellenbosch University.

Mpumi Sithole – BA(Hons)

Mpumi is Executive Head: Corporate Affairs of the Company. Mpumi was formerly the head of corporate affairs at the South African coal division of Anglo American. Prior to this, Mpumi was AAPL's media and external relations manager where she was instrumental in shaping the reputation and narrative of the organisation during the six-month long platinum strike that took place in 2014. Before joining Anglo American, Mpumi was head of communication at Sanofi-Aventis. Mpumi holds a Bachelor of Arts (Honours) degree from Vega and a certificate in the management development programme from the University of South Africa.

4. DIRECTORS' DECLARATIONS

There are no family relationships between any Directors, between any members of the Senior Management of the Company, or between any Directors and members of Senior Management of the Company.

None of the Directors, Senior Managers or directors of the Major Subsidiaries has (or had):

- been declared bankrupt, insolvent or sequestered or at any time made any individual voluntary compromise arrangement with their creditors in any jurisdiction;
- ever been involved in any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, administrations, company voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors of any company where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, such events;
- entered into or has been involved in any compulsory liquidation, administration or voluntary arrangements of any partnership where such person is or was a partner at the time of, or within the 12 months preceding, such events;
- receivership of any of the assets of such person or of a partnership of which he or she is or was a partner at the time of, or within the 12 months preceding, such events;
- been the subject of public criticism by any statutory or regulatory authorities, including recognised professional bodies, or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- ever been convicted of or committed any offence involving dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;
- ever been found guilty in disciplinary proceedings, by an employer or regulatory body, due to dishonest activities committed by such person;
- ever been removed from an office of trust on the grounds of misconduct and involving dishonesty;
- ever been barred from entry into any profession or occupation;
- ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which they were a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act; or
- been subject to any court order declaring him or her delinquent or placing him or her under probation under section 162 of the Companies Act and/or section 47 of the Close Corporations Act No. 69 of 1984 or disqualifying him or her to act as a director under section 219 of the Companies Act No. 61 of 1973 (which has, for the most part been repealed) or section 69 of the Companies Act.

In addition, none of the Directors or members of Senior Management has within the period of five years preceding the date of this Document had:

- any convictions in relation to fraudulent offences;
- been a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership, liquidation or administration of such company; or
- received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5. APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

Set out in "Annexe 14—Extracts of the Company's MOI and the memoranda of incorporation of the Major Subsidiaries" are extracts of the relevant provisions of the Company MOI, regarding:

- the qualification, appointment, terms of office and remuneration of Directors;
- the borrowing powers of the Company exercisable by the Directors. The borrowing powers may be varied by an amendment to the Company MOI;
- powers enabling Directors to vote on a proposal, arrangement or contract in which they are materially interested and to vote on the remuneration to themselves or any member of the Board; and
- retirement of Directors by rotation.

Set out in "Annexe 11—Major Subsidiaries, their directors and subsidiary undertakings" are extracts of the relevant provisions of the memoranda of incorporation of the Major Subsidiaries regarding:

- the qualification, appointment and remuneration of directors; and
- the borrowing powers exercisable by the directors of the Major Subsidiaries. The borrowing powers may be varied by amendment to the memoranda of incorporation of the Major Subsidiaries.

Other than the Major Subsidiaries, no other subsidiary has any borrowing powers that are material to the Company.

The Directors' borrowing powers have not been exceeded since the Company's incorporation, and there have not been any exchange control or other restrictions on the borrowing powers of the Company or any of its subsidiaries, other than restrictions generally applicable under the Exchange Control Regulations or otherwise in terms of the law.

There are no restrictions on the Company's borrowing powers and the business of the Company shall be managed by its Board, which may exercise all the powers of the Company. There are no other material limitations on the Group's borrowing powers.

The memoranda of incorporation of each of the Group's subsidiaries do not have any provisions which would frustrate the Group's compliance, or relieve the Company of compliance, with the JSE Listings Requirements.

5.1 Remuneration policy of the Group

General approach to remuneration

It is anticipated that, with effect from the Admissions Date, the Group will adopt a remuneration philosophy designed to attract, retain and incentivise high-calibre individuals to develop and implement the Group's business strategy and to create optimal, long-term value for Shareholders.

The Group therefore intends to operate a remuneration policy in compliance with the recommendations set out in the King Code and is anticipated to include the following principles:

- aligning the remuneration practices of the Group with its strategy;
- setting total rewards at a competitive level within the relevant market to ensure that the Group attracts, motivates and retains highly talented individuals;
- linking incentive-based rewards to achieving demanding performance conditions, consistent with Shareholders' interests over the short, medium and long term;
- structuring performance measures and targets for incentive plans to operate effectively throughout the business cycle and to support the Group's business strategy; and
- operating long-term incentive schemes prudently in order to minimise Shareholders' exposure to unreasonable financial risk.

Remuneration of Executive Directors

In accordance with the provisions of the JSE Listings Requirements and the King Code, the remuneration policy of the Group ("**Remuneration Policy**") will be submitted to Shareholders for a non-binding advisory vote at the first annual general meeting of the Company following listing.

It is anticipated that the Remuneration Policy to be presented to Shareholders will address the following elements:

- *Elements of remuneration*
 - Fixed remuneration

It is anticipated that fixed remuneration will primarily comprise base salary and benefits. The base salary and benefits of the Executive Directors for FY20 and FY21, respectively, is set out in "*Remuneration of Directors*". The benefits for the Executive Directors, including retirement benefits (selected as a percentage of base salary), is expected to align with the benefits of other employees of the Group in respect of quantum of contributions and nature of plans. The core benefits to which Executive Directors will be entitled comprise retirement, risk and medical scheme participation. The Group (through its Remuneration and Nominations Committee) will regularly review the benefits for affordability, flexibility and perceived value to employees. Retirement benefits are provided through defined-contribution funds, with contribution levels aligned to market best practice and the rules of the relevant fund.

- Short-term incentives

It is anticipated that short-term incentives for the Executive Directors will comprise:

<p>Annual cash incentive:</p> <ul style="list-style-type: none"> • limited to a maximum of 95% of the CEO's base salary; and • limited to a maximum of 80% of the CFO's base salary. <p>The above represents two-thirds of the total annual incentive opportunity for the CEO and CFO.</p>	<p>This incentive is linked to the CEO's or CFO's performance in the Financial Year under consideration and will be payable in cash soon after the end of the Financial Year.</p>
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<p>Deferred Bonus Shares:</p> <ul style="list-style-type: none"> • limited to a maximum of 48% of the CEO's base salary; and • limited to 40% of the CFO's base salary. <p>The above represents one-third of the total annual incentive opportunity for the CEO and CFO.</p>	<p>This award will be made as an annual award of Deferred Bonus Shares and being one-third of the total annual incentive to which the CEO or the CFO may be entitled. The Deferred Bonus Shares will vest over three years in equal tranches. Deferred Bonus Shares will be delivered under the terms of the Company Share Plan, the salient features of which are detailed in "Annexe 10—Company Share Plan".</p>
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The performance measures for Executive Directors are intended to be weighted 70% in respect of Group performance and 30% for performance against individual or strategic metrics. It is anticipated that the Group's performance measures will comprise financial return measures, production and compliance measures and health, safety and environmental measures.

– Long-term incentives

It is anticipated that the long-term incentives will comprise annual awards of Conditional Shares delivered under the Share Plan, the salient features of which are detailed in "Annexe 10—Company Share Plan". The Conditional Share Awards will be subject to an Employment Condition, Employment Period, Performance Period and Performance Condition as is set by the Remuneration and Nominations Committee. It is anticipated that the first award of Conditional Shares will be made to the CEO, CFO and other executives in October 2021, with the first Award having a maximum grant value of 100% of base salary in respect of the CEO and 80% of base salary in respect of the CFO. The first grant will be subject to an Employment Condition and Performance Condition of three years, and the Performance Condition which will attach to the first grant is summarised in "Annexe 10—Company Share Plan". Executives who receive Conditional Shares will have a further two-year holding period during which time the Conditional Shares will have vested.

– Awards pursuant to the Admissions

In order to incentivise and retain the CEO and CFO, the Company intends, shortly following Admission, to grant to each of the CEO and CFO an award of Forfeitable Shares under the Share Plan described in "Annexe 10—Company Share Plan". These Awards will consist of Milestone Shares as contemplated under the Share Plan. The CEO is to be granted an award of Milestone Shares over 899,658 Shares, being equal to 0.66% of the issued share capital of the Company as at Admission, and the CFO is to be granted an award in Milestone Shares over 449,829 Shares, being equal to 0.33% of the issued share capital of the Company as at Admission. Half of the Milestone Shares will vest on the first anniversary of the Admissions Date and the other half will vest on the second anniversary of the Admissions Date. The Milestone Shares will not be subject to any Performance Conditions, but vesting will be subject to the continued employment of the CEO and CFO (the "**Employment Condition**"). Further details of the terms of the Milestone Shares are included in the description of the salient features of the Share Plan in "Annexe 10—Company Share Plan". Details of the separate retention award over Shares which has been granted to the CEO and CFO by Anglo American is set out in "Executive Directors' retention arrangements".

It is also anticipated that members of Senior Management will stand to benefit through a cash-based incentive upon the successful Demerger and the Admissions and that this incentive will be a cash-bonus following the completion of certain performance measures. It is also anticipated that this cash-bonus will serve as a retention mechanism for the Group to retain its Senior Management.

• Policy on recruitment

The remuneration elements and terms of employment offered in connection with the recruitment of an executive director will be in line with the Remuneration Policy (as may be amended from time to time).

Executive directors may on recruitment be awarded Sign-on Shares to the extent that the executive director forfeited remuneration receivable from their previous employer by virtue of accepting the appointment with the Group. Sign-on Shares will be awarded on terms similar to those forfeited as a result of the change in employment.

• Executive Director notice periods and rights to remuneration as a result of loss of office

The notice period for the CEO and CFO is detailed in "Annexe 9—Particulars of the Directors and Senior Management of the Company".

Remuneration which may be payable on termination of employment and/or loss of office will be considered by the Remuneration and Nominations Committee in light of the relevant circumstances, but is expected to be limited to:

- payment *in lieu* of notice by reference to the value of the fixed elements of remuneration;
- annual cash incentive for the applicable Financial Year, which would normally be pro-rated to reflect the time served of the applicable Financial Year and adjusted to reflect personal and Group performance;
- potential for unvested long-term incentive awards to vest, if applicable, and as determined by the terms of the Share Plan (or other arrangements in place from time to time); and
- accrued leave pay, any applicable severance payments and any other contractual and/or statutory payments.

• Minimum shareholding requirements

It is expected that the Executive Directors will be required to accumulate and hold the following minimum values of Shares:

- 200% of the value of fixed remuneration (comprising base salary and the value of fixed benefits) in the case of the CEO; and
- 100% of the value of fixed remuneration for the CFO.

The Executive Directors will be required to build up the target shareholding in the Company within five years of the Admissions Date. This can be done by retaining Shares that have vested under Awards made pursuant to the Share Plan, through the allocation

of Shares pursuant to the short-term incentive plan of the Group or by the Executive Directors utilising their own resources to acquire Shares.

In line with international best practice, it is anticipated that the Remuneration Policy will require Executive Directors to retain their shareholding in the Company at the minimum levels set out above for a period of two years following termination of their employment or, if their shareholding in the Company is lower than the minimum set out above (due to termination of employment prior to the expiry of five years following the Admissions Date), at such lower level for a period of two years following termination of employment.

Should the required minimum levels of shareholding (as set out above) not be achieved or maintained, the Remuneration and Nominations Committee will be entitled to impose an appropriate sanction on the non-complying Executive Director, including withholding further Awards under the Share Plan, until such time as the minimum levels of shareholding have been met.

- *Malus and clawback*

The annual bonus (including both upfront cash payment and Deferred Bonus Shares) and all Awards made under the Share Plan (including the awarding of Milestone Shares) is expected to be subject to malus and clawback provisions which may be applied during the period of three years after the Settlement Date. The Remuneration and Nominations Committee will assess the application of malus and clawback and will consider, among others, the following factors: material misstatement of the financial results of the Group and performance measures, issues related to conduct, material failings in risk management, environmental non-compliance and unacceptable safety outcomes.

5.2 Remuneration of Directors

Set out below is a breakdown of the fees and remuneration paid or accrued as payable by the Group to the Directors during the Financial Year ending 31 December 2020:

Name	Directors' fees for the Company ⁽¹⁾	Directors' fees for other Group companies	Management, consulting, technical fees for the Company	Management, consulting, technical fees for other Group companies	Basic salary	Contributions to pension schemes	Medical aid contributions	Other material benefits	Bonuses and performance-related payments (short and long-term benefits) ⁽²⁾	Commission, gain or profit-sharing arrangements	Sums paid by way of expense allowance	Total
Sango Nisaluba	-	-	-	-	-	-	-	-	-	-	-	-
July Ndlovu	-	-	-	-	6,971,160	1,025,296	40,834	24,816	14,997,651	-	-	23,059,757
Deon Smith	-	-	-	-	3,716,416	320,607	45,200	324,296	7,189,480	-	-	11,595,999
Ben Kodisang	-	-	-	-	-	-	-	-	-	-	-	-
Kholeka Mzondeki	-	-	-	-	-	-	-	-	-	-	-	-
Thero Setiloane	-	-	-	-	-	-	-	-	-	-	-	-
Seamus French	-	-	-	-	-	-	-	-	-	-	-	-

⁽¹⁾ Fees include fees for attendance of formal meetings of the Audit Committee, the Remuneration and Nominations Committee, the Social and Ethics Committee and the Risk and Sustainability Committee.

⁽²⁾ The amount reflected in this column represents the cash value in respect of the Anglo American BSP and Anglo American LTIP in addition to the accrued bonus for FY20.

Set out below is a breakdown of the fees and remuneration proposed to be paid by the Group to the Directors during the Financial Year ending 31 December 2021:

Name	Directors' fees for the Company ⁽¹⁾	Directors' fees for other Group companies	Management, consulting, technical fees for the Company	Management, consulting, technical fees for other Group companies	Basic salary	Contributions to pension schemes	Medical aid contributions	Other material benefits	Bonuses and performance-related payments (short and long-term benefits)	Commission, gain or profit-sharing arrangements	Sums paid by way of expense allowance	Total
Sango Ntshaluba	1,619,000	-	-	-	-	-	-	-	-	-	-	1,619,000
July Ndlovu	-	-	-	-	7,340,220	1,102,134	49,674	26,406	48,895,823 ⁽³⁾	-	-	57,414,257
Deon Smith	-	-	-	-	4,192,710	256,350	53,124	387,152	25,292,568 ⁽⁴⁾	-	-	30,181,904
Ben Kodisang	888,500	-	-	-	-	-	-	-	-	-	-	888,500
Kholeka Mzondeki	1,072,333	-	-	-	-	-	-	-	-	-	-	1,072,333
Thero Seiloane	939,500	-	-	-	-	-	-	-	-	-	-	939,500
Seamus French	501,667	-	-	-	-	-	-	-	-	-	-	501,667

⁽¹⁾ Fees include fees for attendance of the Audit Committee, the Remuneration and Nominations Committee, the Social and Ethics Committee and Risk and Sustainability Committee formal meetings of the Group. These fees also includes additional fees of R17000 per meeting (capped at 10 meetings a month) for the period between 1 March 2021 to the Admissions Date, which fees are once-off fees paid by the Company to compensate Directors for additional meetings attended in the period leading up to the Admissions.

⁽²⁾ The amount disclosed in respect of Seamus French has been pro-rated for the period from his appointment date (expected to be the Demerger Effective Time) to the end of FY21.

⁽³⁾ The amount of R48,895,823 includes: (i) an estimated amount accrued in respect of a bonus for FY21; (ii) the estimated cash value of Anglo American Shares that are expected to vest pursuant to the Anglo American BSP and Anglo American LTIP upon completion of the Demerger; (iii) the estimated cash value of Shares that are expected to be received pursuant to the Demerger in respect of the Anglo American Shares held subject to awards under the Anglo American BSP and that are to be received on vested terms; and (iv) the estimated cash value of Shares that are expected to be received on vesting of the retention awards that have been granted by Anglo American described in "Executive Directors' retention arrangements".

⁽⁴⁾ The amount of R25,292,586 includes: (i) an estimated amount accrued in respect of a bonus for FY21; (ii) the estimated cash value of Anglo American Shares that are expected to vest pursuant to the Anglo American BSP and Anglo American LTIP upon completion of the Demerger; (iii) the estimated cash value of Shares that are expected to be received pursuant to the Demerger in respect of the Anglo American Shares held subject to awards under the Anglo American BSP and that are to be received on vested terms; and (iv) the estimated cash value of Shares that are expected to be received on vesting of the retention awards that have been granted by Anglo American described in "Executive Directors' retention arrangements".

Save as set out above and other than the service fee of R10,000 paid to Carin Ogden, a director and the sole shareholder of Cossec Consulting Services Proprietary Limited, the service provider appointed by Anglo American to incorporate the Company and the sole Director of the Company from incorporation to 9 February 2021 (on which date she tendered her resignation), no remuneration or benefits were paid, or were proposed to be paid or accrued as payable, by the Company to the Directors during FY20.

No fees payable *in lieu* of Directors' fees have accrued or been paid to any third-party during FY20.

Other than the retention awards to be granted by the Company to the CEO and the CFO as Milestone Shares under the Share Plan following the successful Demerger and Admissions (as detailed in "*—Remuneration Policy of the Group*"), the remuneration payable to the Directors will not be varied as a consequence of the Admissions, save in respect of the Non-executive Directors who will receive fees as Directors as approved by the Board and Shareholders prior to the Admissions, which will be subject to approval by Shareholders at each annual general meeting after the Admissions after being reviewed in line with best practice.

In accordance with the JSE Listings Requirements and the King Code, Shareholders will be entitled to vote annually, on a non-binding advisory basis on the Group's Remuneration Policy, including the implementation report forming part thereof as envisaged in the King Code.

Save as disclosed under "*—Remuneration of Directors*", "*—Directors' Interests*" and "*—Share Schemes*", none of the Directors has received any remuneration or benefits from (i) any holding company of the Company, (ii) any subsidiary or fellow subsidiary of the Company, (iii) any associate of the Company or of any entity included in (i) or (ii), (iv) a joint venture of the Company or an entity included in (i) to (iii), or (v) entities that provided management or advisory services to the Company or any of the entities included in (i) to (iv). No loans have been made or security furnished by the Company or by any of its subsidiaries to or for the benefit of any Director or Senior Manager or any associate of any Director or Senior Manager of the Company.

Within three years of the date of this Document, no payments were made to, or have been agreed to be paid to, any Director of the Company or any company in which they are directly or indirectly beneficially interested or of which they are a director ("**Associate Company**") or to any partnership, syndicate or other association of which they are a member ("**Associate Entity**") either to induce them to become, or to qualify them as a Director of the Company, or otherwise for the services rendered by him or her or by the Associate Company or the Associate Entity in connection with the promotion or formation of the Company.

5.3 **Executive Directors' retention arrangements**

In order to incentivise, reward and retain the CEO and the CFO in preparing for the Demerger, Anglo American has granted a retention award to the CEO over 449,829 Shares (being equal to 0.33% of the issued share capital of the Company as at Admission) and a retention award to the CFO over 231,730 Shares (equal to 0.17% of the issued share capital of the Company as at Admission). These retention awards are contingent on the recipient remaining in employment with the Anglo American Group until the Demerger Effective Time. Where such condition is satisfied, Anglo American will, subject to any necessary arrangements in connection with any tax liabilities that arise in connection with the awards, procure the transfer of the relevant number of Shares to the recipient shortly following Admission. No amount is payable by the recipient pursuant to the award.

6. **SHARE SCHEMES**

6.1 **Anglo American Share Plans**

Anglo American currently operates a number of employee share plans, including the annual deferred bonus plans ("**Anglo American BSP**"), the Anglo American long-term incentive plans ("**Anglo American LTIPs**") and all-employee share plans, under which awards are granted in respect of Anglo American Shares. Awards under the Anglo American Share Plans are in the form of either conditional share awards or share options or in the form of awards pursuant to which participants have beneficial ownership of Anglo American Shares under award (including "forfeitable shares" granted under the Anglo American BSP).

The value of conditional share awards and share options is expected to be affected by the Demerger due to the distribution of Shares by Anglo American to Anglo American Shareholders. Whilst Anglo American Shareholders (including holders of awards that give rise to participants having a beneficial ownership of Anglo American Shares) would receive Shares, holders of conditional share awards or share options will not. To address this, Anglo American intends that the number of Anglo American Shares subject to conditional share awards or share options would be adjusted, or where this is not permitted by the relevant Anglo American share plan rules, other arrangements would be made, in either case, to ensure, so far as practicable, that no Anglo American share plan participants are either advantaged or disadvantaged by the Demerger.

Holders of awards that give rise to the participants having a beneficial ownership of Anglo American Shares will participate in the Demerger, and these participants, including those who are moving to the Company, will therefore receive Shares pursuant to the implementation of the Demerger.

In addition to the above, participants in the Anglo American Share Plans who are moving to the Company will be treated for the purposes of their Anglo American share plan awards as leaving employment as "good leavers" on completion of the Demerger. As such, and subject to the award terms, the Anglo American remuneration committee has determined that all awards under the Anglo American Share Plans held by participants who are moving to the Company will vest on completion of the Demerger. Awards under the Anglo American BSP will vest in full in accordance with their terms. Awards under the Anglo American LTIPs will vest as to a portion that reflects the time elapsed to the completion of the Demerger and an assessment, on a basis determined by the Anglo American remuneration committee, of the extent to which the performance conditions have or are likely to be met. The Anglo American Shares delivered to satisfy the vesting of such awards which are in the form of conditional awards will be delivered after the Demerger Effective Time and so the participant will not be eligible to participate in the Demerger by reference to the Anglo American Shares so received.

6.2 **Company Share Plan**

The CEO, CFO, Senior Management and other eligible employees of the Group will, following the Demerger, participate in the Share Plan and will receive Shares pursuant to the terms thereof. The salient terms of the Share Plan are set out in "*Annexe 10—Company Share Plan*".

7. DIRECTORS' INTERESTS

As at the Last Practicable Date, the following Directors, including Directors who have resigned in the preceding 18 months (and their associates), will hold the following direct and indirect beneficial interests in Anglo American Shares:

Name	Direct beneficial	Indirect beneficial	Total	% of issued share capital
Sango Ntsaluba	188	–	188	–
July Ndlovu	85,683 ⁽¹⁾	–	85,683	0.006
Deon Smith	31,558 ⁽²⁾	–	31,558	0.002
Kholeka Mzondeki	85	–	85	–
Seamus French	806,147 ⁽³⁾	–	806,147	0.060
Gloria French	130,151	–	130,151	0.001

Notes:

⁽¹⁾ Includes an interest in 8,772 Anglo American Shares, 21,511 Anglo American Shares in the form of forfeitable awards under the Anglo American BSP and 55,400 Anglo American Shares in the form of unvested conditional awards under the Anglo American LTIP.

⁽²⁾ Includes an interest in 10,658 Anglo American Shares in the form of forfeitable awards under the Anglo American BSP and 20,900 Anglo American Shares in the form of unvested conditional awards under the Anglo American LTIP.

⁽³⁾ Includes an interest in 109,230 Anglo American Shares in the form of unvested forfeitable awards under the Anglo American BSP; 286,186 Anglo American Shares in the form of unvested conditional awards under the Anglo American LTIP; 268,760 Anglo American Shares held in the Anglo American Corporate Nominee; 139,924 Anglo American Shares held in the Anglo American Corporate Nominee subject to a holding period and 2,047 Anglo American Shares held under the Anglo American SAYE.

In addition to the above, under the Anglo American Share Plans and prior to an adjustment to the number of Anglo American Shares subject to the awards being applied as referred to in "*Share Schemes*", on the Last Practicable Date, July Ndlovu holds unvested nil-priced conditional awards over 55,400 Anglo American Shares and Deon Smith holds unvested nil-price awards over 20,900 Anglo American Shares. The impact of the Demerger on awards under the Anglo American Share Plans, including these awards, is set out in "*Share Schemes*". As the Anglo American Shares in respect of which these awards will vest will be delivered after the Demerger Effective Time, these awards will not affect the expected interests of these Directors in Shares at the Demerger Effective Time.

At the Demerger Effective Time, it is expected that the Directors, including Directors who have resigned in the preceding 18 months (and their associates), will hold the same or substantially similar direct and indirect beneficial interests in Shares (as a consequence of their holding of Anglo American Shares) as set out above for the Last Practicable Date in respect of Anglo American Shares:

Name	Direct beneficial	Indirect beneficial	Award over Shares ⁽¹⁾	Total	% of issued share capital
Sango Ntsaluba	18	–	–	18	–
July Ndlovu	51,086	–	889,658	940,744	0.690
Deon Smith	26,359	–	429,829	456,188	0.335
Kholeka Mzondeki	8	–	–	8	–
Seamus French	41,073	–	–	41,073	0.030
Gloria French	13,015	–	–	13,015	0.001

Note:

⁽¹⁾ Award over Shares comprises the retention award which has been granted by Anglo American as described in "*Executive Directors' retention arrangements*".

In addition, it is intended that shortly following the Admissions, July Ndlovu will be granted an award under the Share Plan over 899,658 Shares, (being equal to 0.66% of the issued share capital of the Company as at Admissions), and Deon Smith will be granted an award under the Share Plan over 449,829 Shares, (being equal to 0.33% of the issued share capital of the Company as at the Admissions). These awards will be made as milestone awards, in the form of Forfeitable Shares, under the terms of the Share Plan as described in "*Remuneration Policy of the Group*" and "*Annexe 10—Company Share Plan*".

8. DIRECTORS' INTERESTS IN TRANSACTIONS

Except for the disclosed service agreements, the disclosed interests set out under the section titled "*Part XX—Additional Information*", the Directors (including the Directors that have resigned during the last 18 months) have no material beneficial interests in transactions that were effected by the Group during the current or immediately preceding Financial Year or during an earlier Financial Year, where the benefits in respect of the contract effected in the earlier Financial Year remain in any respect outstanding or unperformed. Other than as envisaged in the Share Plan, none of the Directors has been granted any share options or awards or any other right which would have had the same or a similar effect in respect of providing a right to such Director to subscribe for Shares.

None of the Directors has any potential conflict of interest between their duties to the Group and their private interests or other duties.

No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions, or is or was significant to the business of the Company, and which was effected by a member of the Group in the current or immediately preceding Financial Year or which was effected during an earlier Financial Year and remains in any respect outstanding or unperformed.

There are no guarantees provided by the Company or its subsidiaries for the benefit of the Directors.

9. CORPORATE GOVERNANCE

9.1 Commitment

The Company is committed to principles of sound governance and application of the highest ethical standards in the conduct of its business and affairs. The Board is committed to the principles of diligence, honesty, integrity, transparency, accountability, responsibility and fairness. The Directors accept full responsibility for the application of these principles to ensure that the principles of good corporate governance are effectively practised throughout the Group. Furthermore, the Board understands and accepts its responsibility to safeguard and represent the interests of the stakeholders of the Company in perpetuating a successful and sustainable business that ensures the achievement of the Group's strategic objectives.

In addition to the above and in furtherance of the ESG strategy and the Inclusion and Diversity Policy of the Group, the Company and the Board are committed to increase the representation of black females on the Board. It is intended that the Board will, shortly after the Admissions, commence the process of identifying suitable candidates aligned with the Group's strategies and policies and that additional Board appointments are expected to be made in due course.

9.2 Approach

The Board is responsible for ensuring that the Group complies with all of its statutory obligations as specified in the Company MOI, the Companies Act, the JSE Listings Requirements, the UK Listing Rules, and all other regulatory requirements. The Directors endorse the King Code and recognise the need to conduct the affairs of the Group with integrity and in accordance with generally accepted corporate practices. In discharging this responsibility, the intention is to apply the principles of the King Code in both letter and spirit. The Directors recognise that they are ultimately responsible for the financial performance of the Company. The Directors have proactively taken steps to ensure full compliance with the Companies Act, the JSE Listings Requirements and the UK Listing Rules and the application of the principles of the King Code. A full analysis of the steps taken by the Group to comply with the King Code is set out in "Annexe 16—King Code Register". The Company is also required and is committed to complying with the UK Listing Rules, MAR and the UK Disclosure and Transparency Rules.

9.3 Inclusion and Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. In this regard, the Board has adopted the Inclusion and Diversity Policy, a copy of which has been made available on the Company's website at www.thungela.com.

In terms of the Inclusion and Diversity Policy, in considering the composition of the Board, cognisance shall be taken of the gender and racial mix in order to represent the demographics of the markets in which the Group operates and to promote race diversity at the level of the Board. The individual Board members will contribute to the collective blend of knowledge, skills, resources, objectivity and experience of the Board. A diverse Board will include and make good use of differences in the skills, experience, background, academic qualifications, technical expertise, knowledge, nationality, culture, age, race, gender and other distinctions between members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The Board will consider whether its size, diversity and demographics make it effective.

9.4 Chairperson, Chief Executive Officer

The Board is chaired by Sango Ntsaluba, an Independent Non-executive Director. The Chairperson is responsible for providing leadership to the Board and overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices.

The CEO, July Ndlovu, is responsible for leading the implementation and execution of the approved strategy, policy and operational planning of the Group, as well as ensuring that the day-to-day affairs of the Group are appropriately supervised and controlled.

9.5 Board

The size and composition of the Board is determined by the Shareholders, subject to the Company MOI, applicable legislation and regulatory requirements and the King Code. The Board consists of seven members, with two Executive Directors and five Non-executive Directors, four of whom are independent. In accordance with the Board Charter, the Board composition reflects a majority of Non-executive Directors. Pursuant to the abovementioned composition and the policies set out in the Board Charter, no Director has unfettered powers of decision making.

The Board's responsibilities include providing the Group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, reviewing operational performance and management, and reviewing policies and processes which seek to ensure the integrity of the Group's risk management and internal controls.

The Board is ultimately responsible for the management of the Group's business, strategy and key policies. The Board is also responsible for approving the Group's financial objectives and targets. In addition, the Board has to oversee the Group's operations and needs to ensure compliance with all statutory and regulatory requirements, and in particular, the Companies Act, the JSE Listings Requirements and the UK Listing Rules.

The Board will establish a written delegation of authority, which sets out a framework for the delegation of authority to management and decisions the Board wishes to reserve for itself. The delegated authority will be regularly reviewed and monitored.

The Non-executive Directors bring an independent view to the Board's decision-making. None of the Directors, other than the Executive Directors, has a fixed term of appointment and one-third of the Non-executive Directors are subject, by rotation, to retirement and re-election by Shareholders at every annual general meeting, in accordance with the Company MOI. Any Non-executive Director whose term of office exceeds nine years is subject to a rigorous annual review by the Remuneration and Nominations Committee, for onward recommendation to the Board, taking into account their performance and independence and a statement as to such Director's independence will be included in the integrated report of the Company. The mandatory retirement age for Non-executive directors will be 70 years, at which time the Director shall vacate office at the end of the Financial Year in which that director turns 70 years old, unless the Board, on recommendation by the Remuneration and Nominations Committee in its discretion, decides otherwise.

Each Director shall be identified and selected by the Remuneration and Nominations Committee, the recommendation of which shall be subject to final approval by the Board. Directors shall be appointed and removed in accordance with the applicable provisions of the Company MOI, the Companies Act and any other applicable law or regulatory provision.

The Board shall comprise a balance of Non-executive and Executive Directors with a majority of Non-executive Directors, of whom the majority shall be independent. The Board shall further comprise an appropriate mix of knowledge, skills, experience, diversity and independence to provide the necessary breadth and depth of knowledge and experience to meet the Board's objectives and responsibilities objectively and efficiently, which will be assessed annually by the Chairperson of the Board in consultation with the Remuneration and Nominations Committee. The Remuneration and Nominations Committee will follow a transparent and formal process in recommending suitable candidates for the Board's consideration.

The Board should have a minimum of two Executive Directors, being the CEO and the CFO.

The Board will meet as often as required, but at least four times annually. Information relevant to a meeting must be supplied on a timely basis to the Board, ensuring Directors can make informed decisions. The Directors have unrestricted access to information about the Company and its Senior Management and, where appropriate, may seek independent advice on matters within the Board's mandate, at the Company's expense.

9.6 **Board committees**

As provided for in the Company MOI and the Board Charter, the Board is supported and assisted by the Audit Committee, the Remuneration and Nominations Committee, the Social and Ethics Committee and the Risk and Sustainability Committee which have clear mandates and oversight responsibility for various aspects of the business. The responsibilities delegated to each committee are formally documented in the terms of reference for that committee, which have been approved by the Board and are reviewed at least annually. The current composition of each of the committees is set out below.

Audit Committee

The Audit Committee is chaired by Kholeka Mzondeki, an independent Non-executive Director, and its other members are Ben Kodisang and Thero Setiloane. The King Code recommends that all members of the Audit Committee should be independent, Non-executive Directors and that the members of the Audit Committee should, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively. The Chairperson of the Board will not be a member of the Audit Committee.

This committee meets at least four times a year (and when a special meeting is requested by the external auditors) and is responsible for performing the functions required of it in terms of the JSE Listings Requirements, section 94(7) of the Companies Act, the UK Disclosure Guidance and Transparency and Rules and the other functions in terms of its mandate. These functions include: (i) nominating for appointment of the Group's auditors and ensuring that such auditors are independent of the Company, (ii) determining the auditors' fees and terms of engagement, (iii) ensuring that the appointment of the auditors complies with the provisions of the Companies Act and any other relevant legislation, (iv) determining, from time to time, the nature and extent of non-audit services to be provided by the Group's auditors and to pre-approve any agreement in respect of such services, (v) preparing a report to be included in the annual financial statements of the Company, in compliance with the Companies Act, (vi) receiving and dealing with any concerns and complaints (whether from within or outside the Group, or on its own initiative) relating to accounting practices and internal audits of the Group, the content or auditing of the Group's financial statements, financial reporting (procedures related thereto) and control and related matters, (vii) making submissions to the Board on any matter concerning the Group's accounting policies, financial control, records and reporting, (viii) considering all entities included in the Group's consolidated financial statements prepared in accordance with IFRS and ensuring that it has access to all the relevant financial information, to allow the Company to effectively prepare and report on the financial statements of the Group, and (ix) performing such oversight functions as may be determined by the Board.

Other functions of the Audit Committee include overseeing the external audit process and the scope and performance of internal audit, monitoring the Group's governance compliance and independently reviewing and monitoring the integrity of the Group's financial statements and, to the extent delegated by the Board, the management of financial and other risks that affect the integrity of other external reports issued by the Group and the effectiveness of its systems of governance, systems of risk management and internal control, and the effectiveness and objectivity of the internal and external auditors and ensuring compliance with the statutory duties of the committee as contained in relevant legislation and the JSE Listings Requirements.

Committee members have unrestricted access to information about the Group which falls within the committee's mandate and management of the Group and, where appropriate, may seek the advice of independent professionals on matters within the Audit Committee's mandate at the expense of the Company.

The Audit Committee will normally invite the Chairperson of the Board, CEO and CFO to meetings of the Audit Committee and may also invite such other Directors as may be deemed fit. The lead external audit partner, the head of internal audit, the CFO and the CEO shall all have direct access to the Audit Committee chairperson.

The Audit Committee reviews the expertise, experience and performance of the CFO annually and reports on whether or not it is satisfied therewith. The Audit Committee confirms this review by reporting to the Shareholders in the Group's annual report that it has executed this responsibility. The Audit Committee has determined that it is satisfied with the CFO's current expertise and experience. In addition, the Audit Committee ensures that the Group's internal audit function is appropriately resourced and equipped to perform in accordance with appropriate professional standards for internal auditors and is responsible for the establishment of appropriate financial reporting procedures and confirmation that such procedures and their financial controls are operating.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is chaired by Ben Kodisang, an Independent Non-executive Director, and its other members are Kholeka Mzondeki, an Independent Non-executive Director and Seamus French, a Non-executive Director. The Chairperson of the Board attends by invitation.

This committee meets at least twice a year prior to scheduled meetings of the Board and it is responsible for both remuneration and nomination matters, covering:

- (i) identifying individuals qualified to be elected as members of the Board and Board committees, recommending such individuals to the Board for appointment in terms of the Company MOI and the Inclusion and Diversity Policy, as well as to establish procedures to ensure that the selection of individuals for such recommendation is transparent, by establishing formal and transparent procedures for the appointment of directors of the Company; and
- (ii) (a) independently reviewing and monitoring the integrity of the Group's remuneration policies and implementation thereof; (b) ensuring that the Company remunerates fairly, responsibly and transparently; and (c) ensuring compliance with the statutory duties of the committee as contained in relevant legislation.

Remuneration Matters

The Remuneration and Nominations Committee's remuneration functions include (i) reviewing executive remuneration and benefits, (ii) ensuring the Directors and Senior Management are fairly and responsibly rewarded for their individual contributions to the Group's overall performance, (iii) reviewing and approving the remuneration for the CEO, CFO, Chairperson of the Board and Senior Management, (iv) reviewing and approving the remuneration and annual salary increase of the Group's company secretary, (v) evaluating the Group's remuneration and benefit competitiveness, (vi) reviewing and approving the overall annual increase pool awarded to the Group employees and monitoring the annual overall salary percentage increases of Senior Management and lower level employees, (vii) approving employment agreements, offers of employment as well as severance agreements for the CEO and the executive leadership team, (viii) reviewing and monitoring the implementation of the Group's incentive, benefits and/or equity-based remuneration plans, and making recommendations to the Board with respect to new incentive, benefits and/or equity-based remuneration plans, (ix) reviewing the potential risk in respect of the Company's remuneration and benefit programmes and policies, (x) annually evaluating and monitoring the Group's remuneration philosophy and practices and (xi) actively engaging with Shareholders on their concerns through a Shareholder engagement process in the event the remuneration policy or implementation report, or both of them, receive an "against" vote of 25% or more of the voting rights exercised at any Shareholders' meeting.

The Remuneration and Nominations Committee shall recommend the remuneration to be paid to the Company's Non-executive Directors to the Board for approval, and to the extent required by the Companies Act, for approval by the Shareholders.

Nomination Matters

The Remuneration and Nominations Committee nomination functions include identifying successors to the Chairperson of the Board, the CEO and CFO and recommend such successors to the Board.

The Remuneration and Nominations Committee will regularly review the structure, size and composition of the Board and its committees, with a view to making recommendations to the Board to ensure the Board has the required mix of skills, experience, diversity and other qualities in compliance with applicable laws and regulations.

Social and Ethics Committee

The Social and Ethics Committee is chaired by Thero Setiloane, an Independent Non-executive Director, and its other members are Sango Ntsaluba, an Independent Non-executive Director, Seamus French, a Non-executive Director, the CEO and the Executive Head of Human Resources. The Social and Ethics Committee may invite such other executive management members as considered appropriate and may extend a standing invitation to them to attend the meetings of the Social and Ethics Committee.

This committee meets at least twice a year prior to scheduled meetings of the Board.

The primary purpose of the Social and Ethics Committee is to oversee the Group's activities in sustainable social and economic development. This committee is responsible for monitoring and ensuring compliance with all applicable laws (including the Companies Act), as well as relevant codes and standards relating to B-BBEE, employment equity, environmental management, health and safety, HIV/AIDS, corporate social responsibility, consumer relationships and human resources. Its responsibilities further include: (i) reviewing the strategies and policies of the Group designed to achieve responsible corporate citizenship at least every second year, (ii) reviewing and approving the Group code of ethics and the Group's stakeholder management plan and policy, and (iii) reporting to Shareholders as required in terms of the Companies Act.

Risk and Sustainability Committee

The Risk and Sustainability Committee is chaired by Sango Ntsaluba, the Chairperson and, an Independent Non-executive Director, and its other members are Thero Setiloane, an Independent Non-executive Director, Ben Kodisang, an Independent Non-executive Director, Kholeka Mzondeki, an Independent Non-executive Director and Seamus French, a Non-executive Director. The CFO and such other executive management members as considered appropriate have a standing invitation to attend the meetings of the Risk and Sustainability Committee.

This committee meets at least four times a year prior to scheduled meetings of the Board.

The Risk and Sustainability Committee oversees, on behalf of the Board, the identification, monitoring and management of risks impacting the Company and the Group, and the Company's sustainability policies and practices. In fulfilment of its responsibility, the Risk and Sustainability Committee's function include to: (i) guide and advise the Board in setting risk tolerance and risk appetite levels, after consulting with operational management, (ii) oversee that the risk management plan is disseminated throughout the company and integrated into the day to day activities of the Company, (iii) review and approve an informational technology ("IT") governance framework which delegates to management the responsibility for implementation of the IT governance framework and (iv) monitor the appropriateness of the Company's strategies in providing oversight of the sustainability policies and request and receive reports of the Group's operations and, where appropriate from associates, managed joint operations and non-managed joint operations and contractors, covering matters that have a material impact on safety, health and environmental risks and liabilities facing the Company and the Group.

10. **CONFLICTS OF INTEREST**

In dealing with conflicts of interest, legislation will apply in the first instance. Members of the Board will comply with the Group's Conflicts of Interest Policy, which must be approved by the Board. Directors are obliged to disclose in a timely manner all direct or indirect conflicting and personal financial interests that are held by them and their related and inter-related persons as contemplated in section 2 and section 75 of the Companies Act. Full disclosures should be made in writing and be submitted to the Group's company secretary who will submit it to the Board at the next Board meeting.

Any conflict of interest of a Director shall be declared as soon as the Director becomes aware of the conflict in the manner prescribed in the Company MOI and law. In any event the Director shall make such declaration prior to the consideration of the conflicted matter at any Board meeting. The Director concerned shall not participate in a discussion or vote on the conflicted matter and will leave the meeting immediately after making the requisite disclosure and providing any observances and pertinent insights where requested by the non-conflicted members of the Board to do so. General declarations of conflicts of interests involving Board members are submitted to the Remuneration and Nominations Committee for consideration.

11. **COMPANY SECRETARY**

Francois Klem is a suitably qualified, competent and experienced company secretary and is appropriately empowered to fulfil his duties in assisting the Board. The Remuneration and Nominations Committee will be responsible for recommending a suitable candidate for appointment as the company secretary and annually reviews and reports on the competence, qualifications and experience of the company secretary. The Board has determined that it is satisfied with Francois Klem's competence, qualifications, experience, independence and suitability to fulfil the duties of company secretary.

The company secretary of the Company is required to provide the Directors, collectively and individually, with guidance as to their duties, responsibilities and powers. The company secretary is also required to ensure that the Directors are aware of all laws applicable to the Company, and to report to the Board any failure on the part of the Company or a Director to comply with the Company MOI, the Group governance framework or other applicable laws and regulatory requirements. The company secretary acts as an adviser to the Board and plays a pivotal role in ensuring compliance with statutory regulations and the Group governance framework, the induction of new Directors, tabling information on relevant regulatory and legislative changes, and giving guidance to the Directors regarding their duties and responsibilities.

The company secretary, not being a Director of the Company, must have an arm's length relationship with the Board. The Board has satisfied itself that this is the case and should this change the Board shall remove the company secretary from office in accordance with the recommended practice of the King Code.

The company secretary assists the Remuneration and Nominations Committee with the appointment, induction and training of Directors, and the annual evaluations of the Board, Board committees and individual Directors. The company secretary provides guidance to the Board on good governance and its duties to stakeholders and is responsible for keeping Board committee charters up to date. The company secretary assists with the preparation and finalisation of Board and Board committee agendas (based on annual work plan requirements), prepares and circulates Board papers, and assists with obtaining input and feedback for Board and Board committee meetings.

The company secretary must certify in the Group's annual financial statements whether the Group has filed the requisite returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date. The company secretary must ensure that a copy of the Group's annual financial statements is sent to every person who is entitled to it under the Companies Act and the Company MOI.

The company secretary is required to ensure that minutes are kept of all Shareholders' meetings, and that Directors' meetings and any committee meetings of the Directors are properly recorded in accordance with the applicable provisions of the Companies Act.

12. **SHAREHOLDERS COMMUNICATION**

In all its communications with Shareholders, the Board aims to present a balanced and understandable assessment of the Group's position, adhering to the principles of openness and substance over form, and striving to address material matters of significant interest and concern to all Shareholders. The Company will prepare, and distribute to Shareholders, an annual integrated report, as a primary form of communication with Shareholders, in accordance with applicable law.

The Board will encourage Shareholders' attendance at general meetings, and, where appropriate, will provide full and understandable explanations of the effects of resolutions to be proposed.

Subject to the requirements of applicable law, communication with institutional Shareholders and investment analysts will be maintained through periodic presentations of financial results or one-on-one visits. The Board will communicate with Shareholders generally through the issue of trading statements and press announcements of interim and year-end results, and will be proactive in its dissemination of any information considered relevant to Shareholders.

PART XI – INCORPORATION AND SHARE CAPITAL

1. INCORPORATION AND REGISTERED OFFICE

The Company was registered and incorporated in South Africa on 5 January 2021 under the Companies Act as a private company and was converted to a public company on 17 March 2021 with registration number 2021/303811/06. The Company's LEI is 213800EGYK3BN3SRIF27. The principal legislation under which the Company operates and under which the Shares have been created is the Companies Act and Companies Regulations made thereunder. The registered address and head office of the Company is 25 Bath Avenue, Rosebank, Johannesburg, 2196, South Africa and its telephone number is +27 (0) 11 638 9300. The Group's business and principal activity is mining and production of thermal coal. There has been no material change in the business or trading objects of the Company since incorporation, which was established for the sole purpose of serving as the Group's holding company in anticipation of the Admissions. The Company's website is www.thungela.com. Information contained on the Company's website or the contents of any website accessible from hyperlinks on the Company's website are not incorporated into and do not form part of this Document.

2. AUDITORS

By resolution of the sole shareholder of the Company dated 9 February 2021, PricewaterhouseCoopers Inc., whose address is 4 Lisbon Lane, Waterfall City, Jukskei View, 2090, South Africa, was appointed as the statutory auditor of the Company and is registered with the Independent Regulatory Board for Auditors to carry out statutory audit work and to comply with the duties imposed on auditors by the Companies Act and the Auditing Profession Act No. 26 of 2005.

3. SHARE CAPITAL AND STATED CAPITAL

Upon incorporation, the authorised share capital of the Company was 10,000,000,000 Shares of no par value.

3.1 Share capital

The authorised and issued share capital of the Company is as follows:

	Number of Shares
Authorised share capital	10,000,000,000
Issued share capital	1,000

3.2 Share capital on the Admissions Date

The authorised and issued share capital of the Company on the Admissions Date is expected to be as follows:

	Number of Shares
Authorised share capital	10,000,000,000
Issued share capital	136,311,808

The stated capital on Admissions is expected to be, R11,334 million as presented in the *Pro forma* financial information.

No Shares are, or on the Admissions Date are expected to be, held in treasury by the Group.

There have been no consolidations or subdivisions of the securities of the Company since incorporation. Under the terms of the Company MOI, the rights of the holders of Shares may be varied only by way of a special resolution of such holders.

Each issued Share in the capital of the Company is of no par value and shall rank *pari passu* in respect of all rights with every other issued Share.

Each issued Share in the capital of the Company has been issued by the Company in registered form.

4. DESCRIPTION OF SECURITIES

Set out in "Annexe 14—Extracts of the Company's MOI and the memoranda of incorporation of the Major Subsidiaries" are extracts of the relevant provisions of the Company MOI, regarding:

- preferential conversion and/or exchange rights of the Shares;
- consent necessary for the variation of rights attaching to the Shares;
- voting rights of the Shares;
- rights to dividends, profits or capital or any other rights of the Shares; and
- control over the issue or disposal of the authorised but unissued Shares.

5. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES

Save as provided for in the Share Plan, the Company is not party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any securities in the Company.

6. COMMISSIONS, DISCOUNTS, BROKERAGES OR SPECIAL TERMS

No commissions, discounts, brokerages or other special terms have been granted during the three years immediately prior to the date of this Document in connection with the issue or sale of any securities, stock or debentures in the capital of the Company, where this has not been disclosed in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

7. AUTHORISATIONS

Resolutions of the Company were duly passed by its sole Shareholder on or about 9 February 2021, 5 March 2021, 8 March 2021, 18 March 2021 and 29 March 2021, including those for:

- converting the Company to a public company from a private company;
- adopting the Company MOI;
- approving the Non-executive Directors' remuneration;
- appointing PricewaterhouseCoopers Inc., whose registered address is 4 Lisbon Lane, Waterfall City, Jukskei View, 2090, South Africa as auditor for the period until the first annual general meeting of the Company;
- authorising, by way of a general authority contemplated in paragraph 5.72 of the JSE Listings Requirements read with section 48 of the Companies Act, the repurchase by the Group of Shares issued by the Company, subject to a maximum of 20% of the issued Shares of the Company and in compliance with the applicable provisions of the JSE Listings Requirements and the Companies Act;
- authorising, by way of general authority contemplated in paragraph 5.52 of the JSE Listings Requirements, for the period until the Company's annual general meeting, the issue by the Company of Shares for cash and for such issue to comply with the applicable provisions of the JSE Listings Requirements and the Companies Act;
- authorising the Company to provide financial assistance, as contemplated by sections 44 and/or 45 of the Companies Act, generally; and
- approving the Share Plan and the issue of Shares in terms of the Share Plan in accordance with Schedule 14 to the JSE Listings Requirements.

8. SECURITIES ISSUED OR TO BE ISSUED OTHER THAN FOR CASH

Other than the issuance of Shares in respect of the Internal Restructure as detailed in "Part VI—Overview of the Demerger and Formation of the Group", no shares or securities have been issued, within the three years preceding the date of this Document, by the Company other than for cash.

9. ALTERATION OF SHARE CAPITAL

There has been no alteration to the Company's authorised share capital in the three years preceding the date of this Document.

10. PREVIOUS OFFERS AND ISSUES

Other than the issuance of Shares in respect of the Internal Restructure as detailed in "Part VI—Overview of the Demerger and Formation of the Group", there have been no issues or offers for subscription or sale of any Shares or any securities by:

- the Company;
- the Company's Major Subsidiaries; and/or

any subsidiary where such issues or offers were material to the Company, during the three years preceding the date of this Document.

There have been no repurchases of any Shares or any securities by:

- the Company;
- the Company's Major Subsidiaries; and/or
- any subsidiary where such repurchases were material to the Company,
- during the three years preceding the date of this Document.

11. SHAREHOLDING

11.1 Major and controlling Shareholders

The entire issued share capital of the Company is indirectly held, ultimately, by Anglo American. With effect from the Demerger Effective Time, the Shareholders shall be the same as Anglo American Shareholders and what is set out below is a statement in relation to Anglo American's current major Shareholders (being the Company's expected major Shareholders on the Demerger Effective Time).

To the knowledge of the directors: (i) as at the date of this Document, the Company is directly owned by the Anglo American Group, but will, as at the Admissions Date, not directly or indirectly be owned or controlled by another corporation or by any foreign government; and (ii) there are no arrangements, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Board, there will be no controlling shareholder of the Company on the Demerger Effective Time.

There has been no history of any change in the Company's controlling shareholders and trading objects since incorporation, nor has there been any such change to any of its subsidiaries during the past five years, save for the Shares transferred pursuant to the Internal Restructure.

To the knowledge of the Board, Shareholders expected to hold, directly or indirectly, 3% or more Shares on the Demerger Effective Time are the following:

Shareholder name	Shares held	Number of Shares held⁽²⁾
Public Investment Corporation	9,355,178	6.86%
BlackRock Inc.	8,496,892	6.05%
Coronation Asset Management Proprietary Limited	4,090,775	3.00%
Tarl Investment Holdings (RF) Proprietary Limited (" Tarl ") ⁽¹⁾	4,727,561	3.37%
Epoch Two Investment Holdings (RF) Proprietary Limited (" Epoch Two ") ⁽¹⁾	4,216,668	3.01%
Totals	30,887,074	22.29%

Note:

⁽¹⁾ As at the Last Practicable Date, Tarl and Epoch Two, together with Epoch Investment Holdings (RF) Proprietary Limited ("**Epoch**"), hold, collectively, 112,300,129 Anglo American Shares (constituting approximately 8.8% of the issued Anglo American Shares). Tarl, Epoch Two and Epoch are consolidated in the Anglo American Group by virtue of their contractual arrangements with Tenon Investment Holdings Proprietary Limited ("**Tenon**"), a wholly-owned subsidiary of AASA. As such, Tarl, Epoch and Epoch Two are expected to collectively hold 11,230,012 Shares, constituting 8.8% of the issued Shares, on the Demerger Effective Time.

⁽²⁾ It is expected that all interests in Shares will be held directly.

11.2 Tenon structure

Tenon, a wholly-owned subsidiary of AASA, has entered into agreements with Epoch, Epoch Two and Tarl (collectively, the "**Investment Companies**") in respect of their shareholding in Anglo American. Each of the Investment Companies are owned by independent charitable trusts whose trustees are independent of the Anglo American Group, but as a result of the contractual arrangements between Tenon and each of the Investment Companies, the Tenon structure is consolidated in the Anglo American Group and is treated as treasury shares by Anglo American as the Investment Companies have agreed that they will not exercise the voting rights attached to the Anglo American Shares held by them.

By virtue of the Investment Companies' shareholding in Anglo American, the Investment Companies will receive 11,230,012 Shares (constituting approximately 8.8% of the issued share capital of the Company) on the Demerger Effective Time. Subject to market conditions, but not before the expiry of six months after the Admissions Date, Anglo American intends to dispose of its interest in the Shares held by the Investment Companies over time and in a responsible manner. Anglo American also intends to utilise certain of the Shares received by the Investment Companies to satisfy the retention awards made to the CEO and CFO as set out in "*Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Executive Directors' retention arrangements*".

11.3 Public Shareholders

For purposes of the JSE Listings Requirements, it is expected that, upon the Admissions, the Company will meet the free float requirements for a primary listing on the main board of the JSE.

12. ADMISSIONS

Application has been made to:

- the JSE for the admission of all of the issued Shares to be listed and traded on the "Energy – Oil, Gas and Coal – Coal" sector of the JSE under the abbreviated name "Thungela" and share code "TGA" as a primary listing; and
- the FCA for the admission of all of the issued Shares to the standard listing segment of the UK Official List in accordance with the UK Listing Rules and to the LSE for such Shares to be admitted to trading on the LSE's main market for listed securities under the symbol "TGA".

The ISIN for the Shares and a depository interest held in CREST representing an entitlement to one underlying Share is ZAE000296554.

None of the Shares will be, or is required to be, registered under the US Securities Act.

None of the Shares have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this Document. Any representation to the contrary is a criminal offence in the United States.

No Shares have been marketed to, nor are any available for purchase, in whole or in part, by the public in any jurisdiction in connection with the Admissions. This Document does not constitute an offer or invitation to any person to subscribe for or purchase any securities in the Company in any jurisdiction.

PART XII – DIVIDENDS AND DIVIDEND POLICY

The Board recognises the importance of maintaining a consistent dividend policy and will endeavour to avoid volatile swings in the dividend profile by ensuring high-quality medium-term strategic and financial planning.

Any dividend proposed by the Board in respect of any financial period will be dependent on and influenced by, among other considerations, the Group's operating results, financial condition, investment strategy, capital requirements and strategic initiatives. The Group will seek to ensure that there is sufficient cash available and cash is generated by the Group in order to fund sustaining capital expenditure and selective life extension opportunities without resorting to excessive leverage, recognising the nature of the Group's assets and single commodity price exposure.

The Company's dividend policy is to target a dividend pay-out of a minimum of 30% of the cash flows from operating activities after funding sustaining capital expenditure. For a definition of Adjusted operating free cash flow and Sustaining capex, see "*Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*". The Board is committed to delivering attractive shareholder returns, while maintaining disciplined capital allocation. Therefore, in any given financial year, the Company might declare dividends above the targeted minimum 30% pay-out ratio, subject to the Board being satisfied that subsequent to the dividend declaration, the Company has adequate balance sheet flexibility and sufficient funding available to withstand market and coal price volatility.

It is expected that the targeted dividend pay-out policy will be applied consistently to first half and full year results in determining the interim and final dividends, respectively. The Company's first dividend following the Admissions is expected to be a final dividend for the six-month period ending 31 December 2021, declared at the time of the Company's full year results in early 2022, in line with the Company's dividend policy.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and such dividends will be held in trust for the benefit of the relevant Shareholder, provided that dividends unclaimed for a period of four years from the date they were declared may be forfeited for the benefit of the Company. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or Shareholders at the time of declaration, subject to the JSE Listings Requirements. There are no current arrangements under which future dividends are waived or agreed to be waived. Relevant extracts of the Company MOI relating to dividends are set out in "*Annexe 14—Extracts of the Company's MOI and the memoranda of incorporation of the Major Subsidiaries*".

The Company may revise its dividend policy from time to time.

None of the matters outlined in this "*Part XII—Dividends and Dividend Policy*" have been reported on by PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc.

PART XIII – PRESENTATION OF FINANCIAL AND OTHER INFORMATION

1. HISTORICAL FINANCIAL INFORMATION

Unless otherwise indicated, the financial information contained in this Document has been prepared in accordance with IFRS. In this Document, references to a particular “Financial Year” or “FY” refer to the year ended on 31 December of that year.

1.1 **Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations basis of preparation versus the basis of preparation of the annual financial statements of the Group for the year ending 31 December 2021**

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared for the purposes of meeting the JSE Listings Requirements, the UK Prospectus Regulation Rules, and the requirements of the FCA to reflect a three-year track record of the SA Thermal Coal Operations.

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is prepared in accordance with the accounting policies that will be adopted by the Company for the year ending 31 December 2021. The Company’s accounting policies are consistent with the accounting policies applied in the preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

For purposes of the preparation of the annual financial statements of the Group for FY21, the following should be noted:

1. the principles of IFRS 1: *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”) will not be applied as the Company is not a first-time adopter of IFRS;
2. the acquisition of SACO by the Company prior to the Demerger is a capital reorganisation and therefore the consolidated financial statements of the Company will reflect the financial position and results of SACO, including comparatives; and
3. the Group will elect to apply the following accounting policy elections in accounting for the common control transactions effected through the Internal Restructure:
 - a. book value (predecessor) accounting in which SACO has used the book values carried over from the Anglo American consolidated financial statements in accounting for the acquisition of TOPL (and the consequential acquisition of Butsanani Energy) and Mafube Coal Mining from their respective acquisition dates;
 - b. the Group has elected not to restate comparative financial statements of SACO for the TOPL and Mafube Coal Mining acquisitions.

The annual financial statements of the Group for 2021 will, therefore reflect the acquisition of TOPL and Mafube Coal Mining by SACO with effect from 31 December 2020 and 31 March 2021, respectively.

The comparative financial information reflected in the annual financial statements of the Group for 2021, will exclude the results of the TOPL and Mafube Coal Mining acquisitions and will not be comparable to the financial information of the following Financial Years, although the statement of financial position will reflect TOPL from 31 December 2020.

The annual financial statements of the Group for 2021 and the comparative financial information for 2020, will also not be comparable to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

1.2 **Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations**

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations included in “Annexe 2A—Basis of compilation and reporting on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”, “Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations” and “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”, as detailed below, has been prepared in accordance with the requirements of the JSE Listings Requirements and the UK Prospectus Regulation Rules, and comprises the following:

1. Annexe 2A—Basis of compilation and reporting on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations;
2. Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations;
 - a. Part 1: Background to, scope, purpose of and principles applied in preparing the Combined Carve-out Historical Financial Information;
 - b. Part 2(a): Basis of preparation in respect of the Combined Carve-out Historical Financial Information for purposes of the JSE Listings Requirements;
 - c. Part 2(b): Directors’ commentary in respect of the Combined Carve-out Historical Financial Information for purposes of the JSE Listings Requirements;
 - d. Part 3: Basis of preparation in respect of the Combined Carve-out Historical Financial Information for purposes of the UK Prospectus Regulation Rules;
3. Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations;

4. Annexe 3A—Independent Reporting Accountant’s Audit Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020, included for purposes of the JSE Listings Requirements;
5. Annexe 3B—Independent Reporting Accountant’s Review Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the years ended 31 December 2019 and 31 December 2018, included for purposes of the JSE Listings Requirements; and
6. Annexe 3C—Independent Reporting Accountant’s Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the three years ended 31 December 2020, included for purposes of the UK Prospectus Regulation Rules.

Of the above Annexes:

7. Parts 1, 2(a) and 2(b) of “Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”, and “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations” jointly form the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for purposes of the JSE Listings Requirements. The independent reporting accountant’s reports for purposes of the JSE Listings Requirements are included as “Annexe 3A—Independent Reporting Accountant’s Audit Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020 included for purposes of the JSE Listings Requirements” and “Annexe 3B—Independent Reporting Accountant’s Review Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the years ended 31 December 2019 and 31 December 2018 included for purposes of the JSE Listings Requirements”; and
8. Parts 1 and 3 of “Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations” and “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”, jointly form the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for UK Prospectus Regulation Rules and has been opined on by PricewaterhouseCoopers LLP whose independent reporting accountant’s report for purposes of the UK Prospectus Regulation Rules is included as “Annexe 3C—Independent Reporting Accountant’s Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the three years ended 31 December 2020 included for purposes of the UK Prospectus Regulation Rules”.

Although the independent reporting accountant’s reports presented in “Annexe 3A—Independent Reporting Accountant’s Audit Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020 included for purposes of the JSE Listings Requirements” and “Annexe 3B—Independent Reporting Accountant’s Review Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the years ended 31 December 2019 and 31 December 2018 included for purposes of the JSE Listings Requirements”, and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for purposes of the JSE Listings Requirements, as detailed in Part 2(a) of “Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”, is different from the independent reporting accountant’s report, presented in “Annexe 3C—Independent Reporting Accountant’s Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the three years ended 31 December 2020 included for purposes of the UK Prospectus Regulation Rules”, and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for purposes of the UK Prospectus Regulation Rules, as detailed in Part 3 of “Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”, the background to, scope, purpose of and principles applied, set out in Part 1 of “Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations” and the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, accounting policies and notes (other than for Note 6 to the Combined Carve-out Financial Information that presents *pro forma* headline earnings per Share as required by the JSE Listings Requirements) to the Combined Carve-out Historical Financial Information set out in “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”, is common to both regimes.

PricewaterhouseCoopers Inc., located at 4 Lisbon Lane, Waterfall City, Jukskei View, 2090, South Africa has issued independent reporting accountant’s reports for the years ended 31 December 2020, 2019 and 2018 in respect of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, for purposes of the JSE Listings Requirements. These reports are included as “Annexe 3A—Independent Reporting Accountant’s Audit Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020 included for purposes of the JSE Listings Requirements” and “Annexe 3B—Independent Reporting Accountant’s Review Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the years ended 31 December 2019 and 31 December 2018 included for purposes of the JSE Listings Requirements”.

PricewaterhouseCoopers LLP, located at 1 Embankment Place, London, WC2N 6RH, United Kingdom has issued an independent reporting accountant’s report on the three years ended 31 December 2020 in respect of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, for purposes of the UK Prospectus Regulation Rules only. This report is included as “Annexe 3C—Independent Reporting Accountant’s Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the three years ended 31 December 2020 included for purposes of the UK Prospectus Regulation Rules”.

1.3 **The principles applied in preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations**

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared in compliance with IFRS and effective at the time of preparing the Combined Carve-out Historical Financial Information.

For purposes of the JSE Listings Requirements, the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is also prepared in compliance with the South African Institute of Chartered Accountants (“SAICA”) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements.

For purposes of the UK Prospectus Regulation Rules, the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is also prepared in accordance with the UK Prospectus Regulation Rules and the requirements of the FCA.

IFRS does not specifically provide for the preparation of combined carve-out financial statements, and accordingly, in preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, certain accounting conventions commonly used in the preparation of combined carve-out financial statements for inclusion in a pre-listing statement and/or prospectus, have been applied in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* ("**IAS 8**"), which are discussed in more detail below.

IAS 8 requires consideration of the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and recognised industry practices.

In the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, the predecessor accounting approach has been applied in accordance with the common practice for the accounting for business combinations under common control in combined financial statements. This means that the assets, liabilities, income and expenses of the economic activities included in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations correspond to the historically reported amounts in the consolidated financial statements of Anglo American, being the parent entity (predecessor values).

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared by extracting and aggregating the historical income, expenses, assets and liabilities attributable to the SA Thermal Coal Operations from the historical records of the Anglo American Group, as detailed below, which reconcile to the audited financial statements of Anglo American for the relevant periods. The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is prepared in accordance with the accounting policies that will be adopted by the Company for the year ending 31 December 2021. The Company's accounting policies are consistent with the accounting policies applied in the preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

The consolidated audited financial statements of Anglo American were prepared on the basis set out below, for the relevant periods, which preparation is consistent with IFRS:

- for the years ended 31 December 2019 and 2018, prepared in accordance with IFRS as adopted for use by the European Union; and
- for the year ended 31 December 2020, prepared in accordance with the International Accounting Standards in conformity with the requirements of the UK Companies Act and the IFRS principles adopted pursuant to Regulation (EC) No, 1606/2002 as it applies in the European Union.

The historical records of the SA Thermal Coal Operations include all income, costs, assets and liabilities attributable to the SA Thermal Coal Operations.

Costs directly associated to the SA Thermal Coal Operations for example, the costs associated with employment costs, and other direct overheads, are recognised in the respective ledgers of the SA Thermal Coal Operations' operations and are directly identifiable from the financial records and have therefore been included within the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations also includes allocations of the SA Thermal Coal Operations related expenses, assets, and liabilities from Anglo American and other entities within the Anglo American Group that were reflected within the Hyperion Financial Management system ("**HFM**") in respect of the various operations of the SA Thermal Coal Operations, as these were historically on-charged.

No additional central costs are required to be allocated to the SA Thermal Coal Operations. The assets recognised include goodwill as recognised in the consolidated financial statements of Anglo American and which was historically recognised in relation to the business acquisitions of the SA Thermal Coal Operations. No additional goodwill and intangible assets related to the SA Thermal Coal Operations were recognised by the Anglo American Group which would require allocation.

The SA Thermal Coal Operations has not historically filed separate tax returns. Rather, the results of the SA Thermal Coal Operations have historically been included in the tax computations and submissions at the respective legal entity levels within the Anglo American Group. The taxation expense included in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is calculated based on the standalone reporting entity historical tax computations that were consolidated into the Anglo American Group tax computation. Deferred taxation has been calculated by comparing the tax bases of the assets and liabilities of the SA Thermal Coal Operations to the carrying amounts recognised in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations. The recoverability of deferred tax assets has been assessed by considering the financial results of the SA Thermal Coal Operations.

Certain employees of the SA Thermal Coal Operations participate in the Anglo American Share Plans. All Anglo American Share Plans are settled in Anglo American Shares and recognised as equity settled share-based payments as the obligation to settle does not lie with the SA Thermal Coal Operations.

The Combined Carve-out Historical Financial Information eliminates any balances and transactions between the entities that comprise the SA Thermal Coal Operations. For the purposes of the intercompany elimination, transactions between the entities comprising the SA Thermal Coal Operations and the other Anglo American Group entities that are not part of the SA Thermal Coal Operations and were previously eliminated in the consolidated financial statements of Anglo American, have been reinstated in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations. This approach has been followed to ensure that the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations reflects the activities of the Group, as far as practically possible, on a standalone basis.

As the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared on a combined carve-out basis, it is not possible to show share capital or provide meaningful analysis of reserves. Therefore, amounts which reflect the carrying value of investments of Anglo American in the combined entities are disclosed as "invested equity". The carrying value of net assets attributable to shareholders other than Anglo American are presented as "non-controlling interests".

The basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, which are the first combined financial statements of the SA Thermal Coal Operations, is consistent with the principles of IFRS 1. In preparing the Combined Carve-out Historical Financial Information consistent with the principles of IFRS 1, the SA Thermal Coal Operations has

applied the exemption in IFRS 1. D16(a) and has measured its assets and liabilities at the carrying amounts that would be included in Anglo American's consolidated financial statements, based on Anglo American's date of transition to IFRS. The reconciliations normally required under IFRS 1 for first-time adopters are not presented, as the SA Thermal Coal Operations did not previously prepare combined financial statements. Aside from the exemptions stated above, no other exemptions related to IFRS 1 were elected in the preparation of these combined financial statements. The statement of financial position of the SA Thermal Coal Operations at its date of transition to IFRS (1 January 2018) is set out in note 31 to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations contained in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and on the face of the Statement of Financial Position.

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared on a historical cost basis except for the revaluation of post-retirement medical aid liabilities and the fair valuation of financial instruments and biological assets. A summary of the accounting policies applied is provided in note 1 to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations contained in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations".

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared on a going-concern basis. The future plans of the SA Thermal Coal Operations have been considered, and the Board has assessed that sufficient funding will be available for future operations following the Demerger. In addition, as part of the Internal Restructure undertaken by Anglo American in order to form the SA Thermal Coal Operations as a stand-alone business, Anglo American will capitalise the SA Thermal Coal Operations in the amount of R2,500 million and provide further financial support through a Capital Support Agreement (as detailed in "Annexe 15—Material Contracts—Capital Support Agreement") from the first day of the month in which the Admissions occurs until the last payment is made for products delivered as at 31 December 2022.

The SA Thermal Coal Operations' forecasts and projections, taking into account possible changes in trading performance, show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future.

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is presented in Rand, which is the SA Thermal Coal Operations' functional currency. All amounts have been rounded to the nearest million unless otherwise stated.

As the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared on a combined carve-out basis, it may not be indicative of the future performance of the SA Thermal Coal Operations and is not necessarily reflective of the results of operations, financial position and cash flows of the SA Thermal Coal Operations had it operated as an independent entity during the periods presented.

The basis of preparation of the Combined Carve-out Historical Financial Information for purposes of the JSE Listings Requirements and the UK Prospectus Regulation Rules, respectively, is set out in detail in "Annexe 2B—Background, scope, purposes and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations".

1.4 **Historical Financial Information of the Company**

In addition to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, the historical financial information of the Company ("**Historical Financial Information of the Company**") has been presented for purposes of the JSE Listings Requirements and the UK Prospectus Regulation Rules as follows:

1. Annexe 4A—Basis of compilation and reporting on the Historical Financial Information of the Company as at incorporation;
2. Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation;
 - a. Part 1: Background to, purpose of and principles applied in preparing the Historical Financial Information of the Company;
 - b. Part 2(a): Basis of preparation in respect of the Historical Financial Information of the Company for purposes of the JSE Listings Requirements;
 - c. Part 2(b): Directors' commentary in respect of the Historical Financial Information of the Company for purposes of the JSE Listings Requirements;
 - d. Part 3: Basis of preparation in respect of the Historical Financial Information of the Company for purposes of the UK Prospectus Regulation Rules;
3. Annexe 4C—Historical Financial Information of the Company as at incorporation;
4. Annexe 5A—Independent Reporting Accountant's Audit Report on the Historical Financial Information of the Company as at incorporation included for purposes of the JSE Listings Requirements; and
5. Annexe 5B—Independent Reporting Accountant's Report on the Historical Financial Information of the Company as at incorporation included for purposes of the UK Prospectus Regulation Rules.

Parts 1, 2(a) and 2(b) of "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation" and "Annexe 4C—Historical Financial Information of the Company as at incorporation" jointly form the Historical Financial Information of the Company for purposes of the JSE Listings Requirements. PricewaterhouseCoopers Inc.'s independent reporting accountant's report for purposes of the JSE Listings Requirements is included as "Annexe 5A—Independent Reporting Accountant's Audit Report on the Historical Financial Information of the Company as at incorporation included for purposes of the JSE Listings Requirements". Parts 1 and 3 of "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation" and "Annexe 4C—Historical Financial Information of the Company as at incorporation" jointly form the Historical Financial Information of the Company for purposes of the UK Prospectus Regulation Rules. PricewaterhouseCoopers LLP's independent reporting accountant's report for purposes of the UK Prospectus Regulation Rules is included as "Annexe 5B—Independent Reporting Accountant's Report on the Historical Financial Information of the Company as at incorporation included for purposes of the UK Prospectus Regulation Rules". "Annexe 4C—Historical Financial Information of the Company as at incorporation" has been prepared in accordance with IFRS, for the purposes of the JSE Listings Requirements and the UK Prospectus Regulation Rules.

2. PRO FORMA FINANCIAL INFORMATION

This Document presents certain *pro forma* financial information of the Group ("**Pro Forma Financial Information**") to illustrate the effect of the Demerger and Post Balance Sheet Transactions on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the 12 months ended 31 December 2020, prepared in accordance with the basis of preparation as set out in Parts 1 and 2(a) of "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" for purposes of the JSE Listings Requirements and Parts 1 and 3 of "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" for purposes of the UK Prospectus Regulation Rules, which is included in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations", as follows:

1. Annexe 6A—Basis of compilation of the *Pro Forma* Financial Information of the Group included for purposes of the JSE Listings Requirements;
2. Annexe 6B—*Pro Forma* Financial Information of the Group, included for purposes of the JSE Listings Requirements;
3. Annexe 6C—Basis of compilation of the unaudited *Pro Forma* Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules;
4. Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group, included for purposes of the UK Prospectus Regulation Rules;
5. Annexe 7A—Independent Reporting Accountant's Assurance Report on the *Pro Forma* Financial Information of the Group for purposes of the JSE Listings Requirements only; and
6. Annexe 7B—Independent Reporting Accountant's Report on the *Pro Forma* Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules.

2.1 Selected Pro forma Financial Information of the Group for JSE Listings Requirements purposes only

The selected *Pro Forma* Financial Information set out below, should be read in conjunction with "Annexe 6A—Basis of compilation of the *Pro Forma* Financial Information of the Group included for purposes of the JSE Listings Requirements" and "Annexe 6B—*Pro Forma* Financial Information of the Group included for purposes of the JSE Listings Requirements" and the detailed notes thereto, included for purposes of the JSE Listings Requirements, and is based on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020, prepared in accordance with the basis of preparation as set out in Parts 1 and 2(a) of "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" for JSE Listings Requirements purposes, and assumes, unless otherwise indicated, that the Demerger and Post-Balance Sheet Transactions, were implemented and the consequential *pro forma* adjustments were processed with effect from 1 January 2020 for *pro forma* statement of comprehensive income purposes and as at 31 December 2020 for *pro forma* statement of financial position purposes.

The *Pro Forma* Financial Information has been prepared using the accounting policies that will be applied by the Group going forward, in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. Where the accounting policies of the Group used for the preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations have changed as a result of the implementation of the Post-Balance Sheet Transactions as defined in "Annexe 6B—*Pro Forma* Financial Information of the Group included for purposes of the JSE Listings Requirements", or where new accounting policies are required as a result of the Post-Balance Sheet Transactions, these are set out in "Annexe 6A—Basis of compilation of the *Pro Forma* Financial Information of the Group included for purposes of the JSE Listings Requirements—Accounting Policies".

The *Pro Forma* Financial Information is the responsibility of the Board.

The *Pro Forma* Financial Information set out below has been prepared to illustrate the effect of the Demerger and Post-Balance Sheet Transactions and related agreements on the Group's financial position and results of operations and because of its nature may not fairly present the Group's financial position, changes in equity, or results or cash flows after the implementation of the Demerger and Post-Balance Sheet Transactions:

1. In terms of the SACO Share Purchase Agreement, the details of which are set out in "Annexe 15—Material Contracts", the Company will acquire 100% of the issued shares of SACO held by ASA ("**SACO Sale**"), together with the associated shareholder claims on loan account against SACO ("**SACO Sale Claims**"), for a purchase consideration based on the market value of the SACO Shares ("**SACO Sale Consideration**") and the face value of the SACO Sale Claims ("**SACO Sale Claims Consideration**"), on or before 10:00 on the closing date (as defined in the SACO Share Purchase Agreement), funded through an intercompany loan between ASA and the Company.

In terms of the Subscription Agreement, the intercompany loan between ASA and the Company arising from the SACO Share Purchase Agreement will be settled through the issuance by the Company of Shares to ASA.

The SACO Sale Consideration has been assumed to be the market value of the SACO Group on 25 March 2021 of R8,257 million and the face value of the SACO Sale Claims has been assumed to be Rnil (and, accordingly, the number of SACO Shares to be issued to settle the SACO Sale Claims Consideration is referred to as the "SACO Sale Claims Shares" and assumed to be Rnil).

In addition, the Subscription Agreement provides for the payment by Anglo American of a further subscription consideration amounting to R2,500 million ("**Cash Consideration**") and a cash subscription equal to the amount outstanding on loan account that is owed by TOPL to AASAF ("**Thermal Coal Loan**") as at the last Business Day immediately preceding the closing date (collectively the "**Further Subscription Consideration**") to be settled through the issuance of Shares to ASA by the Company ("**Further Subscription Shares**").

In order to illustrate the *pro forma* financial effects of the implementation of the Subscription Agreement:

- the amount of the SACO Sale Consideration has been assumed to be R8,257 million settled through the issuance of 100 million Shares ("**SACO Sale Shares**");

- the Cash Consideration has been assumed at R2,500 million based on the determination by Anglo American as detailed in “Part XIX—Capitalisation and Indebtedness”, settled through the issuance of 30 million Shares;”
- the amount of the Thermal Coal Loan has been assumed to be R361 million based on the value of the Thermal Coal Loan on 31 December 2020 (“**Original Thermal Coal Loan**”) settled through the issuance of 4 million Shares;
- the Additional Thermal Coal Loan, as detailed in paragraphs 4 and 5 below, has been assumed to be R272 million settled through the issuance of 3 million Shares; and
- the Excess Shares Transfer detailed in paragraph 5 below has been assumed to be R56 million which reduces the number of Shares to be issued by 1 million.

Accordingly, the *pro forma* financial effects assume a total Subscription Consideration of R11,334 million and total Subscription Shares of 136 million.

Additional salient details relating to the accounting treatment of the SACO Share Purchase Agreement and the Subscription Agreement are as follows:

- from a legal perspective, SACO will be a subsidiary of the Company with effect from the closing date;
- from an accounting perspective, the Company has followed the book value accounting (predecessor) approach whereby the acquisition of SACO has been treated as a group re-organisation on the basis that the investment in SACO has simply been moved from one part of the Anglo American Group to another;
- for the purposes of this *Pro Forma* Financial Information, the book values of the assets and liabilities assumed by the Company, as extracted from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020, have been determined based on the book values extracted from the Anglo American consolidated financial statements;
- the book values of the assets and liabilities assumed by the Company are reflected collectively in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020 as invested equity attributable to Anglo American amounting to R3,842 million, which amount includes the value of the Original Thermal Coal Loan at R361 million as at 31 December 2020 (“**Invested Equity Attributable to the Parent**”); and
- the difference between the assumed SACO Sale Consideration, settled through the issuance of Shares, amounting to R8,257 million together with the assumed Original Thermal Coal Loan, settled through the issuance of 4 million Shares, for the value of R361 million, and the net book values of the SA Thermal Coal Operations of R3,842 million (“**Invested Equity Attributable to the Parent**”) is reflected as a negative debit to equity called a Merger Reserve of R4,776 million (“**Merger Reserve**”).

The *pro forma* financial effects do not reflect any adjustment that may result from movements in the Original Thermal Coal Loan between 31 December 2020 and 1 June 2021 other than those relating to the Excess Share Transfer detailed in paragraph 5 below and the Additional Thermal Coal Loan as detailed in paragraphs 4 and 5 below. The balance of the Thermal Coal Loan as at 25 March 2021 amounted to a credit balance of R1,657 million in the books of TOPL. As the total number of Shares to be issued in respect of the SACO Sale Shares, SACO Sale Claims and the Further Subscription Shares will be equal to the number of Shares to be demerged by Anglo American of 136 million (excluding the Shares which will be acquired post the Admissions Date and held as treasury shares from an accounting perspective, for purposes of settling the Milestone Shares as detailed in paragraph 6 below), any change to the value of the Thermal Coal Loan will not impact the *pro forma* number of shares in issue or the *pro forma* NAV per Share or *pro forma* NTAV per Share. Total *pro forma* equity per the *pro forma* statement of financial position will also remain unaffected due to the Thermal Coal Loan being classified within Invested Equity Attributable to the Parent, however, the stated capital value will change.

- In terms of the Offtake Agreement, export thermal coal mined and produced by the Group will be marketed and sold by the Anglo American Group post Demerger, as detailed in “Part VIII—Business Overview—Sales and Offtake Arrangements” and “Annexe 15—Material Contracts—Offtake Agreement”;
- In terms of the Capital Support Agreement, Anglo American has undertaken to provide capital support in the event of adverse thermal coal prices as detailed in “Part VIII—Business Overview—Capital Support Agreement” and “Annexe 15—Material Contracts—Capital Support Agreement”. While the *pro forma* statement of financial position reflects the *pro forma* adjustments as a consequence of the Capital Support Agreement, namely the recognition of a derivative asset, the *pro forma* statement of profit and loss does not reflect any *pro forma* adjustments as a consequence of the Capital Support Adjustments, namely, the fair value movement resulting from revaluing the derivative asset at each financial reporting period. No *pro forma* fair value adjustment has been recognised as any prospective movements in the fair value of the derivative asset recognised as a consequence of the Capital Support Agreement cannot be reliably estimated as at the Last Practicable Date and historical fair value movements are not indicative of prospective fair value movements;
- The DMRE requires mining companies to ensure that funds are available to them to rehabilitate environmental disturbances caused by their activities at the point of closure. The funding is required to be held either in cash or other assets, or through guarantees issued by financial institutions to cover this cost. As detailed in “Part XV—Operating and Financial Review”, the SA Thermal Coal Operations currently has a significant value of guarantees held for this purpose, however, these are substantially backed by guarantees from Anglo American Group entities. The *Pro Forma* Financial Information is based on the signed the term sheets with financial institutions (the Environmental Guarantees Agreements incorporating these terms will be signed in due course) and has the effect of putting in place replacement performance guarantees to cover the Group’s exposure related to environmental rehabilitation obligations. For purposes of the *Pro Forma* Financial Information, the investment contributions and the insurer guarantee fee have been assumed to be R188 million and R26 million respectively. The combined total of R214 million will increase the face value of the Thermal Coal Loan and forms part of the Additional Thermal Coal Loan. For further detail on the Group’s arrangements with respect to these guarantee arrangements, see “Part VIII—Business Overview—Environmental Rehabilitation Guarantees”.
- The value of conditional share awards and share options in terms of the Anglo American Share Plans is expected to be affected by the Demerger as detailed in “Part X—Management and Corporate Governance—Share Schemes”. Awards held by participants in the Anglo American Share Plans and who are moving to the SA Thermal Coal Operations, will vest on completion of the Demerger and be settled in Anglo American Shares which are either already consolidated by the Company and included as Financial Asset Investments

in the statement of financial position contained in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations or which will be purchased prior to the Demerger, as follows:

- Awards under the Anglo American BSP will vest in full in accordance with their terms:
 - The Group currently consolidates a holding of certain Anglo American Shares held by a third party in relation to the Anglo American BSP awards pursuant to a nominated accounts process. The Group will transfer the nomination in respect of the third party holding to another entity within the Anglo American Group prior to the Demerger for Anglo American Shares that do not vest on the Demerger ("**Excess Share Transfer**") and;
 - Prior to the Demerger, a third party will purchase sufficient Anglo American Shares to settle the Anglo American BSP awards granted in 2021 (but relating to performance for the year ended 31 December 2020), to be funded by the Group. For purposes of the *Pro Forma* Financial Information the value of these awards has been estimated to be R58 million. It has been assumed that this purchase will increase the value of the Original Thermal Coal Loan by R58 million and forms part of the Additional Thermal Coal Loan;
 - Awards under the Anglo American LTIPs will vest as to a portion that reflects the time elapsed to the completion of the Demerger and an assessment, on a basis determined by the Anglo American remuneration committee, of the extent to which the performance conditions have or are likely to be met. The Company does not currently hold the Anglo American Shares necessary to settle the awards under the Anglo American LTIPs and will need to purchase them in the future.
6. The CEO, CFO, Senior Management and other eligible employees of the Group will, following the Demerger, participate in Conditional Share Awards subject to performance and employment conditions (the "**Company 2021 LTIP**"). The CEO and CFO will participate in a Forfeitable Share Award pursuant to the Admissions to be awarded as Milestone Shares. The Conditional Share Awards and the Milestone Shares are both being made under the terms of the Share Plan, as detailed in "Annexe 10—Company Share Plan" and "Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group". In addition, the Company has implemented two cash-based schemes to benefit Senior Management following the successful Demerger and Admissions ("**Cash-based Bonuses**"). The *pro forma* financial effects do not present any other *pro forma* financial effects associated with the Company Share Plan on the basis that no such awards have been granted, and consequently cannot be quantified, as at the Last Practicable Date. The CEO and the CFO have also been granted retention awards by Anglo American to be settled in Shares that will vest on Demerger;
 7. The CPP and the EPP are being established to give employees and key stakeholders a direct equity stake in the SACO Group, as detailed in "Part VIII—Business Overview—Employee Partnership Plan and Community Partnership Plan". Employee beneficiaries of the EPP will be entitled to a guaranteed dividend of no less than R4,000 per beneficiary per annum from 2021 to 2024. The CPP Entitlement will be a minimum of R6 million per annum commencing in 2021 and ending in 2024, unless extended by the Company; and
 8. The Company is responsible for certain costs relating to the Demerger and Admissions. These costs, including the costs directly attributable to the Admissions, have been expensed. For details of the expenses incurred by the Company in respect of the Demerger and Admission, see "Part XX—Additional Information—Expenses".

The steps outlined above are collectively referred to as the "Post-Balance Sheet Transactions".

The following agreements (as summarised in "Annexe 15—Material Contracts") do not give rise to *pro forma* adjustments as they are not anticipated to result in material changes to income or expenditure at a Group level:

- Demerger Agreement;
- Indemnity Agreement;
- Intragroup Sale Agreement;
- Option Agreement; and
- Management Services Agreement.

The following agreements provide for the continued provision of services that have historically been provided by entities within the Anglo American Group and the costs of which are already included in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations:

- Transitional Services Agreement; and
- Group Transitional Services Agreement.

A summary of the Group's *pro forma* loss per Share ("**LPS**"), *pro forma* headline loss per Share ("**HLPS**"), *pro forma* net asset value per Share and *pro forma* net tangible asset value per Share is set out below:

<i>Pro Forma</i> number of shares in issue (millions)	136
Treasury Shares (acquired to settle the Milestone Shares and deemed to be treasury shares for accounting purposes) (millions)	(2)
<i>Pro forma</i> number of Shares in issue used to calculate the <i>pro forma</i> per Share information (millions)	134
Basic and diluted <i>pro forma</i> LPS (cents)	(3,224.11)
Basic and diluted <i>pro forma</i> HLPS (cents)	(1,827.13)
<i>Pro forma</i> net asset value per Share (cents)	5,055.48
<i>Pro forma</i> tangible net asset value per Share (cents)	4,937.92

The detailed notes to the *Pro Forma* Financial Information are set out in "Annexe 6B—Pro Forma Financial Information of the Group included for purposes of the JSE Listings Requirements".

2.2 Selected Pro Forma Financial Information of the Group for UK Prospectus Regulation Rules purposes only

The selected *Pro Forma* Financial Information set out below, should be read in conjunction with “Annexe 6C—Basis of compilation of the unaudited *Pro Forma* Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules” and “Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules”.

The *Pro Forma* Financial Information has been prepared on the basis of the notes set out in “Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group”, included for purposes of the UK Prospectus Regulation Rules to illustrate the effect of the proposed Demerger on the combined carve-out historical income statement of the Group as if it had occurred on 1 January 2020 and on the combined carve-out historical statement of net assets of the Group as if it had occurred on 31 December 2020.

The Unaudited *Pro Forma* Financial Information has been prepared in accordance with the accounting policies to be adopted by the Group in its 31 December 2021 financial statements and applied in preparing the Combined Carve-out Historical Financial Information included in “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”.

The Unaudited *Pro Forma* Financial Information of the Group has been prepared for illustrative purposes only and in accordance with Annex 20 to the of the UK Prospectus Delegated Regulation. Because of its nature, the Unaudited *Pro Forma* Financial Information of the Group addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Group. It may not, therefore give a true picture of the Group’s financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The Unaudited *Pro Forma* Financial Information does not constitute statutory accounts. Shareholders should read the whole of this Document and not rely solely on the summarised financial information contained in “Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group, included for purposes of the UK Prospectus Regulation Rules”.

The *Pro Forma* Financial Information is the responsibility of the Board.

The *Pro Forma* Financial Information has been prepared to illustrate the effect of the Demerger as follows:

- The Cash Consideration has been assumed at R2,500 million based on the determination made by Anglo American as detailed in “Annexe 15—Material Contracts—Subscription Agreement”, settled through the issuance of 30 million Shares;
- Anglo American has undertaken to provide capital support in the event of adverse thermal coal prices as detailed in “Part VIII—Business Overview—Capital Support Agreement” and “Annexe 15—Material Contracts—Capital Support Agreement”. While the *pro forma* statement of net assets reflects a *pro forma* adjustment as a consequence of the Capital Support Agreement, namely the recognition of a derivative asset, the *pro forma* income statement does not reflect any *pro forma* adjustments as a consequence of the Capital Support Agreement, namely, the fair value movement resulting from revaluing the derivative asset at each financial reporting period. No *pro forma* fair value adjustment has been recognised as any prospective movements in the fair value of the derivative asset recognised as a consequence of the Capital Support Agreement cannot be reliably estimated as at the Last Practicable Date and historical fair value movements are not indicative of prospective fair value movements. Instead, an illustrative analysis of the potential impact of fair value movements is provided on the basis of specified assumptions;
- The value of conditional share awards and share options in terms of the Anglo American Share Plans is expected to be affected by the Demerger as detailed in “Part X—Management and Corporate Governance—Share Schemes”. Awards held by participants in the Anglo American Share Plans and who are moving to the SA Thermal Coal Operations, will vest on completion of the Demerger and be settled in Anglo American Shares which are either already consolidated by the Company and included as Financial Asset Investments in the statement of financial position contained in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations or which will be purchased prior to the Demerger, as follows:
 - Awards under the Anglo American BSP will vest in full in accordance with their terms:
 - The Group currently consolidates a holding of certain Anglo American Shares held by a third party in relation to the Anglo American BSP awards pursuant to a nominated accounts process. The Group will transfer the nomination in respect of the third party holding to another entity within the Anglo American Group prior to the Demerger for shares that do not vest on the Demerger; and
 - Prior to the Demerger, a third party will purchase sufficient Anglo American Shares to settle the Anglo American BSP awards granted in 2021 (but relating to performance for the year ended 31 December 2020), to be funded by the Group; and
 - Awards under the Anglo American LTIPs will vest as to a portion that reflects the time elapsed to the completion of the Demerger and an assessment, on a basis determined by the Anglo American remuneration committee, of the extent to which the performance conditions have or are likely to be met. The Company does not currently hold the Anglo American Shares necessary to settle the awards under the Anglo American LTIPs and will need to purchase them in the future.
- The CEO and CFO will participate in a Forfeitable Share Award pursuant to the Admissions (to be awarded as Milestone Shares). The Milestone Shares are being made under the terms of the Company Share Plan, as detailed in “Annexe 10—Company Share Plan” and “Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group”. In addition, the Company has implemented two cash-based schemes to benefit Senior Management following the successful Demerger and Admissions (“**Cash-based Bonuses**”). The *pro forma* financial effects do not present any other *pro forma* financial effects associated with the Company Share Plan on the basis that no such awards have been granted, and consequently cannot be quantified, as at the Last Practicable Date. The CEO and CFO have also been granted retention awards by Anglo American to be settled in Shares that will vest on the Demerger;
- The CPP and the EPP are being established to give employees and key stakeholders a direct equity stake in the SACO Group, as detailed in “Part VIII—Business Overview—Employee Partnership Plan and Community Partnership Plan”. Employee beneficiaries of the EPP will be entitled to a guaranteed dividend of no less than R4,000 per beneficiary per annum from 2021 to 2024. The CPP Entitlement will be a minimum of R6 million per annum commencing in 2021 and ending in 2024, unless extended by the Company; and
- The Company is responsible for certain costs relating to the Demerger and Admissions. These costs, including the costs directly attributable to the Admissions, have been expensed. For details of the expenses incurred by the Company in respect of the Demerger and Admission, see “Part XX—Additional Information—Expenses”.

The following agreements (as summarised in “Annexe 15—Material Contracts”) do not give rise to *pro forma* adjustments as they are not anticipated to result in material changes to income or expenditure at a Group level:

- Demerger Agreement;
- Indemnity Agreement;
- Intragroup Sale Agreement;
- Option Agreement; and
- Management Services Agreement.

The following agreements provide for the continued provision of services that have historically been provided by entities within the Anglo American Group and the costs of which are already included in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations:

- Transitional Services Agreement; and
- Group Transitional Services Agreement.

A number of items associated with the Demerger have not been adjusted in the Unaudited *Pro Forma* Financial Information for UK purposes as they are not in accordance with the guidance for *Pro Forma* financial information in the UK as set out in Item 2.3 of Annex 20 of the UK Prospectus Delegated Regulation. These items relate to the Offtake Agreement, Environmental Guarantees Agreements and Company 2021 LTIP, resulting in a difference with the Unaudited *Pro Forma* Financial Information for JSE Listing requirements purposes.

The detailed notes to the *Pro Forma* Financial Information are set out in “Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules”.

2.3 Reporting accountant’s reports

PricewaterhouseCoopers Inc.’s independent reporting accountant’s assurance report on the *Pro Forma* Financial Information is set out in “Annexe 7A—Independent Reporting Accountant’s Assurance Report on the *Pro Forma* Financial Information of the Group for purposes of the JSE Listings Requirements”. This report is included solely to comply with the JSE Listings Requirements.

PricewaterhouseCoopers LLP’s independent reporting accountant’s report on the *Pro Forma* Financial Information is set out in “Annexe 7B—Independent Reporting Accountant’s Report on the *Pro Forma* Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules”. This report is included solely to comply with the UK Prospectus Regulation Rules.

3. KEY PERFORMANCE INDICATORS

Certain key performance indicators and other operating measures have been presented in this Document, to assist in the comparison of the SA Thermal Coal Operations’ Combined Carve-out Historical Financial Information and operating performance from period to period. These performance indicators are presented in “Part XV—Operating and Financial Review”.

The SA Thermal Coal Operations’ management considers these metrics when evaluating growth trends, establishing budgets and assessing operational performance and efficiencies, on the basis that they provide an enhanced understanding of the SA Thermal Coal Operations’ results and related trends, therefore, increasing transparency and clarity into the core results of its business.

Key performance indicators include saleable production (export and domestic).

4. NON-IFRS FINANCIAL MEASURES AND APMs

This Document contains certain Non-IFRS financial measures, which are not liquidity or performance measures under IFRS, and which the Company considers to be alternative performance measures (“APMs”). The Non-IFRS Financial Measures are considered to be *Pro Forma Financial Information* for purposes of the JSE Listings Requirements and an accountant’s report in respect of the relevant Non-IFRS Financial Measures (as separately defined and discussed below) included in “Annexe 8—Independent Reporting Accountant’s Report on the Non-IFRS Financial Measures for purposes of the JSE Listings Requirements”.

APMs are prepared in addition to the figures that are prepared in accordance with IFRS. Non-IFRS Financial Measures include Adjusted EBITDA, Adjusted EBITDA margin, and adjusted operating free cash flow. Other APMs include Sustaining capex, FOB cost per export tonne and environmental liability coverage.

The Group provides Non-IFRS Financial Measures and other information because the Board believes that they provide Shareholders with additional information to measure the Group’s operating performance. The Group’s use of Non-IFRS Financial Measures may vary from the use of other companies in its industry. The measures used should not be considered as an alternative to net income/(loss), revenue or any other performance measure derived in accordance with IFRS or to net cash flows from operating activities as a measure of liquidity. The Non-IFRS Financial Measures have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of the Group’s results as reported under IFRS. They may exclude or include amounts that are included or excluded, as applicable, in the calculation of the most directly comparable measures in accordance with IFRS. In particular, other companies in the industry may define the Non-IFRS Financial Measures used herein differently than the Board does. In those cases, it may be difficult to compare the performance of those entities to the Group’s performance based on these similarly-named Non-IFRS Financial Measures. In addition, the exclusion of certain items from Non-IFRS Financial Measures does not imply that these items are necessarily non-recurring. From time to time, the Board may exclude additional items if the Board believes doing so would result in a more transparent and comparable disclosure.

The Non-IFRS Financial Measures should be considered in conjunction with the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations prepared in accordance with IFRS, see “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”. The following discussion provides definitions of the Non-IFRS Financial Measures used by the Company. For reconciliations of these Non-IFRS Financial Measures to their most directly comparable IFRS measures, see “Part XIV—Selected Financial Information”. The Directors are responsible for the Non-IFRS information.

4.1 **Non-IFRS Financial APMs**

- Adjusted EBITDA: Adjusted EBITDA is defined as profit/(loss) before net finance income/(costs), tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation.
- Adjusted EBITDA margin: Adjusted EBITDA margin is derived from Adjusted EBITDA as a percentage of revenue during the reporting period.
- Adjusted operating free cash flow: Adjusted operating free cash flow is calculated by taking net cash flows from operating activities less sustaining capital expenditure.
- Pro forma headline (loss)/earnings per share: Pro forma headline (loss)/earnings per share in accordance with the JSE Listings Requirements, and in terms of circular 1/2019 issued by SAICA, is a commonly used measure of earnings in South Africa that is more closely aligned to the operating activities of the entity.

4.2 **Other APMs**

Some of the SA Thermal Coal Operations' measures are not reconciled to IFRS either because they include non-financial information, because there is no meaningful IFRS comparison or the purpose of the measure is not typically covered by IFRS. These other APMs are presented in "Part XV—Operating and Financial Review".

- Sustaining capital expenditure ("Sustaining capex"): Sustaining capex is defined as stay in business and stripping and development capital expenditure.
- Capital expenditure ("Capex"): Capex is defined as cash expenditure on property, plant and equipment ("PPE"), including capital creditors in order to reflect the net attributable cost of Capex.
- FOB cost/export tonne: FOB cost represents direct cash cost incurred in producing one unit of saleable export product. This includes carbon monoxide costs, direct support costs, by-product credits and logistics costs (also known as FOB costs) and excludes, amongst other things, royalties, marketing, market development and corporate overhead.
- Environmental liability coverage: Environmental liability coverage assesses the percentage cash and cash equivalent investments held to fund future rehabilitation, decommissioning and water treatment expenditure.

PART XIV – SELECTED FINANCIAL INFORMATION

The selected financial information for the years ended 31 December 2020, 2019 and 2018 has been extracted, without material adjustments, from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the years ended 31 December 2020, 2019 and 2018, respectively, contained in “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”.

The selected financial information should be read in conjunction with the section “Part XIII—Presentation of Financial and Other Information”, “Part XV—Operating and Financial Review” and with the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations and the related notes thereto.

The following table sets out a summary of the SA Thermal Coal Operations statement of comprehensive income for the years ended 31 December 2020, 2019 and 2018 as extracted from the Combined Carve-Out Historical Financial Information:

	Year ended 31 December		
	2020	2019	2018
	<i>(R million, unless otherwise indicated)</i>		
Revenue	18,254	18,592	24,545
Operating costs	(20,351)	(19,132)	(18,088)
Impairment loss	(2,160)	(7,731)	–
Restructuring costs and termination benefits	(157)	(128)	(40)
Reversal of impairment loss	–	664	–
Operating (loss)/profit	(4,414)	(7,735)	6,417
Remeasurement gain on the acquisition of subsidiary	–	126	–
Gain on the disposal of operations	–	–	998
(Loss)/profit before net finance costs and tax	(4,414)	(7,609)	7,415
Net finance costs	(410)	(168)	(408)
(Loss)/profit before tax	(4,824)	(7,777)	7,007
Income tax credit/(expense)	121	115	(1,819)
(Loss)/profit for the year	(4,703)	(7,662)	5,188
Attributable to:			
Parent entities ⁽¹⁾	(4,413)	(7,700)	4,461
Non-controlling interests	(290)	38	727
(Loss)/profit for the year	(4,703)	(7,662)	5,188
Headline (loss)/earnings	(2,535)	(758)	3,758

Note:

⁽¹⁾ Parent entities are defined as Anglo American Group entities which are not part of the Demerger transaction.

The following table sets out a summary of the SA Thermal Coal Operations’ statement of financial position as at 31 December 2020, 2019 and 2018:

	As at 31 December		
	2020	2019	2018
	<i>(R million, unless otherwise indicated)</i>		
Total assets	18,969	18,411	22,178
Total liabilities	(13,597)	(11,738)	(11,457)
Total equity	5,372	6,673	10,721
Invested equity attributable to parent entities	3,842	4,807	8,918
Non-controlling interests	1,530	1,866	1,803
Total equity	5,372	6,673	10,721

Non-IFRS Financial APMs

The following table reconciles (loss)/profit for the Financial Year to Adjusted EBITDA and Adjusted EBITDA margin for the years ended 31 December 2020, 2019 and 2018:

	Year ended 31 December		
	2020	2019	2018
	<i>(R million, unless otherwise indicated)</i>		
(Loss)/profit for the Financial Year	(4,703)	(7,662)	5,188
<i>Adjustments</i>			
Income tax (credit)/expenses	(121)	(115)	1,819
Net finance costs	410	168	408
Remeasurement gain on the acquisition of subsidiary	-	(126)	-
Gain on the disposal of operations	-	-	(998)
Operating (loss)/profit	(4,414)	(7,735)	6,417
<i>Adjustments</i>			
Depreciation and amortisation	1,073	1,242	1,659
Net impairment loss	2,160	7,067	-
Restructuring costs and termination benefits	157	128	40
Adjusted EBITDA⁽¹⁾	(1,024)	702	8,116
Adjusted EBITDA margin ⁽²⁾ (%)	(5.6)	3.8	33.1

Notes:

⁽¹⁾ Adjusted EBITDA is defined as profit/(loss) before net finance income/(costs), tax, impairment losses, restructuring costs and termination benefits, depreciation and amortisation.

⁽²⁾ Adjusted EBITDA margin is derived from adjusted EBITDA as a percentage of revenue during the reporting period.

The following table reconciles cash flows from operations to adjusted operating free cash flow for the years ended 31 December 2020, 2019 and 2018:

	Year ended 31 December		
	2020	2019	2018
	<i>(R million, unless otherwise indicated)</i>		
Net cash flows from operating activities	17	95	6,076
Less: Sustaining capex	(1,758)	(1,783)	(1,945)
Adjusted operating free cash flow⁽¹⁾	(1,741)	(1,688)	4,131

Note:

⁽¹⁾ Adjusted operating free cash flow is calculated by taking net cash flows from operating activities less sustaining capital expenditure.

PART XV – OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations and the related notes which were prepared in accordance with IFRS and are included elsewhere in this Document. The discussion should also be read in conjunction with “Part XIII—Presentation of Financial and Other Information” and “Part XIV—Selected Financial Information”. For purposes of this discussion, references to “Financial Year” or “FY” are to the year ended, and as at, 31 December. The following discussion contains forward-looking statements based on assumptions about the SA Thermal Coal Operations’ future performance that involve risks and uncertainties. The SA Thermal Coal Operations’ earnings in the future may differ substantially from the expectations included in the forward-looking statements. See “Part II—Risk Factors” and “Part III—Important Information—Forward-looking Statements”.

1. OVERVIEW

The Group is one of the largest pure-play producers and exporters of thermal coal in South Africa based on aggregate thermal coal reserves and marketable thermal coal production. The Group owns interests in, and produces its thermal coal predominantly from seven mining operations, namely Goedeheop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo colliery), Mafube Coal Mining (operating the Mafube colliery) which consist of both underground and open cast mines located in the Mpumalanga province of South Africa. The Group’s operations are amongst the highest quality thermal coal mines in South Africa by calorific value. The Group also holds a 50% interest in Phola, which owns and operates the Phola Coal Processing Plant and holds a 23.22% interest in RBCT, which owns and operates the Richards Bay Coal Terminal. The Richards Bay Coal Terminal is one of the world’s leading coal export terminals, with an advanced 24-hour operation and a design capacity of 91 Mtpa.

The Group is committed to carrying out its operations with a view to a sustainable future and as a leader amongst South African thermal coal miners in accordance with its environmental, social and governance programmes. Accordingly, the Group has an ESG framework which prioritises those ESG areas most salient to its communities and stakeholders and sets out how these matters are integrated into the Group’s operations. The Group’s ESG framework is currently in place and will be implemented by the Group on an ongoing basis.

The Group operates a site-driven structure, supported by centralised corporate functions to improve efficiency across its operations. As at 31 December 2020, the Group had 7,525 employees and independent contractors but excluding third-party service providers.

The SA Thermal Coal Operations are significantly influenced by commodity pricing, particularly in respect of export sales of thermal coal (representing 79.4% of total revenue in FY20). Operating in a volatile and uncertain price environment, necessitated difficult decisions being taken historically and management are proactively poised to continue making such critical decisions to curb cost outflow.

Despite uncertain and volatile pricing in the seaborne thermal coal export market, given the Group’s business model, it is imperative for the Group to hold a diverse portfolio of mines and establish cost structures to maximise output, with consideration to fully utilising contractual rail commitments.

Historical restructuring measures were implemented to ensure the Group operates in a financially viable way into the future, including closing the Goedeheop South operation in the second half of 2019 and placing the Khwezela Bokgoni pit into care and maintenance in early 2021.

Restructuring decisions include consideration of the impact of bringing forward environmental liability cash outflows and have triggered the restructure of on mine and off mine overheads.

In addition to domestic production originating from Isibonelo and Butsanani Energy, domestic production also originates from the mineral residue deposits at Goedeheop and Khwezela. Production of mineral residue deposits is predominantly low cost and low margin production and therefore does not influence strategic decisions of the Group. The benefit of mineral residue deposit production is that there are lower environmental liabilities at mine closure. The higher value industrial domestic production from the Umlalazi operation at Khwezela ceases in the next few months due to the depletion of reserves. Secondary production from the Zibulo and Greenside collieries can sell to either the export or domestic markets. As the operations at these collieries is directed by the primary production to the export market, these factors do not impact strategic decisions.

The highest value and lowest cost operations of the SA Thermal Coal Operations are Greenside, Mafube and Zibulo.

In FY20, the mines operated by the SA Thermal Coal Operations produced, in the aggregate, 16,463 kt of thermal coal to export markets and 14,015 kt to the domestic market in South Africa, generating aggregated sales volume (including coal acquired from third parties) of 18,153 kt for exports and 13,362 kt domestically (representing 20.6% of total revenue).

The current domestic market trading activities (“**DMT Activities**”), which acquire thermal coal from third parties, will unwind as existing contracts come to an end. These ongoing activities will, however, not impact the financial or commercial results of the SA Thermal Coal Operations post Demerger due to the arrangements between ACSSA and the Group as described in “Annexe 15—Material Contracts—RBCT Agreements—Management Services Agreement”.

The SA Thermal Coal Operations’ domestic sales volume accounted for 42.4% of its total sales volume in FY20. Domestic thermal coal is of lower quality and lower value compared to export thermal coal. As at 31 December 2020, the SA Thermal Coal Operations had proved and probable ROM thermal coal reserves of 236.8 Mt. The following table sets out the SA Thermal Coal Operations’ key operating and financial performance indicators for FY20, FY19 and FY18. The following figures have been sourced from the Combined Carve-out Historical Financial Information and monthly operating performance reports:

	Year ended 31 December		
	2020	2019	2018
Run of mine (ROM) (kt)	32,174	33,388	39,982
Saleable production export ⁽¹⁾ (kt)	16,463	17,795	18,359
Saleable production domestic (kt)	14,015	11,241	13,692
Export sales volume ⁽¹⁾ (kt)	18,153	19,785	19,223
Domestic sales volume (kt)	13,362	10,858	13,111
Average export sales price (Rand/tonne)	798	788	1,060
Average domestic sales price (Rand/tonne)	282	276	318
FOB cost/export tonne ⁽²⁾ (Rand/tonne)	833	763	807
Adjusted EBITDA ⁽³⁾ (R million)	(1,024)	702	8,116
Adjusted EBITDA margin ⁽⁴⁾ (%)	(5.6)	3.8	33.1
Adjusted operating free cash flow ⁽⁵⁾ (R million)	(1,741)	(1,688)	4,131
Sustaining capex ⁽⁶⁾ (R million)	1,758	1,783	1,945
Environmental liability coverage ⁽⁷⁾ (%)	(45)	(54)	(54)

Notes:

- ⁽¹⁾ Over the historical period export sales volume has exceeded export saleable production as it has been supplemented by third party purchases of coal.
- ⁽²⁾ FOB cost per export tonne represents direct cash cost incurred in producing one unit of export saleable product. This includes carbon monoxide costs, direct support costs, by-product credits and logistics costs (also known as FOB costs) and excludes, amongst other things, royalties, marketing, market development and corporate overhead. See "Part XII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs".
- ⁽³⁾ Adjusted EBITDA is defined as profit/(loss) before net financial income/(costs), tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation. See "Part XIV—Selected Financial Information" for a reconciliation of profit/(loss) for the Financial Year to Adjusted EBITDA and see "Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs".
- ⁽⁴⁾ Adjusted EBITDA margin is derived from Adjusted EBITDA as a percentage of revenue during the reporting period. See "Part XIV—Selected Financial Information" for a reconciliation of profit/(loss) for the Financial Year to Adjusted EBITDA and see "Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs".
- ⁽⁵⁾ Adjusted operating free cash flow is calculated by taking net cash flows from operating activities less sustaining capital expenditure. See "Part XIV—Selected Financial Information" for a reconciliation of net cash flows from operating activities for the Financial Year to adjusted operating free cash flow and see "Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs".
- ⁽⁶⁾ Sustaining capex is defined as stay in business and stripping and development capital expenditure. See "Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs".
- ⁽⁷⁾ Environmental liability coverage assesses the percentage cash and cash equivalent investments held to fund future rehabilitation, decommissioning and water treatment expenditure. See "Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs".

2. THE GROUP'S OPERATIONAL OUTLOOK

The Group currently intends to sustain and organically develop its portfolio of existing, well-invested assets with only critical sustaining capex expected for the next three years. The Group expects to produce 15 Mt to 16 Mt of export thermal coal in 2021. The Directors believe that in the absence of further TFR disruptions, that occurred earlier in 2021, and any further COVID-19 related disruptions, export saleable production of thermal coal will be in the upper end of this guidance range, as previously communicated in Anglo American's annual results presentation. Going forward, subject to there being no further TFR or COVID-19 related disruptions, the Group expects to organically increase its production of thermal coal and produce slightly above 16 Mt in 2022 and 2023. The increase will primarily stem from the ramp-up of the Navigation project at Khwezela and select underground mining operations, notably Zibula as the operation returns to stability post a measured step-up following recovery from COVID-19 related testing and safety procedures. The Directors believe that this guidance is based on reasonable assumptions. In terms of domestic operations, the Group expects Isibonelo to deliver 4.8 Mt of thermal coal in line with the Group's contractual commitments and approximately 6 Mt from other operations producing domestic thermal coal product in 2021 (primarily coming from Goedehoop, Greenside, Khwezela and Rietvlei). Post 2021, the Group expects its domestic production of thermal coal to be approximately 6 Mtpa.

The Group does not expect to incur material expansion capex until 2023, when the Group expects to make a decision to potentially proceed on its Lifex options. Existing operations are well-invested to achieve the production guidance as set out above. The Group expects to incur approximately R2.6 billion to R3 billion of capex during 2021. This is expected to comprise sustaining capital of approximately R2 billion with the balance pertaining to ongoing stripping and developing spend on box cut and underground infrastructure, representing an increase when compared to 2020. The 2021 increase in sustaining capital is primarily driven by capex deferral decisions in the context of COVID-19 during 2020. By 2023, the Group expects its level of sustaining capex to be reduced to c.R1.7 billion as the current stripping and development spend is completed during 2022.

The Group's FOB costs per export tonne were R833/t in 2020. Going forward, the Group expects export cost per tonne to stay relatively flat in real terms into 2022 with continuous productivity improvements offsetting geological inflation.

Operating cash flows for any period are impacted by working capital movements and the Company's working capital, in particular inventory levels, is likely to require a measure of restocking during the first half of 2021.

3. PREPARATION OF THE COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared in compliance with IFRS and interpretations of those standards, as issued by the IASB and the IFRIC and effective at the time of preparing the Combined Carve-out Historical Financial Information.

For information relating to the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, refer to the details provided in "Part XIII—Presentation of Financial and Other Information—Historical Financial Information—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and "Part XIII—Presentation of Financial and Other Information—Historical Financial Information—The principles applied in preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations".

4. **KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS OF THE SA THERMAL COAL OPERATIONS**

The SA Thermal Coal Operations produce and sell various grades of thermal coal to the export thermal coal markets and domestic South African market. In 2020, the revenue composition was 79.4% export (FY19: 83.9%) and 20.6% domestic (FY19: 16.1%).

Export thermal coal price and exchange rate

The average realised price for export thermal coal differs from the average market price owing to timing differences and quality discounts relative to the industry benchmark.

During FY19, thermal coal prices fell sharply as lower gas and higher carbon prices encouraged a switch from thermal coal to gas-generated power in Europe. Indian imports, however, remained strong, supported by local steelmaking demand. Delays to customs and clearances at Chinese ports and various restrictions in Korea and Taiwan kept pressure on Pacific Basin regions' pricing towards the end of FY19.

Export saleable production decreased in FY20 mainly due to the closure of Goedehoop South in 2019, as well as capacity constraints during the COVID-19 lockdown period in the second quarter of FY20. There was a ramp up in production of the SA Thermal Coal Operations to c. 90% of expected production levels in the second half of FY20. A soft thermal coal market was experienced in FY20, with weaker USD prices and a volatile Rand.

Saleable production and sales volume

	Year ended 31 December								
	2020			2019			2018		
	Under-ground	Open cast	Total	Under-ground	Open cast	Total	Under-ground	Open cast	Total
	<i>(kt, unless otherwise indicated)</i>								
Run of mine (ROM)	15,165	17,009	32,174	17,847	15,541	33,388	20,753	19,229	39,982
Saleable export production	10,948	5,515	16,463	12,806	4,989	17,795	13,806	4,553	18,359
Saleable domestic production	4,823	9,193	14,015	3,465	7,776	11,241	3,730	9,963	13,692
Total saleable production	15,771	14,707	30,478	16,271	12,765	29,036	17,535	14,516	32,051
Export sales volume	10,910	7,243	18,153	13,241	6,544	19,785	13,762	5,461	19,223
Domestic sales volume	4,465	8,897	13,362	3,400	7,457	10,858	3,280	9,831	13,111
Total sales volume	15,375	16,140	31,515	16,641	14,001	30,642	17,041	15,293	32,334
Export thermal coal price (Rand/tonne)	848	723	798	825	713	788	1,101	956	1,060
Domestic thermal coal price (Rand/tonne)	74	386	282	85	363	276	93	393	318

Note: Prices are calculated as a simple average based on sales volumes for export and domestic, respectively.

The SA Thermal Coal Operations' revenue is directly affected by the production and sales volume of thermal coal as all of the SA Thermal Coal Operations' revenue is derived from the sales of thermal coal.

Production and sales volumes may be affected by a number of factors, such as the grade, tonnage and other characteristics of the thermal coal that is mined. Production and sales volumes may also be affected by changes in commodity prices as a decrease in the prices of thermal coal may cause currently economical reserves to become less economical or uneconomical to mine. In addition, fatal accidents, injuries and natural phenomena that are beyond the SA Thermal Coal Operations control, such as weather conditions, floods and rock falls, may temporarily suspend part of the SA Thermal Coal Operations and impact production volumes.

Over the historical period the SA Thermal Coal Operations refocused its thermal coal portfolio away from the domestic market to the export market. The SA Thermal Coal Operations' saleable production of thermal coal decreased by 9.7% to 29.0 Mt in FY19 from 32.1 Mt in FY18. This was mainly due to the disposal of the Eskom-tied mines (New Vaal, New Denmark and Kriel), part of the mine sections of the open cast Khwezela and underground Goedeheop operations reaching their end of life, and extraction progressing into more geologically challenging terrain at the Zibulo underground operations.

The SA Thermal Coal Operations' saleable production of thermal coal increased to 30.5 Mt in FY20 primarily due to the increase in domestic saleable production at the Rietvlei operation (held through Butsanani Energy), which reached commercial production in October 2019 and Goedeheop by 1.8 Mt. The increase in domestic production was partially offset by an overall decline in export saleable production due to the impact of COVID-19 lockdown restrictions across all of the SA Thermal Coal Operations' operating mines as well as by a 1.8 Mt decline in the thermal coal produced at the Goedeheop South operation, which was repurposed from export to domestic grade quality as the operation reached its end of life.

Total sales volumes increased by 2.9% to 31.5 Mt in FY20 from 30.6 Mt in FY19, due to an overall increase in domestic sales volume driven by the Rietvlei operation and mineral residue deposit sales by Goedeheop North. This was partially offset by the decrease in export sales volume mainly due to the depletion of reserves at Goedeheop South in the second half of 2019 as the operation reached its end of life, as well as capacity constraints during the COVID-19 lockdown period.

Total sales volume decreased by 5.3% to 30.6 Mt in FY19 from 32.3 Mt in FY18, due to an overall decrease in saleable production which was partially offset by the increase in sales volume from third-party commodity purchases for export purposes.

Operating cost: 2020 vs 2019

	Year ended 31 December							
	2020				2019			
	Under-ground	Open cast	Corporate	Total	Under-ground	Open cast	Corporate	Total
	<i>R million (unless otherwise indicated)</i>							
Employee costs	(2,277)	(1,245)	(857)	(4,379)	(2,429)	(1,121)	(821)	(4,371)
Depreciation of property, plant and equipment	(682)	(388)	12	(1,058)	(799)	(419)	(23)	(1,240)
Amortisation of intangible assets	(2)	-	(13)	(15)	(2)	0	-	(2)
Third-party commodity purchases	-	(1,287)	-	(1,287)	-	(1,429)	-	(1,429)
Consumables, maintenance and production input costs	(2,447)	(4,834)	(848)	(8,129)	(3,007)	(3,239)	(602)	(6,848)
Logistics, marketing and selling costs	(2,625)	(1,445)	176	(3,894)	(2,916)	(1,298)	157	(4,057)
Royalties	(13)	(31)	(26)	(70)	36	(27)	(111)	(102)
Exploration and evaluation	(86)	(27)	(74)	(186)	(65)	(103)	(47)	(215)
Net foreign exchange (losses)/gains	75	37	2	113	(102)	(42)	(2)	(145)
Profit or (loss) on sale or disposal of property, plant and equipment	-	(1)	-	(1)	-	(1)	-	(1)
Centrally recharged costs with Parent entities	(170)	(28)	(604)	(802)	(1,240)	(1,061)	1,580	(722)
Other net operating income/(expenses)	(1,252)	(1,000)	1,609	(643)	-	-	-	-
Operating costs (before net impairment loss and restructuring costs)	(9,479)	(10,249)	(623)	(20,351)	(10,524)	(8,740)	131	(19,132)
Net impairment loss	(285)	(1,588)	(287)	(2,160)	(1,637)	(5,565)	134	(7,067)
Restructuring costs	(43)	(171)	57	(157)	(25)	-	(103)	(128)
Total operating costs	(9,807)	(12,008)	(853)	(22,668)	(12,186)	(14,305)	162	(26,327)
Operating costs (before impairment loss and restructuring) attributable to:								
Mine cash costs	(5,970)	(7,421)	(590)	(13,981)	(6,541)	(6,891)	(199)	(13,631)
Mine non-cash costs	(863)	(1,085)	(226)	(2,173)	(861)	(505)	(49)	(1,415)
Stockpile movement	(18)	(65)	-	(83)	(75)	222	2	149
Total mine costs (before net impairment loss and restructuring costs) before operating special items	(6,851)	(8,570)	(816)	(16,237)	(7,477)	(7,174)	(246)	(14,897)
Other operating costs	(2,628)	(1,679)	193	(4,114)	(3,047)	(1,566)	377	(4,235)
Total operating costs (before net impairment loss and restructuring costs)	(9,479)	(10,249)	(623)	(20,351)	(10,524)	(8,740)	131	(19,132)
Operating cost (before net impairment loss and restructuring costs) per tonne (Rands)	601	697	n/a	668	647	685	n/a	659
FOB cost/export tonne	726	312	-	833	695	360	-	763
Total saleable production volume (kt)	15,771	14,707	n/a	30,478	16,271	12,765	n/a	29,036

Operating cost: 2019 vs 2018

	Year ended 31 December							
	2019				2018			
	Under-ground	Open cast	Corporate	Total	Under-ground	Open cast	Corporate	Total
	<i>R million (unless otherwise indicated)</i>							
Employee costs	(2,429)	(1,121)	(821)	(4,371)	(2,118)	(1,408)	(688)	(4,214)
Depreciation of property, plant and equipment	(799)	(419)	(23)	(1,240)	(949)	(492)	(217)	(1,657)
Amortisation of intangible assets	(2)	-	-	(2)	(2)	-	-	(2)
Third party commodity purchases	-	(1,429)	-	(1,429)	(20)	(971)	-	(991)
Consumables, maintenance and production input costs	(3,007)	(3,239)	(602)	(6,848)	(2,829)	(3,277)	(943)	(7,049)
Logistics, marketing and selling costs	(2,916)	(1,298)	157	(4,057)	(2,928)	(972)	252	(3,648)
Royalties	36	(27)	(111)	(102)	(580)	(48)	128	(501)
Exploration and evaluation	(65)	(103)	(47)	(215)	(24)	(104)	(31)	(159)
Net foreign exchange (losses)/gains	(102)	(42)	(2)	(145)	240	96	(2)	334
Profit or (loss) on sale or disposal of property, plant and equipment	-	(1)	-	(1)	160	1	348	509
Centrally recharged costs with parent entities	(1,240)	(1,061)	1,580	(722)	(128)	(152)	(465)	(746)
Other net operating income/(expenses)	-	-	-	-	(995)	(837)	1,867	36
Operating costs (before net impairment loss and restructuring costs)	(10,524)	(8,740)	131	(19,132)	(10,173)	(8,164)	250	(18,088)
Net impairment loss	(1,637)	(5,565)	134	(7,067)	-	-	-	-
Restructuring cost and termination benefits	(25)	-	(103)	(128)	-	-	(40)	(40)
Total operating costs (before net impairment loss and restructuring costs):	(12,186)	(14,305)	162	(26,327)	(10,173)	(8,164)	210	(18,128)
Mine cash costs	(6,541)	(6,891)	(199)	(13,631)	(6,346)	(6,895)	(843)	(14,085)
Mine non-cash costs	(861)	(505)	(49)	(1,415)	(1,180)	(365)	(255)	(1,800)
Stockpile movement	(75)	222	2	149	(100)	(49)	1	(148)
Total mine (before net impairment loss and restructuring costs) costs before operating special items	(7,477)	(7,174)	(246)	(14,897)	(7,626)	(7,309)	(1,097)	(16,033)
Other operating costs	(3,047)	(1,566)	377	(4,235)	(2,547)	(855)	1,347	(2,055)
Total operating costs (before net impairment loss and restructuring costs)	(10,524)	(8,740)	131	(19,132)	(10,173)	(8,164)	249	(18,088)
Operating cost (before net impairment loss and restructuring costs) per tonne (Rands)	647	685	n/a	659	580	562	n/a	564
FOB cost/export tonne	695	360	-	763	669	496	-	807
Total saleable production volume (kt)	16,271	12,765	n/a	29,036	17,535	14,516	n/a	32,051

The SA Thermal Coal Operations' operating costs are denominated in Rand and comprise fixed and variable costs. Fixed costs comprise amongst others: employee related costs, the fixed portion of maintenance expenditure, depreciation and amortisation costs. Variable costs comprise amongst others: consumables used in production, the variable portion of maintenance expenditure, utilities and logistics, marketing and selling costs. Overall, cost of production has slightly increased mainly due to inflationary increases in fixed costs.

The cost of production (before impairment loss and restructuring cost) per saleable production tonne has increased in FY19 by 17% to R659 per tonne from R564 per tonne in FY18 mainly due to reduction in total saleable production volumes (from 32,051 kt to 29,036 kt).

In FY20, cost of production per total saleable tonne marginally increased to R668 per tonne from R659 per tonne in FY19.

Net impairment loss comprise the impairment of the individual CGUs of R2,160 million in FY20 and R7,731 million in FY19, and also, an impairment reversal of R664 million in relation to the Isibonelo operation in FY19.

The mining operations carried out at Goedehoop, Khwezela, Greenside, Mafube and Zibulo are the main contributors of export operations of the SA Thermal Coal Operations. Following lower forecast short and medium-term thermal coal prices during 2020 and 2019, and resultant negative cash flows for certain CGUs, an impairment charge of R1,367 million (2019: R5,492 million) has been recognised by Goedehoop and Khwezela.

Goedehoop and Khwezela have historically been high cost operations based on the accessibility of the reserves. This, coupled with the sustained low price environment experienced over FY19 and FY20, resulted in the decision being made to close the Goedehoop South effective December 2019, and the decision was also made to place the Bokgoni section of Khwezela on care and maintenance during the first quarter of 2021, which further increased the cost burden on the remaining sections of these operations. This has led to significant impairment losses being recognised related to these CGUs.

The fall in forecasted market prices of thermal coal did not result in net negative cash flows at Greenside, Mafube and Zibulo operations due to higher quality reserves, longer remaining life of mine and lower cost bases of these operations.

The mining operations carried out by the Rietvlei CGU (domestic operations) reached commercial production in October 2019 and productions ramped up after this date to meet the demands under the existing coal supply agreements. While prices for coal produced at Rietvlei are contractually agreed and subject to escalation, during 2020, the operation experienced an increase in production costs in excess of the anticipated life of mine increases. This resulted in an impairment of these CGUs are estimated to be higher than the carrying amounts for property, plant and equipment of R419 million (2019: Rnil).

In addition, during FY20, the Isibonelo operations experienced an increase in production costs in excess of the anticipated life of mine increases, and a decrease in saleable tonnes produced, which impacted the overall profitability of the coal supply agreement in place in respect of Isibonelo. As a result, an impairment loss of R87 million was recognised.

The impairment reversal realised at Isibonelo in FY19 was as a result of a reassessment of the future profitability of the CGU at the time and based on an amendment to the coal off-take agreement in place.

The remaining impairment loss of R287 million (2019: R2,240 million) has been recognised in relation to capital projects assets due to the lower forecast short- and medium-term thermal coal prices in FY20 and FY19.

Operating costs before impairment loss and restructuring costs can be further classified into mine costs and other operating costs. Mine costs primarily include cost of production directly associated with the mining operations and can be further categorised into mine cash costs, non-mine cash costs and stock-pile movement.

Mine cash costs include cash expenses such as labour costs, stores and material expenses, repair and maintenance costs, utility expenses, mine services and medical care, training and mine admin overheads. Whereas non-mine cash costs include non-cash expenses such as provisions, depreciation and amortisation and impairment charges.

Other operating non-mine costs mainly include selling and distribution expenses, administration costs other than the mine administration overhead and any profit or loss arising on disposal of operations.

The 5.8% increase in operating costs before impairment charges and restructuring costs to R19,132 million in FY19 from R18,088 million in FY18 was primarily due to an inflationary increase in fixed costs and the increase in other operating costs. This was partially offset by a 7.1% decline in mining costs to R14,897 million in FY19 from R16,033 million in FY18 as a result of the sale of the Eskom-tied operations in 2018.

In FY20, operating costs before impairment charges and restructuring costs increased by 6.4% to R20,351 million due to an increase in non-mine cash costs related to the increase in the water treatment costs to be provided for as a result of a reassessment of the required water volumes and costs of treating water decant post the closure of the mine. In addition, a provision was recognised for closing collieries environmental rehabilitation which crystallised on the finalisation of the SA Thermal Coal Operations perimeter.

The increase in other operating non-mining costs was due to a one-off profit on disposal of property, plant and equipment of R998 million, in respect of the disposal of the Alexander mineral reserve and New Largo Project, and the exchange transaction on the Nooitgedacht mining right. This is recognised within the corporate segment in FY2018. In FY20, other operating non-mine costs included the ramp-up of the operations of the Rietvlei colliery (held through Butsanani Energy) reflected within consumables, maintenance and production costs.

The increase in logistics, marketing and selling costs expenses by 11.2% to R4,057 million in FY19 from R3,648 million in FY18 was mainly due to the increase in freight expenses and railage costs, in respect of the open cast mines. This related to third-party purchases under the domestic marketing arrangements which resulted in an increase in railed tonnes within open cast mines. However, logistics, marketing and selling cost expenses declined by 4.0% to R3,894 million in FY20 from R4,057 million in FY19, due to a reduction in export sales volumes as COVID-19 restrictions impacted production, rail and port operations.

Developments and capital expenditure

Capital expenditure by operations

	Year ended 31 December		
	2020	2019	2018
	<i>R million (unless otherwise indicated)</i>		
Open-cast	1,376	2,542	1,631
Underground	1,310	1,249	949
Corporate and other	183	72	235
Capital expenditure	2,869	3,863	2,815
Reconciliation to the cash flow statement:			
Movement in capital creditor included in capital expenditure	9	106	(14)
Expenditure on property, plant and equipment	2,878	3,969	2,801

Capital expenditure by categories

	Year ended 31 December		
	2020	2019	2018
	<i>R million (unless otherwise indicated)</i>		
Expansionary	1,111	2,080	870
Stay in business	1,537	1,555	1,726
Stripping and development	221	228	219
Capital expenditure	2,869	3,863	2,815

Capital expenditure encompasses expenditure (cash capex and capex accruals) to sustain the business (stay in business), development and stripping (also considered part of Sustaining capex) and investment projects (expansionary). Overall, capital expenditure increased by 41.7% to R3,969 million in FY19 from R2,801 million in FY18. The increase is mainly due to the life extension capital expenditure in the Khwezela open cast operation related to the Navigation project.

In FY20, capital expenditure declined by 27.5% to R2,878 million with the decline being attributable to lower expansion expenditure for life extension as the majority of these costs were incurred in FY19.

5. KEY FACTORS AFFECTING COMPARABILITY

5.1 Butsanani Energy acquisition

On 1 March 2019, Butsanani Energy became a subsidiary of the SA Thermal Coal operations through an amendment to the Butsanani Energy MOI. The Butsanani Energy MOI previously required the approval of the holders of 80% of the shares of Butsanani Energy for key financial and operating decisions. The Butsanani Energy MOI was amended to remove this requirement, and allow for decisions to be made based on a simple majority. The amendments to the Butsanani Energy MOI resulted in the 66.7% ownership interest held by the SA Thermal Coal operations being a controlling interest in Butsanani Energy. For the 10 months ended 31 December 2019, Butsanani Energy contributed revenue of R179 million and a profit of R5 million to the SA Thermal Coal operations' results. The Rietvlei colliery (held through Butsanani Energy) reached commercial production in October 2019.

5.2 Seriti Resources sale

On 1 March 2018, the SA Thermal Coal Operations completed the sale of the Eskom-tied domestic thermal coal operations to a wholly-owned subsidiary of Seriti Resources. The consideration payable for the Eskom-tied domestic coal operations as at 1 March 2018 was R2,300 million, with a gain on disposal of R998 million recognised outside of operating profit.

6. KEY INCOME STATEMENT ITEMS

6.1 Revenue

	Year ended 31 December		
	2020	2019	2018
	<i>R million (unless otherwise indicated)</i>		
Underground mines	9,580	11,216	15,460
Open cast mines	8,674	7,376	8,861
Corporate	-	-	224
Total revenue	18,254	18,592	24,545

In FY20, approximately 52.5% (FY19: 60.3% and FY18: 63.0%) of the SA Thermal Coal Operations' revenue was generated from underground mining operations and 47.5% (FY19: 39.7% and FY18: 36.1%) of the SA Thermal Coal Operations' revenue was generated from open-cast mining operations.

The SA Thermal Coal Operations' total revenue declined by 24.3% in FY19. The decline is largely attributable to:

- The SA Thermal Coal Operations' revenue from underground mining operations was generated from the Zibulo, Greenside and Goedehoop operations. The decrease in underground revenue is largely attributable to a decline in Zibulo and Goedehoop operations by R2,391 million and R1,449 million, respectively, driven primarily by the reduction in the realised price per tonne.
- Revenue from open-cast mining operations was generated from Isibonelo, Khwezela, Mafube and Rietvlei operations. The decrease in open-cast revenue is largely attributable to a decline in Khwezela mining operation by R1,192 million driven primarily by the reduction in the realised price per tonne.

The SA Thermal Coal Operations' total revenue declined by 1.8% in FY20. The decline is largely attributable to:

- a 7% decrease in export sales volume due to an expected depletion of reserves and closure of Goedehoop South in 2019, as well as capacity constraints during the COVID-19 lockdown period between March and June 2020; and
- a 5.6% decrease in export prices driven by an overall decline in the prices obtained for Market Price graded thermal coal.

The SA Thermal Coal Operations generated the majority, 79.4%, of its revenue in FY20 from the sale of export thermal coal and the remainder of its revenue was generated from the sale of thermal coal, domestically. Historically, export sales were undertaken through AAML.

Upon completion of the Demerger, AAML will continue to support the offtake of thermal coal from the Group. For further details regarding the Offtake Agreement, see "Annexe 15—Material Contracts—Offtake Agreement".

6.2 **Operating costs**

The SA Thermal Coal Operations' operating costs consist of fixed and variable costs. Fixed costs comprise amongst others: employee related costs, which include basic salaries, bonus payments, retirement benefits, medical aid contributions, director fees and termination benefits, the fixed portion of maintenance expenses and, depreciation and amortisation. Variable costs comprise amongst others; consumables and production input costs, such as blasting consumables, ventilation, drill steel and bits, pumps and fuel and explosives, the variable portion of maintenance cost, utilities and logistics, marketing and selling costs.

The SA Thermal Coal Operations overall operating costs before impairment loss and restructuring costs increased by 5.8% from R18,088 million in FY18 to R19,132 million in FY19 and 6.4% in FY20 to R20,351 million mainly due to inflationary increases in fixed costs, the ramp-up of the operations of the Rietvlei colliery (held through Butsanani Energy), the increase in water treatment costs required post the closure of the mines following a reassessment of the expected costs and volumes required, and rehabilitation provisions for closing collieries recognised on the finalisation of ongoing legal assessment of the liability.

6.3 **Profits attributable to non-controlling interests**

The profit attributable to non-controlling interests comprise a 27% minority interest held in AAIC, which in turn holds a 50% interest in Phola as a joint operation. The non-controlling interest in Butsanani Energy reflects 33.3% of Butsanani Energy, as well as an effective 70% non-controlling interest in RMC, based on Butsanani Energy's 45% economic ownership of RMC.

7. RESULTS OF OPERATIONS

The following table presents the Combined Carve-out statement of comprehensive income for the SA Thermal Coal Operations for the periods indicated. Unless otherwise indicated, the financial information has been derived from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations included in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations".

	Year ended 31 December		
	2020	2019	2018
	<i>R million (unless otherwise indicated)</i>		
Revenue	18,254	18 592	24 545
Operating costs	(20,351)	(19,132)	(18,088)
Impairment loss	(2,160)	(7,731)	–
Restructuring costs and termination benefits	(157)	(128)	(40)
Reversal of impairment losses	–	664	–
Operating (loss)/profit	(4,414)	(7,735)	6,417
Remeasurement gain on the acquisition of subsidiary	–	126	–
Gain on the disposal of operations	–	–	998
(Loss)/profit before net finance costs and tax	(4,414)	(7,609)	7,415
Finance costs	167	217	107
Interest expense	(567)	(417)	(410)
Other net financing (losses)/gains	(10)	32	(105)
Net finance costs	(410)	(168)	(408)
(Loss)/profit before tax	(4,824)	(7,777)	7,007
Income tax credit/(expense)	121	115	(1,819)
(Loss)/profit for the Financial Year	(4,703)	(7,662)	5,188
Attributable to:			
Parent entities	(4,413)	(7,700)	4,461
Non-controlling interests	(290)	38	727

8. 2020 FINANCIAL YEAR COMPARED TO 2019 FINANCIAL YEAR

8.1 Revenue

Revenue of the SA Thermal Coal Operations' decreased by 1.8% from R18,592 million in FY19 to R18,254 million in FY20. This decline was primarily due to a decline in export sales volume driven by COVID-19 related restrictions on the mines, rail and port operations.

8.2 Operating costs

Total operating cost before net impairment loss and restructuring costs increased to R20,351 million in FY20 from R19,132 million in FY19. The increase was primarily driven by inflationary growth and an increase in other net operating expenses. This is as a result of, an increase in service contractor costs; as well as an increase in the environmental restoration provisions related to the increase in water treatment costs required post the closure of the mines following a reassessment of the expected costs and volumes required, and rehabilitation provisions for closing collieries recognised on the finalisation of ongoing legal assessment of the liability. In addition, there was the ramp-up of operations at the Rietvlei colliery (held through Butsanani Energy) included within consumables, maintenance and production input costs.

Nevertheless, operating costs, including impairment losses and restructuring costs, decreased by 13.9% to R22,668 million in FY20 from R26,327 million in FY19 due to lower impairment charges in FY20 amounting to R2,160 million. The mining operations carried out at Goedehoop, Khwezela, Greenside, Mafube and Zibulo represent the export operations of the SA Thermal Coal Operations. These CGUs do supply the domestic market as well, but to a lesser extent. Following lower forecast short- and medium-term thermal coal prices during 2020 and 2019, and resultant negative cash flows for certain CGUs, a total impairment charge has been recognised by Goedehoop and Khwezela of R285 million and R1,082 million, respectively. This is further coupled by an impairment loss recognised at the Rietvlei CGU and the Isibonelo operations due to an increase in production costs in excess of the anticipated life of mine increases amounting to R419 million and R87 million.

The remaining impairment loss of R287 million has been recognised in relation to capital projects assets due to the lower forecast short- and medium-term thermal coal prices in FY20 and FY19.

The impairment loss recognised in FY19 amounting to R7,067 million comprises the impairment of the assets and related goodwill of the Khwezela and Goedehoop operating mines, as well as capital projects maintained at a corporate level of R7,731 million and an impairment reversal of R664 million in relation to the Isibonelo operation.

8.3 Profit/loss before tax

Loss before tax decreased to R4,824 million in FY20 from R7,777 million in FY19, mainly due to lower impairment losses incurred during FY20. This is partially offset by an increase in operating costs as set out in "—Operating costs".

8.4 Income tax expense

Income tax expense amounted to R121 million tax credit in FY20 compared to a R115 million tax credit in FY19, representing a decrease in the tax expense of 5.2% (as tax is usually a debit and the credit has increased year-on-year).

The effective tax rate for FY20 (2.5%) and FY19 (1.5%) is lower than the applicable weighted statutory rate of corporate tax in South Africa of 28% in FY20 (FY19: 28%) as a result of unrecognised deferred tax assets in TOPL, which are only recognised to the extent that deferred tax liabilities are available for offset.

8.5 **(Loss)/profit for the Financial Year**

The loss after tax decreased by 38.6% to R4,703 million in FY20 from a R7,662 million loss in FY19. The decrease was mainly due to a lower impairment charge.

9. **2019 FINANCIAL YEAR COMPARED TO 2018 FINANCIAL YEAR**

9.1 **Revenue**

Revenue decreased by 24.3% in FY19. During FY19, thermal coal prices fell sharply as lower gas and higher carbon prices encouraged a switch from coal to gas-generated power in Europe. Indian imports, however, remained strong, supported by local steelmaking demand. Delays to customs and clearances at Chinese ports and various restrictions in Korea and Taiwan kept pressure on Pacific pricing towards the end of FY19.

Over the historical period there was a refocus on the thermal coal portfolio away from domestic sales to the export market. As a result, the SA Thermal Coal Operations' revenue declined by 24.3% to R18,592 million in FY19 from R24,545 million in FY18. This equated to a decline of R5,953 million due to a R4,244 million decline in underground mining revenue, R1,485 million decline in open-cast mining revenue and R224 million decline in corporate revenue.

The decline in production and sales volumes in the open cast and underground operations are impacted by the sale of the Eskom-tied mines (New Vaal, New Denmark and Kriell), the Kromdraai pit of the open cast Khwezela and underground Goedehoop South Shaft reaching their end of life, and extraction progressing into more geologically challenging terrain of the underground operations at Zibulo.

9.2 **Operating costs**

The SA Thermal Coal Operations' operating costs before impairment losses and restructuring costs increased by 5.8% from R18,088 million in FY18 to R19,132 million in FY19. The increase was mainly due to increases in costs in relation to employees, general maintenance, third-party purchases and logistics, marketing and selling. The increase was offset by a decrease in consumables and production related costs.

Employee costs increased from R4,214 million in FY18 to R4,371 million in FY19. The increase was due to labour union negotiated increases.

Logistics, marketing and selling costs together constitute approximately 20.8% of the total operating costs and increased from R3,648 million in FY18 to R4,057 million in FY19. The increase was mainly due to the railage costs which is a direct correlation to movement in railed tonnes as a result of higher third-party purchases through the domestic coal trading entities.

Consumables, maintenance and production input costs used by the SA Thermal Coal Operations generally correlates to the total saleable production of thermal coal produced, except for the general maintenance cost. Excluding maintenance cost, consumable and production input costs declined by 11.2% from R5,109 million in FY18 to R4,535 million in line with decline in total saleable production of thermal coal.

The SA Thermal Coal Operations also incurred significant costs towards general maintenance of mines and equipment. General maintenance cost increased by 19.2% from R1,940 million in FY18 to R2,313 million in FY19. The increase was primarily driven by the increase in maintenance costs in underground mining operations which are progressing into more challenging terrain.

9.3 **(Loss)/profit before tax**

(Loss)/profit before tax decreased by R14,784 million from R7,007 million profit in FY18 to a R7,777 million loss in FY19. The loss is primarily due to a 5.2% decrease in sales volume, a 26.3% decrease in the export thermal coal price from R1,060 per tonne in FY18 to R788 per tonne in FY19 and an impairment charge amounting to R7,067 million.

9.4 **Income tax expense**

Income tax expense decreased by 106.3% from R1,819 million in FY18 to a credit of R115 million in FY19.

The decrease was due to a loss before tax in FY19 of R7,777 million (FY18 profit: R7,007 million) mainly as a result of the lower Market Price coal prices in FY19 and TOPL being in a calculated tax loss position in FY19 and profits realised on the disposal of Eskom-tied mines in FY18.

9.5 **Profit/(loss) for the Financial Year**

The profit/(loss) after tax decreased by R12,850 million from a profit of R5,188 million in FY18 to R7,662 million loss in FY19. The decrease was mainly due to the net impairment charge, a decline in revenue and an increase in operating costs as noted above.

10. **LIQUIDITY AND CAPITAL RESOURCES**

10.1 **General**

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has been prepared on a going-concern basis. The future plans of the SA Thermal Coal Operations have been considered, and it has been assessed that sufficient funding will be available for future operations following the Demerger. In addition, as part of the Internal Restructure undertaken by Anglo American in order to form the SA Thermal Coal Operations as a standalone business, Anglo American will capitalise the SA Thermal Coal Operations in the amount of R2,500 million and provide further financial support through a Capital Support Agreement (as detailed in "Annexe 15—Material Contracts—Capital Support Agreement") from the first day of the month in which the Admission occurs until the last payment is made for products delivered as at 31 December 2022.

Cash flow

The following table presents the SA Thermal Coal Operations' combined cash flow for the periods indicated.

	Year ended 31 December		
	2020	2019	2018
	<i>R million (unless otherwise indicated)</i>		
Cash flows from operating activities			
(Loss)/profit before tax	(4,824)	(7,777)	7,007
Net finance costs	410	168	408
Operating (loss)/profit	(4,414)	(7,609)	7,415
Impairment loss	2,160	7,731	-
Restructuring costs	229	-	-
Reversal of impairment loss	-	(664)	-
Depreciation and amortisation	1,073	1,242	1,659
Profit on disposal of operations	-	-	(998)
Remeasurement gain on acquisition of subsidiary	-	(126)	-
Equity-settled share-based payments	42	47	73
Increase in provisions and retirement benefit obligations	672	68	90
Decrease/(increase) in inventories	8	(216)	178
Decrease/(increase) in trade receivables	187	49	(1,372)
(Decrease)/increase in trade payables	(101)	281	851
Loss/(profit) on disposal of property, plant and equipment	1	1	(509)
Other adjustments	230	9	-
Cash flow from operations	87	813	7,387
Income tax paid	(70)	(718)	(1,311)
Net cash flows from operating activities	17	95	6,076
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,878)	(3,969)	(2,801)
Proceeds from disposal of property, plant and equipment	-	3	852
Purchase of intangible assets	(163)	(27)	-
Purchase of financial asset investments	(75)	(80)	(69)
Proceeds of loans granted	1	25	9
Loans granted	-	-	(25)
Increase in investments in associates	(1)	-	-
Repayment of loan by associate	17	15	(15)
Interest and other investment income	7	9	23
Disposal of business net of cash disposed	-	-	1,396
Acquisition of subsidiary	-	17	-
Net cash flows from investing activities	(3,092)	(4,007)	(630)
Financing activities			
Dividends paid to parent entities	-	(10,100)	(6,500)
Dividends paid to non-controlling interests	-	(185)	-
Interest paid	(19)	(22)	(8)
Capital repayment of lease obligations	(3)	(1)	-
Proceeds received from short-term loans and borrowings	-	114	-
Net other contributions from parent entities	3,387	13,897	1,102
Net cash flows from financing activities	3,365	3,703	(5,406)
Net increase/(decrease) in cash and cash equivalents	290	(209)	40
Cash and cash equivalents at the beginning of the year	104	313	273
Cash and cash equivalents at the end of the year	394	104	313

Net cash flow from operating activities

Net cash inflow from operating activities for FY19 was R95 million compared to a cash inflow of R6,076 million for FY18. The reduction in cash inflow in FY19 was mainly due to the R7,735 million operating loss incurred driven by lower revenue prices, impacting cash receipts. A decline in operating free cash flow to R17 million in FY20 is due to a loss before tax owing to a decline in average USD export price and export sales volume.

Cash flow from investing activities

Net cash outflow from investing activities for FY19 was R4,007 million compared to a cash outflow of R630 million in FY18, an increase of R3,377 million. The increase is primarily attributable to cash expenditure on property, plant and equipment which increased by R1,168 million. During FY18, there was an inflow from one-off profit on disposal of operations of R998 million related to the Eskom-tied mines (New Vaal, New Denmark and Kriel) and property, plant and equipment of R509 million, in respect of the disposal of the Alexander mineral reserve and New Largo Project. A decrease in the cash outflow from investing activities in FY20 to R3,092 million is mainly due to lower capital expenditure required in this period.

Cash flows from financing activities

Net cash inflow from financing activities from continuing operations for FY19 was R3,703 million inflow compared to a cash outflow of R5,406 million for FY18. This was primarily attributable to net other contributions from parent entities which increased from R1,102 million in FY18 to R13,897 million in FY19, set off by a dividend paid to parent which increased from R6,500 million in FY18 to R10,100 million in FY19. The net other contributions from parent entities represents the contribution made by the parent entity in the SA Thermal Coal Operations. The cash inflow from financing activities in FY20 mainly relates to contributions from parent entities which decreased to R3,387 million. This cash flow represents the net cash contributions between the SA Thermal Coal Operations and Anglo American entities arising from Group cash management activities.

11. OTHER APMS

11.1 Environmental liability coverage

	As at 31 December		
	2020	2019	2018
	R million (unless otherwise indicated)		
Environmental restoration and decommissioning provision (A)	(6,450)	(5,106)	(4,760)
Assets held in the environmental rehabilitation trust (B)	2,902	2,742	2,547
Environmental liability coverage % (B/A* 100)	(45%)	(54%)	(54%)

12. OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2020, the Group had no off-balance sheet arrangements.

13. CONTINGENT LIABILITIES

The SA Thermal Coal Operations are subject to various claims which arise in the ordinary course of business. Additionally, the SA Thermal Coal Operations have provided indemnities against certain liabilities as part of certain agreements for the sale or other disposal of business operations. Having taken appropriate legal advice, the SA Thermal Coal Operations believes that a material liability arising from the indemnities provided is remote.

The SA Thermal Coal Operations are required to provide financial guarantees in respect of environmental restoration and decommissioning obligations to cover the difference between the potential closure costs in real cash flow terms and amounts held in environmental rehabilitation trusts. The guarantees are primarily in place to meet any immediate closure obligations under the existing DMRE requirements. At 31 December 2020, these guarantees amounted to R3,189 million (2019: R2,974 million and 2018: R3,749 million). Total guarantees in issue (including those amounts specifically designated for immediate closure obligations) amounted to R3,244 million (2019: R3,143 million and 2018: R4,208 million). As at 31 December 2020, these guarantees were underwritten by AASA and the SA Thermal Coal Operations acts as the primary obligor of these guarantees.

Proposed revised financial provisions regulations (the 2019 Financial Provisioning Regulations) are set to significantly increase the quantum of financial provisioning required to be held by companies, including the Group, in relation to their environmental liability, closure and decommissioning obligations. For further information on the proposed financial provisioning regulations, see "Part IX—Regulatory Considerations—Environmental Regulations—Financial Provisioning Regulations". If such proposed regulations come into force as currently drafted, the Group is likely to have to significantly increase its financial provisioning and the level of guarantees required to be held for closure liabilities in order to comply. For more detail on the proposed impact of the proposed new regulations on the Group, see "Part II Risk Factors—Risks relating to legal and regulatory matters—The Group's actual costs of reclamation and mine closure may exceed current estimates, which may, along with the inability to safely close redundant operations, adversely affect the Group's business". No contingent liabilities were secured on the assets of the SA Thermal Coal Operations' at 31 December 2020, 31 December 2019 or 31 December 2018.

14. **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The South African Regional Leadership Team approves and monitors the risk management processes, including documented treasury policies, counterparty limits and reporting structures.

The types of risk exposure, the way in which such exposure is managed and the quantification of the level of exposure is more fully described in Note 24 – Financial Risk Management in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations in “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”:

- credit risk;
- liquidity risk;
- commodity price risk; and
- foreign exchange risk.

15. **SIGNIFICANT ACCOUNTING MATTERS**

In preparing the Combined Carve-out Historical Financial Information in conformity with IFRS, management is required to make judgements, estimates and assumptions that affect the application of the Group’s accounting policies, which are described in Note 1 to the Combined Carve-out Historical Financial Information. These judgements, estimates and assumptions will affect the carrying amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting periods as set out below. In addition to these items, further detail on other significant judgements and estimates determined by management is provided, where applicable, in the relevant note to the Combined Carve-out Historical Financial Information. These areas of judgement include: impairment and impairment reversals of assets, estimating the useful life of PPE, measurement of defined benefit obligations and estimation of environmental restoration and decommissioning liabilities. In this regard, refer to “Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations”.

15.1 **Environmental restoration and decommissioning liabilities**

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining asset. Costs for restoration of site damage, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises.

These costs are recognised in the statement of profit or loss over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the statement of profit or loss as extraction progresses.

The amount recognised as a provision represents management’s best estimate of the consideration required to complete the restoration and rehabilitation activity, the application of the relevant regulatory framework and timing of expenditure. These estimates are inherently uncertain and could materially change over time. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed.

A provision is recognised for the present value of such costs, based on management’s best estimate of the legal and constructive obligations incurred. It is anticipated that the majority of these costs will be incurred over a period of up to 20 years with water treatment cost incurred up to 50 years post closure of the mines.

For some operations annual contributions have historically been made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine and as required thereafter. The SA Thermal Coal Operations exercises full control of these trusts and therefore the trusts are consolidated. The trusts’ assets are disclosed separately on the statement of financial position as non-current assets.

The trusts’ assets are measured based on the nature of the underlying assets in accordance with accounting policies for similar assets.

As per the DMRE requirements, the Group has made contributions to controlled funds established for the purposes of meeting the cost of some of its restoration and environmental rehabilitation liabilities. The SA Thermal Coal Operations’ exposure to environmental restoration obligation is analysed below:

	Year ended 31 December		
	2020	2019	2018
	<i>R million (unless otherwise indicated)</i>		
Environmental restoration and decommissioning provision	(6,450)	(5,106)	(4,760)
Environmental rehabilitation trust	2,902	2,742	2,547
Guarantees	3,189	2,974	3,749
	6,091	5,716	6,296

16. POST-BALANCE SHEET EVENTS

As part of the Internal Restructure of the SA Thermal Coal Operations, on 5 January 2021, the Company was created as a public company to facilitate the listing of the SA Thermal Coal Operations.

The Company has entered into the following agreements:

- On 5 March 2021, ASA and the Company entered into the SACO Share Purchase Agreement under which ASA will sell all of its shares in, and claims against, SACO, for a purchase price based on the market value of SACO Shares, which purchase price will be left outstanding on loan account. The SACO Share Purchase Agreement is conditional on the Demerger being approved and implemented. This agreement is likely to be effective in June 2021.
- On 5 March 2021, ASA and the Company entered into a Subscription Agreement in terms of which the Company will issue Shares to ASA for a subscription price based on the market value of the Shares, which subscription price will be settled by way of (i) issuance of Shares to ASA for a value equal to the market value of the SACO Shares, (ii) settlement of the intercompany loan balance outstanding as at the closing date (as defined in the Subscription Agreement), and (iii) the balance by way of a cash payment of R2,500 million as determined by Anglo American. The agreement is conditional on the Demerger being approved and implemented. This agreement is likely to be effective in June 2021.
- The Company has adopted the Share Plan to attract, retain, incentivise and reward high-calibre employees. The Share Plan, on approval thereof by ASA (the sole Shareholder of the Company prior to the date of this Document) and the JSE, entitles certain employees of the Group to receive Shares. The Share Plan consists of two types of awards: (i) Conditional Share Awards, the vesting of which is conditional upon the fulfilment of certain performance conditions and an employment condition (for a period to be determined by the Remuneration and Nominations Committee at the time of granting an Award, and intended to be three years for the initial awards); and (ii) Forfeitable Share Awards, the vesting of which is conditional upon the fulfilment of an employment condition (for a period to be determined by the Remuneration and Nominations Committee at the time of granting an Award and intended to be three years for the initial awards). No awards have been issued in terms of the Share Plan.
- The Company and its subsidiaries are committed to enhancing their environmental, social and governance factors by establishing and operating the EPP and CPP to give employees and key stakeholders a direct equity stake in the SACO Group. For this purpose, an Employee Trust and a Community Trust in respect of the EPP and CPP, respectively, are being formed and the Company wishes to transfer to each of these trusts ordinary shares held in SACO equivalent to 5% of the issued share capital of SACO. The EPP will be accounted for as a long-term employee benefit obligation and a provision will be recognised for the constructive obligation in respect of the distribution of the CPP Entitlement to the beneficiaries of the CPP. The agreements are conditional on the Demerger being approved and implemented. These agreements are likely to be effective in June 2021.

On 6 March 2021, the Group entered into the Offtake Agreement with AAML, to ensure that the Group is able to continue supplying thermal coal exports, consistent with current practice, such that existing customers continue to receive an uninterrupted and reliable service and supply of export thermal coal. The Company agrees to continue to sell all grades of thermal coal to AAML at a market-based price as specified in the agreement. A margin is charged against the prices as a marketing fee. The agreement is conditional on the Demerger being approved and implemented. This agreement is likely to be effective in June 2021, with effect from 1 June 2021.

As part of Anglo American's commitment to provide financial assistance to the Group, on 6 March 2021 the Company and ASA entered into a Capital Support Agreement. It is arranged as a free-standing agreement that, if there are adverse global market conditions, as determined by thermal coal prices falling below a certain threshold, ASA will provide capital support to the Group from the first day of the month in which the Admissions occur until 31 December 2022. The agreement is a derivative contract that will be recognised at fair value with gains and losses recognised in profit and loss. The agreement is conditional on the Demerger being approved and implemented. This agreement is likely to be effective in June 2021.

As part of the Demerger, awards under the Anglo American LTIPs will vest as to a portion that reflects the time elapsed to completion of the Demerger and an assessment, on a basis determined by the Anglo American remuneration committee, of the extent to which the performance conditions have or are likely to be met to the Group employees upon completion of the Demerger. The Company does not currently hold the Anglo American Shares necessary to settle the awards under the Anglo American LTIPs and will need to purchase them in the future. The awards under the Anglo American BSP will vest in full on Demerger. Prior to the Demerger, a third party will purchase sufficient Anglo American Shares to settle the Anglo American BSP awards granted in 2021 (but relating to performance for the year ended 31 December 2020), to be funded by the Group.

In order to meet the requirements of the DMRE, the Group is in the process of entering into agreements with financial institutions to provide financial guarantees to the DMRE to replace the existing guarantees. A part of the premium contributions made under these agreements are expected to be invested into an Experience Account and held as collateral against the financial guarantees to the DMRE. The initial investment in the Experience Account and the first annual guarantee fee will be paid prior to the date of Demerger and that amount will form part of the Thermal Coal Loan to be settled as part of the Subscription Agreement stated above.

The South African Regional Leadership Team, at the behest of the DMRE, made a decision that all of the Group's employees and contractors were required to be tested for COVID-19 prior to their return to work in January 2021. This was in response to the growing number of positive COVID-19 cases in South Africa and as a result of employees travelling to various parts of the country during the December holiday period. Within the first two weeks of January, around 50% of the Group's employees had been tested and there were around 740 positive cases, which was approximately 10% of the Group's workforce (including contractors). As a result of the testing strategy the Group's operations have been slow to restart, which resulted in saleable production of thermal coal being 300 kt lower than budget for the month of January 2021. This has resulted in a slower ramp-up in February 2021 with saleable production of thermal coal at approximately 350 kt lower than budget.

PART XVI – TAXATION

1. SOUTH AFRICAN TAXATION

Taxation considerations

The following summary describes certain South African tax consequences in connection with the acquisition, ownership and disposal of the Shares. This summary is based on the laws as in force and as applied in practice in South Africa as at the date of this Document and is subject to changes to those laws and practices subsequent to such date. In the case of persons who are Non-residents for income tax purposes, this summary should be read in conjunction with the provisions of any applicable double tax agreement between South Africa and their country of residence. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to the acquisition, ownership and disposal of the Shares and does not cover tax consequences that depend upon your particular tax circumstances or jurisdictions outside South Africa. This summary is intended as a general guide only and should not be regarded as tax advice. Changes in the law (or the interpretation or application thereof) may alter the tax treatment of the acquisition, ownership and disposal of the Shares, as applicable, possibly on a retrospective basis. It is recommended that you consult your own tax adviser about the consequences of subscribing for and purchasing, holding and disposing of the Shares, as applicable, in your particular situation.

Residence-based system of taxation

Residents of South Africa are taxed on their worldwide income including capital gains, whereas Non-residents are taxed only on income sourced in South Africa or deemed to be from a source in South Africa and certain capital gains.

Individuals

An individual will be a resident of South Africa for tax purposes if:

- such individual is “ordinarily resident” in South Africa. This term is not defined in the SA Income Tax Act and therefore its meaning is determined according to guidelines established by the South African courts. Generally, a person’s ordinary residence will be “the country to which they would naturally and as a matter of course return from his wanderings; as contrasted with other lands it might be called his usual or principal residence and it would be described more aptly than other countries as his real home”; or
- the requirements of the physical presence test are met. This is determined with reference to the number of days spent by the individual in South Africa over a successive six year period. In order to trigger residency, the person must be physically present in South Africa for more than 91 days in aggregate during the relevant year of assessment as well as for more than 91 days in aggregate during each of the five years of assessment preceding such year of assessment. In addition, the person must have been physically present in South Africa for more than 915 days in aggregate during those five preceding years of assessment. If the person is physically outside South Africa for a continuous period of at least 330 full days, the person will be deemed not to be a resident from the day on which the person so ceased to be physically present in South Africa.

A person’s residence status for exchange control purposes may be different from that person’s residence status for tax purposes.

Legal persons (company, close corporation and trust)

As regards legal persons, a resident is defined in the SA Income Tax Act as any person which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. “Place of effective management” is not a defined concept. However, reference can be made to “Income Tax Interpretation Note 6 (Issue 2)—Resident: Place of Effective Management (Companies)” issued on 3 November 2015 which details the approach that may be adopted by SARS to the interpretation of the concept. Accordingly, a company’s “place of effective management” is the place where key management and commercial decisions that are necessary for the conduct of its business as a whole are in substance made.

General proviso regarding treaty resident persons

The SA Income Tax Act excludes from the definition of “resident” all persons (legal or natural) that are deemed to be exclusively resident in another country in terms of an agreement for the avoidance of double taxation to which South Africa is a party.

Dividend definition

A dividend is broadly defined as meaning any amount transferred or applied by a South African tax resident company for the benefit or on behalf of any person in respect of any share in that company, whether that amount is transferred or applied: (i) by way of a distribution made by, or (ii) as consideration for the acquisition of any share in, that company. However, a dividend does not include any amount so transferred or applied to the extent that the amount so transferred or applied: (i) results in a reduction of the contributed tax capital of the company, (ii) constitutes shares in the company, or (iii) constitutes a general repurchase by the company of its shares listed on the JSE.

Contributed tax capital, in its basic form, will comprise amounts received by or accrued to a company as consideration for the issue of its shares. This would therefore typically be stated capital (previously, share capital and share premium), but excluding any portion thereof which comprises capitalised reserves.

Dividend income

Dividends declared by a South African company are generally exempt from income tax in the hands of the recipient, but there are various anti-avoidance provisions and other specific provisions that deny the income tax exemption in relation to certain dividends with the result that they are treated as ordinary income. The position of Shareholders who are not resident in South Africa will depend on the tax legislation applicable to them.

Dividends tax

South African Dividends Tax is a withholding tax that is levied on the payment of any amount by way of a dividend, subject to certain exemptions. South African Dividends Tax is triggered by the payment of a dividend, and is currently levied at a rate of 20%. While the company paying the dividend has the obligation to withhold the South African Dividends Tax, the liability for the tax is that of the beneficial owner of the dividend.

An exception to this general principle is where a dividend consists of a distribution *in specie*, resulting in the liability for the South African Dividends Tax falling on the company itself, which means that it may not withhold the tax from the dividend payment. There are various exemptions available in respect of South African Dividends Tax, subject to meeting administrative formalities within prescribed timeframes. The most notable exemption is in respect of dividends paid to a beneficial owner that is a South African resident company, pension fund or provident fund. Furthermore, where a dividend is paid to a Non-resident, the rate of South African Dividends Tax is levied at the standard rate, but may be subject to reduction in terms of an agreement to avoid double taxation to which South Africa is a party, subject to meeting administrative formalities within prescribed timeframes. In the case of UK resident Shareholders, the convention between the UK and South Africa for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, concluded on 4 July 2002, as amended by a protocol signed on 8 November 2010 (the “**UK/South Africa Treaty**”) provides for lower withholding rates of 5%. If the Shareholder is a company which holds at least 10% of the capital of the Company or 10%, in other cases. In order to benefit from a lower withholding tax rate under the terms of the UK/South Africa Treaty, the UK resident Shareholder would be required to lodge the prescribed declaration and written undertaking with the Company prior to any distribution or such other date as the Company may announce.

In the case of U.S. Holders (as defined below), the convention between the United States and South Africa for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, signed on 17 February 1997, as amended (the “**U.S./South Africa Treaty**”) provides for lower withholding rates of 5%, if the U.S. Holder is a company which holds directly at least 10% of the voting stock of the Company or 15%, in other cases. In order to benefit from a lower withholding tax rate under the terms of the U.S./South Africa Treaty, a U.S. Holder must satisfy the requirements of the Limitation on Benefits article of the U.S./South Africa Treaty and would be required to lodge the prescribed declaration and written undertaking with the Company prior to any distribution or such other date as the Company may announce.

Disposal of Shares

The disposal of Shares will give rise to either a capital or revenue receipt or accrual in the hands of a Shareholder who is resident in South Africa for tax purposes. As dealt with further below, capital gains are subject to a lower effective tax rate than revenue receipts or accruals. This is because only a portion (the inclusion amount) of a capital gain is included in a South African taxpayer’s taxable income and then subjected to normal income tax.

In determining whether the amount derived from the disposal of such Shares is of a capital or revenue nature, regard should be had to section 9C of the SA Income Tax Act, which in general deems any amounts received or accrued from the disposal of shares to be capital in nature if the taxpayer immediately prior to such disposal had been the owner of that share for a continuous period of at least three years, subject to certain exclusions.

Where section 9C of the SA Income Tax Act is not applicable to particular shares, then the capital or revenue nature of the amount derived from the disposal of the shares must be determined by applying the common law tests that the South African courts have formulated which include, among other things, the intention of the holder of the shares in acquiring, holding and disposing of the shares. Profits derived from the disposal of South African shares held as long-term investments are generally regarded as profits of a capital nature.

Subject to certain relief under agreements for the avoidance of double taxation, if a non-South African resident Shareholder trades in South African shares, such Non-resident Shareholder could be subject to South African income tax if the proceeds from the disposal are from a South African source, which would be the case if the asset (share) is attributable to a permanent establishment of that Non-resident in South Africa.

Capital Gains Tax

Residents of South Africa are subject to CGT as levied in accordance with the Eighth Schedule to the SA Income Tax Act in respect of gains made on the disposal of their worldwide assets.

Non-residents (subject to potential relief under agreements for the avoidance of double taxation to which South Africa is a party) will incur a liability for CGT only in relation to the disposal of certain assets, namely assets effectively connected with a South African permanent establishment or immovable property, which includes a right to or interest in immovable property (including the right to work mineral deposits), situated in South Africa. An interest in immovable property situated in South Africa includes at least 20% of the shares in a company (whether alone or together with any connected person in relation to the Non-residents) where the market value of the assets of the company, at the time of disposal thereof, are (i.e. 80% or more) attributable to South African immovable property.

Tax rates

The following table sets out the normal income tax rates applicable to certain taxpayers as at the date of this Document, the prescribed portion of a capital gain that would be included in a taxpayer’s taxable income, and, consequently, the effective rate at which capital gains are taxed in the hands of the different types of South African registered Shareholders.

Type of taxpayer	Statutory income tax rate on taxable income	Prescribed portion of the capital gain included in taxable income	Maximum effective rate on capital gains
Individuals	18%-45%	40%	18%
Trusts			
Special	18%-45%	40%	18%
Other	45%	80%	36%
Companies/Permanent establishments	28%	80%	22.4%
UK, US and Overseas Shareholders	N/A	N/A	N/A
Pension funds	Exempt	Exempt	Exempt

Corporate tax

The corporate tax rate is presently 28% of taxable income and will reduce to 27% for years of assessment commencing on or after 1 April 2022.

Securities transfer tax

The Shares are expected to be listed on the JSE. Securities transfer tax is imposed in respect of the transfer of listed shares (including the repurchase or redemption of a share) at the rate of 0.25% of the taxable amount of such shares being the higher of the market value or consideration given for the shares, determined in terms of the Securities Transfer Tax Act No. 25 of 2007 (the “**STT Act**”). The definition of “transfer” in the STT Act excludes the issue of a share and hence no securities transfer tax is payable on the issue of a share.

South African securities transfer tax is also imposed in respect of the transfer of depositary receipts. The Shares representing the Company DIs are expected to be listed on the UK Official List and traded on the LSE. Therefore, South African securities transfer tax will be imposed on the transfer of the Company DIs at a rate of 0.25% on the higher of the market value or the actual purchase consideration paid.

2. UNITED KINGDOM TAXATION

The comments set out below are based on current UK tax law as applied in England and Wales and HMRC published practice (which may not be binding on HMRC) as at the date of this Document, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and (save insofar as express reference is made to Shareholders who are not resident or domiciled in the UK) apply only to Shareholders resident and in the case of an individual, domiciled (under both UK domestic law and any relevant double tax agreement), for tax purposes in the UK and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-UK residents), who hold Shares in the Company as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the Shares. Certain categories of Shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with the Company or the Group and those for whom the Shares are employment related securities, may be subject to special rules and this summary does not apply to such Shareholders. This summary also does not apply to any Shareholder who, alone or with certain associated persons, is (or has been) interested or treated as interested in more than 5% of the Shares.

Shareholders or prospective Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.

Taxation of Dividends

The Company will not be required to withhold amounts on account of UK tax at source when paying a dividend. As discussed under “—South African Taxation—Dividends Tax”, the Company will be required to withhold South African Dividends Tax of 20% from dividends distributed to non-South African residents, including UK residents. UK resident Shareholders should refer to “—South African Taxation—Dividends Tax” for further information on the lower withholding tax rate under the UK/South Africa Treaty.

Individual Shareholders

A UK resident individual Shareholder will not be subject to income tax on a dividend such individual Shareholder receives from the Company if the total amount of dividend income received by the individual in the tax year (including the dividend from the Company) does not exceed a dividend allowance the amount of which will be GBP2,000 from the tax year beginning 6 April 2021), which will be taxed at a nil rate (the “**Dividend Allowance**”).

In determining the income tax rate or rates applicable to a UK resident individual Shareholder’s taxable income, dividend income is treated as the highest part of such individual Shareholder’s income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that a UK resident individual Shareholder’s dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual Shareholder’s income, falls above such individual Shareholder’s personal allowance but below the basic rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend basic rate of 7.5%. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend upper rate of 32.5%. To the extent that such dividend income falls above the higher rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend additional rate of 38.1%.

South African Dividends Tax withheld from the payment of a dividend (subject to appropriate claims having been made to benefit from any lower rate applicable under the UK/South Africa Treaty as discussed under “—South African Taxation—Dividends Tax”) may be available as a credit against the income tax payable by an individual Shareholder in respect of the dividend.

Corporate Shareholders

Shareholders who are within the charge to corporation tax in respect of Shares will be subject to corporation tax on the gross amount of any dividends paid by the Company, subject to any applicable credit for South African Dividends Tax imposed by way of withholding (taking account of any lower rate applicable under the UK/South Africa Treaty as discussed under “—South African Taxation—Dividends Tax”), unless (subject to special rules for such Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each Shareholder’s position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class.

Taxation of Capital Gains

Shareholders who are resident in the UK, or, in the case of individuals, who cease to be resident in the UK for a period of five years or less, may depending on their circumstances (including the availability of exemptions or reliefs) be liable to UK taxation on chargeable gains in respect of gains arising from a sale or other disposal of Shares.

Inheritance Tax

Shares

Shares which are registered on a register outside the UK will be assets situated outside the UK for the purposes of UK inheritance tax.

A gift of Shares by, or the death of, an individual holder of Shares who is domiciled or is deemed to be domiciled (under certain rules relating to long residence or previous domicile) in the UK may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax.

Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For UK inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

The UK may be precluded by the convention between the UK and South Africa for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates of deceased persons and gifts, concluded on 31 July 1978 (the “**UK/South Africa Convention**”) from imposing a charge to inheritance tax on transfers of Shares by, or on the death of, an individual holder of Shares who is domiciled in South Africa for the purposes of the UK/South Africa Convention who has not been domiciled in the UK for the purposes of the UK/South Africa Convention in the ten years immediately preceding such event. Holders to whom this may be relevant should consult an appropriate professional adviser.

Where an individual holder is neither domiciled nor deemed domiciled in the UK, neither a gift of such Shares by the holder nor the death of such holder would give rise to a liability to UK inheritance tax in respect of such Shares.

Special rules apply to close companies and to trustees of settlements who hold Shares potentially bringing them within the charge to inheritance tax in certain circumstances.

Holders of Shares should consult an appropriate professional adviser if they make a gift of any kind or intend to hold Shares through a close company or trust arrangement.

Holders should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

Company DIs

HMRC may argue that Company DIs which are registered on a register in the UK but which relate to Shares which are registered on a register outside the UK are assets situated in the UK for the purposes of UK inheritance tax. Holders to whom this may be relevant should consult an appropriate professional adviser.

If the Company DIs are situated in the UK, a gift of Company DIs by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is neither domiciled in the UK nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile).

Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

The UK may be precluded by the UK/South Africa Convention from imposing a charge to inheritance tax on transfers of Company DIs by, or on the death of, an individual holder of Company DIs who is domiciled in South Africa for the purposes of the UK/South Africa Convention who has not been domiciled in the UK for the purposes of the UK/South Africa Convention in the ten years immediately preceding such event. Holders to whom this may be relevant should consult an appropriate professional adviser.

Special rules apply to close companies and to trustees of settlements who hold Company DIs which may bring them within the charge to inheritance tax in certain circumstances.

Holders of Company DIs should consult an appropriate professional adviser if they make a gift of any kind or intend to hold Company DIs through a close company or trust arrangement.

Holders should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

If the Company DIs are not situated in the UK, the comments above under the heading “Shares” should apply to such Company DIs.

Stamp Duty and Stamp Duty Reserve Tax (the “SDRT”) – Shares

No UK stamp duty will be payable on the issue of Shares and no UK stamp duty should be required to be paid on the transfer of Shares, provided that the Shares are not kept on a register maintained in the UK and any instrument of transfer is not executed in the UK, and does not relate to any matter or thing done or to be done, in the UK. No UK SDRT will be payable on the issue or transfer of Shares provided that the Shares are not registered in any register kept in the UK.

Where Shares are held in Uncertificated Form through Company DIs (including by Shareholders who are not resident and/or domiciled in the UK, refer to “*Stamp Duty and SDRT—Company DIs*”).

Stamp Duty and SDRT – Company DIs

No *ad valorem* UK stamp duty or SDRT is payable in respect of the issue of Shares to the UK Depository.

No *ad valorem* UK stamp duty or SDRT is payable on the issue of Company DIs by the UK Depository or the surrender of Company DIs to the UK Depository.

On the basis that transfers of Company DIs are effected without any written instrument of transfer, no UK stamp duty is payable on the transfer of Company DIs.

No UK SDRT should be payable on an agreement to transfer Company DIs (whether electronic or written), provided that: (i) no register of Shares is kept in the UK by or on behalf of the Company and (ii) the central management and control of the Company is not exercised in the UK. It is not intended that any such register will be kept in the UK nor that the central management and control of the Company will be exercised in the UK.

Stamp Duty and SDRT – General

The above statements in this section are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

3. UNITED STATES TAXATION

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Shares that are U.S. Holders and that will hold the Shares as capital assets. This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as the estate and gift tax laws). This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5% or more of the shares of the Company by vote or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Shares by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the U.S./South Africa Treaty, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE U.S./SOUTH AFRICA TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Passive Foreign Investment Company Considerations

The Company does not believe that it should be treated as, and does not expect to become, a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, but the Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be treated as a PFIC, U.S. Holders of Shares would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described below under "Distributions—Foreign currency dividends". The remainder of this discussion assumes that the Company is not a PFIC for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisers regarding the potential application of the PFIC regime.

Distributions

General

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any South African withholding tax paid with respect thereto, generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Shares will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the U.S./South Africa Treaty, and a holding period requirement and certain other requirements are met. A U.S. Holder will not be able to claim the reduced rate on dividends received from the Company if the Company is treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year.

Foreign currency dividends

Dividends paid in Rand will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the Rand are converted into U.S. dollars at that time. If dividends received in Rand are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Effect of South African taxes

U.S. Holders should refer to "—South African Taxation—Dividends Tax" for a discussion of South African taxes imposed on distributions. A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for South African taxes imposed on distributions. Dividends generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of any South African taxes.

Sale or other disposition

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares, in each case as determined in U.S. dollars. U.S. Holders should consult their own tax advisors about how to account for proceeds received on the sale or other disposition of Shares that are not paid in U.S. dollars. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. Any gain or loss generally will be U.S. source. The deductibility of capital losses is subject to limitations.

To the extent a U.S. Holder incurs a South African securities transfer tax in connection with a sale or other disposition of Shares, such tax will not be creditable for U.S. foreign tax credit purposes.

Information reporting and backup withholding

Payments of dividends on Shares and proceeds from the sale or other disposition of Shares by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Shares, including requirements related to the holding of certain "specified foreign financial assets".

PART XVII – EXCHANGE CONTROL

1. GENERAL

Exchange controls are imposed on South African residents in terms of the Exchange Control Regulations. FinSurv is responsible for the day-to-day administration of exchange controls. FinSurv has a wide discretion; however, it does not exercise its discretion arbitrarily. Rather, its exercise of discretion is based upon a set of norms and is subject to the policy guidelines laid down by the Finance Minister, Director General (Finance), and the SARB. The Exchange Control Regulations and the Currency and Exchanges Manual for Authorised Dealers are collectively referred to as “**Exchange Control Rules**” herein.

Certain South African banks have been appointed to act as authorised dealers (as defined by the Exchange Control Rules above) in foreign exchange. Authorised dealers may buy and sell foreign exchange, subject to conditions and within the limits prescribed by FinSurv.

The authorised dealers are also required to assist FinSurv to administer the Exchange Control Rules. All applications to FinSurv are required to be made through an authorised dealer. The Currency and Exchanges Manual for Authorised Dealers sets out the conditions, permissions and limits applicable to the transactions in foreign exchange which may be undertaken by authorised dealers, as well as details of related administrative responsibilities.

The Exchange Control Rules provide for restrictions on exporting capital from the CMA. Transactions between residents of the CMA on the one hand, and Non-residents, being corporations and persons whose normal place of residence, domicile or registration is outside of the CMA, on the other hand, are subject to these Exchange Control Rules.

Currency and shares are not freely transferable from South Africa to any jurisdiction outside the geographical borders of South Africa or jurisdictions outside of the CMA. These transfers must comply with the Exchange Control Rules as described below. The Exchange Control Rules also regulate the acquisition of Shares by former residents and Non-residents.

A Non-resident may purchase Shares. All payments in respect of purchases of Shares by Non-residents must be made through an authorised dealer in foreign exchange. Such Non-residents should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to delivered Shares.

Share certificates issued in respect of Shares purchased by Non-residents will be endorsed “non-resident” in accordance with the Exchange Control Rules. Holders of Uncertificated Shares will have their statements endorsed “non-resident” and their accounts at their CSDP or broker annotated accordingly.

Provided that the relevant share certificate is endorsed “non-resident” or the relevant account of the Shareholder at the CSDP or broker is annotated accordingly, there is no restriction under the Exchange Control Rules on the payment to a Non-resident Shareholder of cash dividends from the distributable profits of the Company in proportion to the Shareholder’s percentage holding of Shares (“**Cash Dividends**”). Payments to Non-resident Shareholders of other dividends and distributions by the Company (including special dividends, dividends *in specie* and capitalisation issues) require the consent of FinSurv.

Cash Dividends and any proceeds from the sale of Shares by Non-resident Shareholders may be freely transferred out of South Africa, subject to being converted into a currency other than Rand or paid for the credit of a Non-resident Rand account.

The Company is not, and does not expect to be, immediately after the Admissions, an affected person for the purposes of the Exchange Control Rules. The Company will be an affected person if 75% or more of its voting power, capital or earnings are, directly or indirectly, controlled by Non-residents. If the Company becomes an affected person, Cash Dividends may be freely paid to Non-residents as described above, provided that the payment will not cause the Company to be placed in an over-borrowed position in terms of the Exchange Control Rules.

2. EXCHANGE CONTROL RULES

The following summary of the Exchange Control Rules is intended as a guide only and is not a comprehensive statement of the Exchange Control Rules. Shareholders who have any queries regarding the Exchange Control Rules should contact their own professional advisers without delay.

The Exchange Control Regulations distinguish between residents, non-residents and South African non-tax residents. For the purposes of the Exchange Control Regulations:

- a resident means any person, being a natural person or a legal entity, who has taken up permanent residence, is domiciled or registered in South Africa;
- a non-resident is a person, being a natural person or a legal entity, whose normal place of residence, domicile or registration is outside the CMA; and
- with effect from 1 March 2021, natural person emigrants and natural person residents are treated identically. The tax residency status will determine how the SARB treats the residents’ domestic assets, taking into account that sale proceeds and assets of non-residents are freely transferable offshore.

Shareholders who are uncertain as to whether they are residents, non-residents or South African non-tax residents (emigrants) for purposes of the Exchange Control Rules, are advised to approach their relevant Authorised Dealer to request confirmation.

2.1 South African non-tax residents (emigrants)

Any share certificates that may be issued by the Company to South African non-tax residents will be endorsed “non-resident” in accordance with the Exchange Control Rules.

In respect of South African residents who formally emigrated prior to 1 March 2021, Uncertificated Shares and/or securities will be credited directly to their share accounts at the CSDP or broker controlling their remaining portfolios and an appropriate electronic entry will be made in the relevant register reflecting a "non-resident" endorsement. The CSDP or broker will ensure that the emigrant adheres to the Exchange Control Rules.

Any Shares and/or securities issued in Certificated Form, Cash Dividends and residual cash payments based on emigrants' Shares and/or securities will be forwarded to the authorised dealer in foreign exchange controlling their remaining assets. Elections by emigrants must be made through the authorised dealer in foreign exchange controlling their remaining assets, pursuant to formalising the Shareholder's emigration prior to 1 March 2021.

2.2 **Residents outside of the CMA**

Any share certificates that may be issued by the Company to Non-residents of the CMA will be endorsed "non-resident" in accordance with the Exchange Control Regulations.

Uncertificated Shares and/or securities will be credited directly to their Non-resident share accounts at the CSDP or broker controlling their portfolios and an appropriate electronic entry will be made in the relevant register reflecting a "non-resident" endorsement. The CSDP or broker will ensure that the Non-resident adheres to the Exchange Control Rules.

Cash Dividends and residual cash payments due to Non-residents are freely transferable from South Africa, subject to being converted into a currency other than Rand or paid for the credit of a Non-resident Rand account.

3. **PROPOSED AMENDMENTS TO THE EXCHANGE CONTROL REGULATIONS**

It was announced in the 2020 Budget Speech that the Exchange Control Regulations would be replaced with a new capital flow management framework and regulations, which would be implemented within a period of 12 months from the announcement. However, insofar as the Demerger and the Admissions are concluded before the Exchange Control Regulations are replaced, the Exchange Control Regulations as at the Last Practicable Date (and as set out in "*—General*", "*—South African non-tax residents (emigrants)*" and "*—Residents outside of the CMA*") will still apply to the Demerger and the Admissions. The framework of the new capital flow management system has been partially implemented. The 2021 Budget Speech stated the new capital flow management framework will continue to be implemented during 2021. It was further stated that the concept of emigration as recognised by the SARB will be phased out with effect from 1 March 2021 and be replaced by a verification process. Exchange Control Circular 6/2021 dated 26 February 2021 sets out the changes in relation to emigrants and changes to the AD Manual with effect from 1 March 2021.

4. **SARB APPROVAL FOR THE ADMISSIONS AND DEMERGER**

The Admissions, Demerger and the issuance of this Document has been approved by FinSurv and/or the Company's Authorised Dealer (as appropriate) in terms of the Exchange Control Rules.

PART XVIII – TRADING AND DEALING IN SHARES

1. SETTLEMENT OF THE DEMERGER

The way in which Anglo American Shareholders will receive Shares (or beneficial entitlement to Shares) will depend on how they hold their Anglo American Shares as at the Demerger Record Time, as summarised below. Further details are set out in Part VIII of the Scheme Circular, titled “Shareholder participation in the Demerger”.

It is the responsibility of Anglo American Shareholders to satisfy themselves as to the full observance of applicable laws and regulatory requirements, including the obtaining of any governmental, exchange control or other consents that may be required in order for them, their nominee, custodian or trustee, as relevant, to receive and hold the Shares as set out below.

2. TRADING OF SHARES

2.1 Trading of the Shares on the JSE

An application has been made to the JSE for a primary listing by way of introduction of all the Shares on the main board of the JSE under the abbreviated name “Thungela” and share code “TGA”. The ISIN for the Shares is ZAE000296554 and the SEDOL number is BMV3M27.

It is expected that the Admissions will become effective and that dealings in the Shares on the JSE will commence at 09:00 (SA time) on Monday, 7 June 2021.

This date may be deferred if it is necessary for Anglo American to adjourn the Anglo American General Meeting required to approve the Demerger Resolution or if there is any delay in obtaining the UK High Court’s sanction of the Scheme.

Strate has approved the admission of the Shares to the Strate System with effect from the Admissions. Accordingly, settlement of transactions in the Shares following the Admissions may take place in Dematerialised or Uncertificated Form within the Strate System.

The Strate System is the authorised central securities depository for the electronic settlement of all financial instruments listed on the JSE. Shares that are not represented by documents of title and that have been replaced with electronic records of ownership are referred to as being Dematerialised or held in Uncertificated Form. Shares that are evidenced by share certificates or other documents of title are referred to as Certificated shares or shares held in Certificated Form. CSDPs are authorised by Strate to perform custody, administration and/or settlement services and accordingly Strate maintains central securities accounts for the CSDPs who are appointed by market participants. CSDPs administer securities accounts and are the only market participants who can liaise directly with the Strate System.

Under the Strate System, there are two types of clients, controlled and non-controlled. Controlled clients elect to receive their shares or cash in the custody of their broker, and therefore, indirectly, the broker’s chosen CSDP. Controlled clients deal directly and exclusively with their broker. Non-controlled clients appoint their own CSDP. Non-controlled clients receive share statements directly from their CSDP.

Trading of the Shares by Shareholders who hold Anglo American Shares on the Anglo American SA Register in Dematerialised or Uncertificated Form (that is, in the Strate System) and whose Anglo American Shares are listed on the JSE

In the case of Anglo American Shareholders whose Anglo American Shares are registered on the Anglo American SA Register and held in Uncertificated Form as at the Demerger Record Time, the Shares to which they are entitled will be credited to the same CSDP or broker account in which the holder’s Anglo American Shares are held as at the Demerger Record Time. Transfer and settlement of such Shares will be effected through the Strate System and in accordance with the Strate System Rules. This is the same way as settlement of trades occurs in respect of Anglo American Shares held in Dematerialised or Uncertificated Form on the Anglo American SA Register by Anglo American Shareholders.

Shareholders whose Shares are held in Dematerialised or Uncertificated Form through the Strate System (or their nominee, if such holders have put in place underlying nominee arrangements) are required to maintain an account with a CSDP or broker and should instruct their CSDP or broker regarding voting and other matters in accordance with the mandate entered into between such holder and their CSDP or broker. If such Shareholders wish to attend a meeting of Shareholders in person, they will need to request a proxy or voting instruction form from their CSDP or broker or appointed nominee. Payments (for example, dividends paid by the Company) by CSDPs or brokers to Shareholders (or their nominee, where applicable) will be made in accordance with the terms of the mandate entered into between such Shareholders and their CSDP or broker or nominee, and Shareholders can contact their CSDP or broker or nominee for further information in this regard.

The Company will procure that the JSE Transfer Secretaries are instructed to make the appropriate arrangements to credit the applicable Anglo American Shareholders’ CSDP accounts (or that of their nominee, where applicable) with the relevant Shares as soon as possible following the Admissions.

If the number of Anglo American Shares held by an Anglo American Shareholder at the Demerger Record Time is not divisible by ten, an entitlement to a fraction of a Share will arise. No entitlements to a fraction of a Share shall be transferred to an Anglo American Shareholder (nor to anyone on behalf of an Anglo American Shareholder). The aggregated number of Shares to which Anglo American Shareholders are entitled will first be rounded down to the nearest whole number of Shares, resulting in allocations of whole numbers of Shares. The aggregated excess fractions of Shares to which such Anglo American Shareholders would otherwise be entitled will not be transferred to them but will instead be sold in the market, and the relevant Anglo American Shareholder will be entitled to receive a cash payment in respect of the fraction of a Share to which they otherwise would have been entitled. The cash payment due to an Anglo American Shareholder in respect of their fractional entitlements shall be determined with reference to the volume-weighted average price in Rand of the Shares traded on the JSE on the date of the Admissions (expected to be Monday, 7 June 2021), less 10% of such volume-weighted average price. Such reference price will be announced on SENS by Anglo American on the first trading day in South Africa following the date of the Admissions.

Anglo American will procure that the JSE Transfer Secretaries are instructed to create an assured payment obligation in favour of the payment banks of the relevant CSDPs or brokers in accordance with the Strate System assured payment arrangements for the sums payable, subject to any applicable requirements of the Exchange Control Regulations.

Payments by CSDPs or brokers to the Anglo American Shareholders entitled to the relevant cash payments will be made in accordance with the terms of the relevant custody agreement and other mandates entered into between the Anglo American Shareholders and their CSDP or broker, subject to any applicable requirements of the Exchange Control Regulations. Anglo American Shareholders can contact their CSDP or broker for further information in this regard.

None of the Company nor Anglo American nor their respective agents shall have any liability to Anglo American Shareholders in the event that an Anglo American Shareholder does not receive payment from their CSDP or broker. The creation of an assured payment obligation in accordance with the Strate System's assured payment arrangements will be a complete discharge of Anglo American's payment obligations in respect of such Anglo American Shareholders.

Trading of the Shares by Shareholders who hold Anglo American Shares on the Anglo American SA Register in Certificated Form and whose Anglo American Shares are listed on the JSE

In the case of Anglo American Shareholders whose Anglo American Shares are registered on the Anglo American SA Register and held in Certificated Form as at the Demerger Record Time, the Shares to which they are entitled will only be capable of being traded and settled on the JSE through the Strate System in Dematerialised or Uncertificated Form. Accordingly, the Computershare Nominee will receive Shares in Uncertificated Form which will be held on behalf of the holders of the relevant Anglo American Shares, as recorded in accounts maintained by the Computershare Nominee's CSDP.

If the number of Anglo American Shares held by an Anglo American Shareholder is not divisible by ten, an entitlement to a fraction of a Share will arise. No entitlements to a fraction of a Share shall be transferred to an Anglo American Shareholder (nor to anyone on behalf of an Anglo American Shareholder). The aggregated number of Shares to which Anglo American Shareholders are entitled will first be rounded down to the nearest whole number of Shares, resulting in allocations of whole numbers of Shares. The aggregated excess fractions of Shares to which such Anglo American Shareholders would otherwise be entitled will not be transferred to them but will instead be sold in the market, and the relevant Anglo American Shareholder will be entitled to receive a cash payment in respect of the fraction of a Share to which they otherwise would have been entitled. The cash payment due to an Anglo American Shareholder in respect of their fractional entitlements shall be determined with reference to the volume-weighted average price in Rand of the Shares traded on the JSE on the date of the Admissions (expected to be Monday, 7 June 2021), less 10% of such volume-weighted average price. Such reference price will be announced on SENS by Anglo American on the first trading day in South Africa following the date of the Admissions.

Anglo American will procure that the JSE Transfer Secretaries are instructed to create an assured payment obligation in favour of the Computershare Nominee's CSDP account in accordance with the Strate System assured payment arrangements for the sums payable, subject to any applicable requirements of the Exchange Control Regulations. None of the Company nor Anglo American nor their respective agents shall have any liability to Anglo American Shareholders in the event that an Anglo American Shareholder does not receive payment from the Computershare Nominee. The creation of an assured payment obligation in accordance with the Strate System assured payment arrangements will be a complete discharge of Anglo American's payment obligations in respect of such Anglo American Shareholders.

To be able to take any action in respect of the Shares to which they are entitled (for example, trading, voting and/or receiving dividends or re-materialisation), such Shareholders will need to contact the Computershare Nominee and complete certain "know your customer" checks that must be carried out by the Computershare Nominee to satisfy legal and regulatory requirements. Shareholders can contact the Computershare Nominee at GroupAdmin1@Computershare.co.za or +27(11) 870 8216.

2.2 Trading of the Shares on the LSE

An application has been made to the FCA for the admission of the Shares to the standard listing segment of the UK Official List and to the LSE for the Shares to be admitted to trading on the LSE's main market for listed securities.

It is expected that the Admissions will become effective and that dealings in the Shares on the LSE will commence at 08:00 (London time) on Monday, 7 June 2021. This date may be deferred if it is necessary for Anglo American to adjourn the Anglo American General Meeting required to approve the Demerger Resolution or if there is any delay in obtaining the UK High Court's sanction of the Scheme.

Trading of the Shares by Shareholders who hold Anglo American Shares on the Anglo American UK Register in Uncertificated Form (that is, in CREST) and whose Anglo American Shares are listed on the LSE

As securities of issuers domiciled outside the United Kingdom, Ireland and the Channel Islands (such as the Company (which will be domiciled in South Africa)) cannot be held or settled directly through CREST, the settlement of trades in the Shares on the LSE cannot occur directly through CREST and must occur in the form of Company DIs. Accordingly, Anglo American Shareholders who hold their Anglo American Shares in Uncertificated Form on the Anglo American UK Register in CREST as at the Demerger Record Time will receive Company DIs which will be credited to the same CREST accounts in which they hold their Anglo American Shares.

Pursuant to the arrangements that will be put in place by the Company, at the Demerger Effective Time, Anglo American will transfer the Shares to the UK Custodian to hold on behalf of the UK Depository (who in turn will hold on behalf of Anglo American Shareholders who hold their Anglo American Shares in Uncertificated Form on the Anglo American UK Register, who will become Underlying Shareholders). The UK Custodian will be the registered holder of the Shares on the Jersey Register and hold on behalf of the UK Depository. The UK Depository will hold on behalf of the Underlying Shareholders and issue Company DIs representing Shares to the CREST accounts of Anglo American Shareholders who hold their Anglo American Shares in Uncertificated Form on the Anglo American UK Register as at the Demerger Effective Time.

Trading of the Shares on the LSE and settlement of those trades in the Company DIs through CREST will take place in the same way as for Anglo American Shares held through CREST.

If the number of Anglo American Shares held by an Anglo American Shareholder is not divisible by ten, an entitlement to a fraction of a Share will arise. No entitlements to a fraction of a Share shall be transferred to an Anglo American Shareholder (nor to anyone on behalf of an

Anglo American Shareholder). The aggregated number of Shares to which Anglo American Shareholders are entitled will first be rounded down to the nearest whole number of Shares, resulting in allocations of whole numbers of Shares. The aggregated excess fractions of Shares to which such Anglo American Shareholders would otherwise be entitled will not be transferred to them but will instead be sold in the market, and the relevant Anglo American Shareholder will be entitled to receive a cash payment in respect of the fraction of a Share to which they otherwise would have been entitled. The cash payment due to an Anglo American Shareholder in respect of their fractional entitlements shall be determined with reference to the GBP equivalent of the volume-weighted average price in Rand of the Shares traded on the JSE on the date of the Admissions (expected to be Monday, 7 June 2021), less 10% of such volume-weighted average price. Such reference price will be announced in Rand on SENS by Anglo American on the first trading day in South Africa following the date of the Admissions and converted into GBP using the Rand: GBP spot rate given on the Bank of England website for the date of the Admissions.

Anglo American will procure that Euroclear is instructed to create an assured payment obligation in favour of the payment bank of the Anglo American Shareholders entitled to such cash payments in accordance with CREST's assured payment arrangements, provided that Anglo American reserves the right to make payment of the said sums by cheque as set out above if, for reasons outside its reasonable control, it is not able to effect such settlement in this manner.

Anglo American reserves the right to distribute Shares to any or all Anglo American Shareholders who hold Anglo American Shares in Uncertificated Form as at the Demerger Record Time in Certificated Form and vice versa if, for reasons outside its reasonable control, it is not able to effect settlement as anticipated.

The Company DIs will have the same ISIN as the Shares. The Shares are expected to trade under the LSE code of "TGA".

Further detail in relation to the operation of the Company DIs is set out in "*The Company DIs*".

Trading of the Shares by Shareholders who hold Anglo American Shares on the Anglo American UK Register in Certificated Form and whose Anglo American Shares are listed on the LSE

In the case of Anglo American Shareholders whose Anglo American Shares are registered on the Anglo American UK Register and held in Certificated Form as at the Demerger Record Time, the Shares to which they are entitled will be issued in Certificated Form on the Jersey Register.

Transfer and settlement of Shares issued in Certificated Form on the Jersey Register will take place in the same way as settlement of trades occurs in respect of Anglo American Shares held in Certificated Form on the Anglo American UK Register by Anglo American Shareholders.

If the number of Anglo American Shares held by an Anglo American Shareholder is not divisible by ten, an entitlement to a fraction of a Share will arise. No entitlements to a fraction of a Share shall be transferred to an Anglo American Shareholder. The aggregated number of Shares to which Anglo American Shareholders are entitled will first be rounded down to the nearest whole number of Shares, resulting in allocations of whole numbers of Shares. The aggregated excess fractions of Shares to which such Anglo American Shareholders would otherwise be entitled will not be transferred to them but will instead be sold in the market, and the relevant Anglo American Shareholder will be entitled to receive a cash payment in respect of the fraction of a Share to which they otherwise would have been entitled. The cash payment due to an Anglo American Shareholder in respect of their fractional entitlements shall be determined with reference to the GBP equivalent of the volume-weighted average price in Rand of the Shares traded on the JSE on the date of the Admissions (expected to be Monday, 7 June 2021), less 10% of such volume-weighted average price. Such reference price will be announced in Rand on SENS by Anglo American on the first trading day in South Africa following the date of the Admissions and converted into GBP using the Rand: GBP spot rate given on the Bank of England website for the date of the Admissions. Anglo American shall procure the despatch to the Anglo American Shareholders of cheques for the cash proceeds payable to them. Any such cheques in respect of cash proceeds shall, in the case of Anglo American Shareholders who hold Anglo American Shares in Certificated Form on the Anglo American UK Register at the Demerger Record Time, be paid in GBP by cheque drawn on a branch of a clearing bank in the United Kingdom.

To the extent that any payments are to be made by way of cheque, delivery of such cheques shall be effected by sending the same, in respect of Anglo American Shareholders who hold Anglo American Shares in Certificated Form on the Anglo American UK Register at the Demerger Record Time, by first class post (or international standard post, if overseas), in each case, in pre-paid envelopes addressed to the persons entitled thereto at their respective addresses as appearing in the Anglo American UK Register as at the Demerger Record Time (and, in the case of joint holders, at the address of one of the joint holders whose name stands first in the Anglo American UK Register at the Demerger Record Time).

None of the Company, Anglo American, nor any person appointed by the Company or Anglo American nor their directors, employees, representatives, officers, nominee(s) nor their respective agents shall be responsible for any loss or delay in the delivery of any cheques sent in accordance with "*Trading of the Shares by shareholders who hold Anglo American Shares on the Anglo American SA Register in Dematerialised or Uncertificated Form (that is, in the Strate System) and whose Anglo American Shares are listed on the JSE*", which shall be sent at the risk of the persons so entitled.

Definitive share certificates for the Shares are expected to be despatched by no later than Friday, 11 June 2021. Pending the despatch of share certificates for the Shares, transfers of Shares by Shareholders whose Shares are held in Certificated Form will be certified against the Jersey Register. Temporary documents of title will not be issued in respect of the Shares held in this manner.

Anglo American reserves the right to distribute the Shares to any or all Anglo American Shareholders who hold Anglo American Shares in Uncertificated Form as at the Demerger Record Time in Certificated Form and vice versa if, for reasons outside its reasonable control, it is not able to effect settlement as anticipated.

2.3 **The Company DIs**

What is a depositary interest?

A depositary interest (known as a "DI") enables investors to hold and settle transactions in the Shares through CREST. CREST is a paperless settlement system which allows securities to be transferred from one person's CREST account to another electronically without the need to use share certificates or written instruments of transfer. Securities of issuers domiciled outside the United Kingdom, Ireland and the Channel Islands, such as the Company (which will be domiciled in South Africa), cannot be held or settled directly in CREST.

The Company will therefore enter into depositary arrangements to enable the Shareholders who hold Anglo American Shares on the Anglo American UK Register in Uncertificated Form to hold, and settle transactions in, the Shares through CREST in the form of the Company DIs. Each Company DI will represent an unencumbered entitlement to one underlying Share. The Shares represented by the Company DIs are expected to be listed on the UK Official List and traded on the LSE. The Company DIs will be transferred in CREST to settle those trades in the same way as other securities in CREST.

How will the Company DIs work?

An application will be made for the depositary interests representing the Shares to be admitted to CREST with effect from the Admissions.

For Anglo American Shareholders who hold their Anglo American Shares on the Anglo American UK Register in Uncertificated Form at the Demerger Effective Time, Anglo American will transfer the Shares to the UK Custodian to hold on behalf of the UK Depositary (who will in turn hold on behalf of such Anglo American Shareholders, who will become Underlying Shareholders). The UK Custodian will be the registered holder of the Shares. In turn, the UK Depositary will issue Company DIs representing the Shares to the CREST accounts of Anglo American Shareholders who hold Anglo American Shares in Uncertificated Form on the Anglo American UK Register.

The Company DIs will represent the entitlements to the Shares. The Shares will be traded on the LSE and the Company DIs representing the Shares traded will be settled through CREST.

A Company DI register of CREST participants will be maintained showing full details of the holders of the Company DIs in a similar fashion to the register of legal ownership of the Shares. Although the Register will show the UK Custodian as the legal holder of the relevant Shares, the beneficial entitlement to the Shares will remain with Underlying Shareholders, as holders of the Company DIs. The Company DIs will be in wholly Uncertificated Form and the Company DIs will only be capable of being held and transferred between CREST participants.

Each Company DI will be treated as one Share for the purposes of determining, for example, eligibility for dividends. The Company DIs will have the same ISIN as the underlying Shares and will not require a separate listing on the UK Official List.

The Company DIs will be independent securities constituted under English law which may be transferred through the CREST system.

In the same way in which they can currently deposit their Anglo American Shares into CREST to support any trading and settlement activities, holders of Shares in Certificated Form on the Jersey Register will be able to transfer their Shares to the UK Custodian in return for the receipt of a corresponding number of Company DIs issued through the CREST system to their nominated CREST participant (their broker, custodian or nominee). Holders of Shares in Certificated Form on the Jersey Register are also expected to have access to a dealing service through the Jersey Registrar.

Summary of the principal terms of the Depositary Deed Poll

The Company DIs will be created and issued under the Depositary Deed Poll, which will govern the relationship between the UK Depositary and the holders of the Company DIs. The Depositary Deed Poll will be executed by the UK Depositary in favour of the holders of the Company DIs from time to time.

The rights of holders of Company DIs will be set out in the Depositary Deed Poll, as summarised below.

Holders of Company DIs will be taken to warrant, *inter alia*, that the Shares held by the UK Depositary or UK Custodian (on behalf of the UK Depositary) are transferred or issued, as the case may be, free and clear of all liens, charges, encumbrances or third-party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation binding on the holder or transferor, law or regulation or order binding on the Company DIs or the transferor. Each holder of the Company DIs indemnifies the UK Depositary for any liabilities that the UK Depositary incurs as a result of breach of this warranty.

The UK Depositary warrants that it is an authorised person under the FSMA and is duly authorised to carry out the services required under the Depositary Deed Poll in accordance therewith. The UK Depositary will, either itself or through the UK Custodian, act as bare trustee and hold the deposited property (which includes, *inter alia*, the securities represented by the Company DIs) as may be designated from time to time by the UK Depositary.

The UK Depositary must use all reasonable endeavours to pass on and ensure that the UK Custodian passes on to holders of the Company DIs and, so far as they are reasonably able, exercise on behalf of holders of the Company DIs all rights and entitlements received or to which they are entitled in respect of the underlying Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Depositary Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Depositary Deed Poll.

The UK Depositary will be entitled to cancel the Company DIs and withdraw the underlying Shares in certain circumstances including where a holder of the Company DIs has failed to perform any obligation under any agreement or instrument with respect to the Company DIs entered into by the Underlying Shareholder.

The Depositary Deed Poll will also contain provisions excluding and limiting the UK Depositary's liability. For example, the UK Depositary shall not be liable to any holder of the Company DIs or any other person for liabilities in connection with the performance or non-performance of obligations under the Depositary Deed Poll or otherwise except as may result from the UK Depositary's own negligence or wilful default or fraud. Furthermore, except in the case of personal injury or death, the UK Depositary's liability to a holder of the Company DIs will be limited to the lesser of:

- (i) the value of the Shares and other deposited property properly attributable to the Company DIs to which the liability relates; and
- (ii) that proportion of GBP5 million which corresponds to the amount that the UK Depositary would otherwise be liable to pay to the holder of the Company DIs as a proportion of the aggregate of the amounts the UK Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, GBP5 million.

The UK Depositary will also not be liable for any losses attributable to or resulting from, *inter alia*, the Company's acts or omissions or any refusal or failure of the CREST operator (amongst other things).

The UK Depositary will also be entitled to charge holders of the Company DIs fees and expenses for the provision of its services under the Depositary Deed Poll.

Each holder of the Company DIs is liable to indemnify the UK Depository and the UK Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Depository Deed Poll, so far as they relate to the property held for the account of the Company DIs held by that holder, other than those resulting from the wilful default, negligence or fraud of the UK Depository, or the UK Custodian or any agent, if such UK Custodian or agent is a member of the UK Depository's group, or, if not being a member of the same group, the UK Depository has failed to exercise reasonable care in the appointment and continued use of such UK Custodian or agent.

The UK Depository may terminate the Depository Deed Poll by giving not less than 30 days' prior notice. During such notice period, holders may cancel their Company DIs and withdraw their deposited property and, if any Company DIs remain outstanding after termination, the UK Depository must, as soon as reasonably practicable, among other things, deliver the deposited property in respect of the Company DIs to the relevant holder of the Company DIs or, at its discretion sell all or part of such deposited property. If the latter occurs, the UK Depository must, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the UK Depository, together with any cash held by it under the Depository Deed Poll, pro-rata to holders of the Company DIs in respect of their Company DIs.

The UK Depository or the UK Custodian may require from any holder of the Company DIs, or former or prospective holder, information as to the capacity in which the Company DIs are owned or held and the identity of any other person with any interest of any kind in such Company DIs or the underlying Shares. Holders of the Company DIs are bound to provide such information requested. Further, to the extent that the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, an interest of any kind whatsoever in, the Shares, the holders of the Company DIs are to comply with such provisions and with the Company's instructions with respect thereto.

It should also be noted that holders of the Company DIs may not have the opportunity to exercise all of the rights and entitlements available to Shareholders. In relation to voting, it will be important for holders of the Company DIs to give timely instructions to the UK Depository or the UK Custodian, in accordance with any voting arrangements made available to them, to vote the Shares on their behalf or, to the extent possible, to take advantage of any agreements enabling holders of the Company DIs to vote such Shares as a proxy of the UK Depository or the UK Custodian.

Prospective holders of the Company DIs should note that they will have no rights against CREST or its subsidiaries in respect of the underlying Shares or the Company DIs representing them.

A copy of the Depository Deed Poll will be available after the Admissions upon a request being made in writing by a holder of the Company DIs to the UK Depository. An administration fee may be charged by the UK Depository for providing a copy of the Depository Deed Poll. Prospective holders of the Company DIs may contact the helpline of the UK Depository at +44 9069 990 000.

Summary of the principal terms of the Depository Agreement

The Depository Agreement between the Company and the UK Depository provides the terms on which the Company will appoint the UK Depository to constitute and issue from time to time, upon the terms of the Depository Deed Poll, the Company DIs representing securities issued by the Company and to provide certain other services in connection with such Company DIs, with a view to facilitating the indirect holding by participants in CREST. The UK Depository agrees that it will comply with the terms of the Depository Deed Poll and that it will perform its obligations with reasonable skill and care. Under the terms of the Depository Agreement, the UK Depository assumes certain specific obligations, including the obligation to issue to CREST members Company DIs in Uncertificated Form.

The Company agrees to provide assistance, information and documentation to the UK Depository (to the extent available to the Company) as may be reasonably required by the UK Depository to properly carry out its duties, responsibilities and obligations under the Depository Deed Poll and the Depository Agreement. The Depository Agreement sets out the procedures to be followed if the Company is to pay or make a dividend or other distribution.

The Company is to indemnify the UK Depository for any loss, damage, claim, cost and expense and any other liabilities in respect of certain matters under the Depository Agreement (for example, breaches of warranties and undertakings by the Company under the Depository Agreement). The Company is also to indemnify the UK Depository in respect of any liability which the UK Depository suffers or incurs as a result of any claim being made by a holder of the Company DIs in connection with the obligations, duties and responsibilities imposed on the UK Depository under the Depository Agreement except to the extent that any such liability results from the UK Depository's own negligence, fraud or wilful default. The total liability of the UK Depository under the Depository Agreement cannot exceed twice the amount of the fees and charges paid by the Company to the UK Depository for a calendar year. Subject to earlier termination, the UK Depository is appointed for an initial fixed period of three years and indefinitely thereafter until such time as the Depository Agreement is terminated by either party by giving notice based on a fixed notice period. The Company is to pay certain fees and charges, including an annual fee. The UK Depository is also entitled to recover reasonable out of pocket fees and expenses.

3. OVERSEAS SHAREHOLDERS

Shareholders may be affected by the laws of other jurisdictions. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this Document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the allotment and issue of Shares, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

This Document has been prepared for the purposes of complying with the JSE Listings Requirements and the UK Prospectus Regulation Rules. The information disclosed may not be the same as that which would have been disclosed if this Document had been prepared in accordance with the laws of jurisdictions outside South Africa and the UK.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SHARES OF THE COMPANY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SHARES OF THE COMPANY REFERRED TO IN THIS DOCUMENT, IN ANY JURISDICTION, IN CONTRAVENTION OF APPLICABLE LAW OR WHERE FURTHER ACTION IS REQUIRED FOR SUCH PURPOSE.

PART XIX – CAPITALISATION AND INDEBTEDNESS

The capitalisation and indebtedness tables below do not reflect the proposed changes to the capitalisation and indebtedness of the Group on Demerger, including the contribution to the Group's share capital of R2,500 million through the Subscription Agreement or the accounting effects of the Capital Support Agreement which are described in "Annexe 6D—Unaudited Pro Forma Financial Information of the Group, included for purposes of the UK Prospectus Regulation Rules".

1. CAPITALISATION

The Combined Carve-out Historical Financial Information of the Group has been prepared on a combined carve-out basis as the SA Thermal Coal Operations previously formed part of the Anglo American Group. As the SA Thermal Coal Operations did not form a separate legal group, it is not possible to show capital or provide meaningful analysis of reserves. Amounts which reflect the carrying value of investments of Anglo American in the combined entities are disclosed as "Invested Equity", which includes certain intercompany balances considered as part of Anglo American's equity investment in the SA Thermal Coal Operations as they will be settled as part of the Internal Restructuring.

2. SHAREHOLDER INDEBTEDNESS

The table below sets out the Group's indebtedness as at 31 January 2021:

	R million
Current financial debt	
Guaranteed	–
Secured	25
Unguaranteed and unsecured (including financial leases)	192
Total	217
Non-current financial debt (excluding current portion of long-term debt)	
Guaranteed	–
Secured	127
Unguaranteed and unsecured (including financial leases)	–
Total	127
Total	344

There have been no material changes in the Group's indebtedness since January 2021.

PART XX – ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors whose names are set out in “Part X—Management and Corporate Governance”, collectively and individually accept full responsibility for the accuracy of the information given in this Document and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Document contains all information required by law and the JSE Listings Requirements.

The Company and the Directors, whose names are set out in “Part X—Management and Corporate Governance” accept responsibility for the information contained in this Document. To the best of the knowledge of the Company and the Directors, the information contained in this Document is in accordance with the facts and this Document makes no omission likely to affect its import.

2. SUMMARY OF THE COMPANY MOI AND CERTAIN EXPLANATORY STATEMENTS IN RESPECT OF APPLICABLE LAW AND REGULATION AFFECTING SHAREHOLDERS

The information below contains a summary of the Company MOI and certain explanatory statements in respect of applicable law and regulations affecting Shareholders. The information below, as well as the extracts of the Company MOI set out in “Annexe 14—Extracts of the Company’s MOI and the memoranda of incorporation of the Major Subsidiaries”, do not constitute legal advice, and do not purport to be exhaustive of Shareholders’ rights in terms of applicable law and have been inserted for Shareholders’ information purposes only.

The Company MOI, adopted by a special resolution of the Company passed on 17 March 2021, contains, among others, provisions to the following effect:

Objects

Section 19(1)(b) of the Companies Act provides that a company has the powers and capacity of a natural person or individual of full capacity except to the extent that a juristic person is incapable of exercising any such power, or having such capacity, the Company MOI provides otherwise. There are no restrictions on the objects of the Company in the Company MOI and the objects of the Company are therefore unrestricted.

Rights attaching to shares

Voting rights

Subject to the Company MOI generally and to any special rights or restrictions as to voting attached to any class of shares, at a meeting of the Company, every Shareholder who is present (in person or by proxy) and entitled to exercise voting rights has one vote on a show of hands (irrespective of the number of voting rights that person would otherwise be entitled to exercise) and on a poll every Shareholder who is present (in person or by proxy) has the number of votes determined in accordance with the voting rights associated with the Shares held by that Shareholder.

A Shareholder may at any time appoint any natural person, including a person who is not a Shareholder, as a proxy to represent that Shareholder at any meeting and to exercise any rights of the Shareholder at a Shareholders’ meeting. While any of the Shares are listed on the JSE and the LSE, the record date for the purposes of determining Shareholder rights (including the right to participate in and vote at a Shareholders meeting) will be determined in accordance with the JSE Listings Requirements.

None of the major and controlling shareholders referred to in “Part XI—Incorporation and Share Capital—Shareholding—Major and Controlling Shareholders” has different voting rights from any other holder of Shares in respect of any Shares held by them.

Joint holders

Where there are joint registered Shareholders of any Share, any one of such persons may exercise all of the voting rights attached to that Share at any meeting, either personally or by proxy, as if he or she were solely entitled thereto. If more than one of such joint holders are present at any meeting, personally or by proxy, the person so present whose name stands first in the securities register of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

Distributions

Subject to the Companies Act, the Board or, on recommendation of the Board, the Shareholders by ordinary resolution, may at any time authorise and/or declare a distribution to be paid to the Shareholders of any class in proportion to the number of shares held by them in that class, if such distribution is: (i) pursuant to an existing legal obligation of the Company, or a court order; or (ii) authorised by resolution of the Board, in compliance with the JSE Listings Requirements. The Board may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider being appropriate.

Without detracting from the ability of the Company to issue capitalisation shares, any distribution may be paid wholly or in part: (i) by the distribution of specific assets; (ii) by the issue of shares, debentures or securities of the Company or of any other company; (iii) in cash; or (iv) in any other way which the Directors may at the time of declaring the distribution determine, including granting to the Shareholders a right of election between receiving any distribution in cash or in the form of the distribution of specific assets. Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient and, in particular, may fix the value which shall be placed on such specific assets on distribution.

Distributions payable in cash shall be declared in Rand, provided that the Board, in its discretion and on such terms and conditions as it may determine, may authorise the payment of any distribution to a Non-resident Shareholder in any foreign currency requested by the Non-resident Shareholder or determined by the Board at the cost, expense and risk of the Non-resident Shareholder in question.

Distributions unclaimed for a period of not less than four years from the date on which such distributions became payable may, at the discretion of the Board, be declared forfeited for the benefit of the Company. Any distributions in the form of monies will be held by the Company in trust and

invested as determined by the Board and as the Board sees fit, until lawfully claimed by the relevant Shareholders, subject to the foregoing, the laws of prescription applicable from time to time or until the Company is wound up.

Subject only to the provisions of any law to the contrary, distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.

Variation of rights

Subject to the Companies Act, the Shareholders may, by a special resolution, amend the Company MOI, in order to vary the preferences, rights, limitations and other terms of any issued or unissued shares.

Despite anything to the contrary in the Company MOI, every issued Share has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share.

Transfer of shares

Subject to any applicable restrictions (whether by virtue of the preferences, rights, limitations or other terms associated with the securities in question), any Shareholder or holder of Certificated Shares may transfer all or any of its Certificated Shares by instrument in writing in any usual or common form or any other form which the Directors may approve. The instrument of transfer of any Certificated Shares must be signed by the transferor and the transferor will be deemed to remain the shareholder of that Certificated Share until the name of the transferee is entered in the securities register of the Company.

Every instrument of transfer must be delivered to appointed transfer secretaries of the Company, accompanied by the certificate issued in respect of the Certificated Shares to be transferred and/or such other evidence as the Company may require to prove the title of the transferor, or its right to transfer the Certificated Shares.

The Directors may decline to recognise any instrument of transfer unless it is accompanied by the certificate of the Certificated Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and unless the securities transfer tax thereon has been paid.

A transfer of Uncertificated Shares of the Company must be effected in terms of section 53 of the Companies Act read with the requirements or rules of the JSE, Strate and the relevant CSDP or the Central Securities Depository.

Disclosure of interests in shares

Section 122(1) of the Companies Act requires a person to notify the Company within three Business Days if that person acquires a beneficial interest in any class of securities issued by the Company, as a result of which that person holds a beneficial interest amounting to 5% or any whole multiple of 5% of that class of issued securities. A beneficial interest, when used in relation to a company's securities, means the right or entitlement of a person (through ownership, agreement, relationship or otherwise, alone or together with another person) to: (i) receive or participate in any distribution in respect of the company's securities; (ii) exercise or cause to be exercised, in the ordinary course, any or all of the rights attaching to the company's securities; or (iii) dispose or direct the disposition of the company's securities, or any part of a distribution in respect of the securities, but excludes any interest held by a person in a unit trust or collective investment scheme in terms of the Collective Investment Schemes Control Act No. 45 of 2002.

In addition, a person must notify the Company if that person disposes of a beneficial interest in a class of securities of the Company, as a result of which that person no longer holds a beneficial interest in securities amounting to a particular multiple of 5% of the issued securities of that class.

The above requirements apply to a person irrespective of whether: (i) the person acquires or disposes of any securities directly or indirectly or individually or in concert with any other person or persons; or (ii) that person holds the stipulated percentage of securities alone, or in aggregate together with any related or inter-related person, and any person who has acted in concert with any person.

The Company must file a notice it receives in terms of section 122 with the Takeover Regulation Panel and report the information to the holders of the relevant class of securities, unless the notice concerns a disposition of less than 1% of the class of securities. In addition, the JSE Listings Requirements provides that a listed company that has received a notice in terms of section 122 of the Companies Act must, within 48 hours of receipt of such notice, publish the information in the notice on SENS, save in respect of notices received related to a disposal of less than 1% of the relevant class of securities.

Issues of shares

The Board may, subject to the applicable provisions of the Companies Act and the JSE Listings Requirements, resolve to issue shares of the Company at any time, within the classes and to the extent that those shares have been authorised by or in terms of the Company MOI.

The Board shall have the authority, as contemplated in section 47 of the Companies Act, to:

- approve the issuing of any authorised shares as capitalisation shares on a *pro rata* basis to the Shareholders of one or more classes of shares;
- issue shares of one class as capitalisation shares in respect of shares of another class; or
- resolve to permit Shareholders to elect to receive a cash payment *in lieu* of a capitalisation share, provided that the Board may not resolve to do so unless it: (i) has considered the solvency and liquidity test, as required by section 46 of the Companies Act, on the assumption that every such Shareholder would elect to receive cash; and (ii) is satisfied that the Company would satisfy the solvency and liquidity test immediately upon the completion of the distribution.

Unless Shareholder approval is required in terms of the Companies Act or the JSE Listings Requirements, the Board has the authority to issue securities without Shareholder approval. In terms of the Companies Act, Shareholder approval is required for an issue of more than 30% of the existing securities or an issue to Directors. In terms of the JSE Listings Requirements, Shareholder approval is required in respect of issues of shares for cash, whether as a general or specific authority, as contemplated in the JSE Listings Requirements.

Any proposed issue of equity securities in the Company will be subject to pre-emptive rights of the Shareholders who already hold issued securities in the class of equity securities proposed to be issued, as set out in the Company MOI, save in relation to an acquisition by the Company or any of its subsidiaries of any assets and other instances outlined in the Company MOI.

General meetings

The Company shall convene annual general meetings of its Shareholders from time to time in accordance with the provisions of the Companies Act and the JSE Listings Requirements. The Board, or any prescribed officer or Shareholder of the Company authorised by the Board, is further entitled to call a Shareholders' meeting at any time.

The Board may determine the location of any Shareholders' meeting, and the Company may hold any meeting in South Africa or in any foreign country.

A notice of a Shareholders' meeting must be delivered at least 15 Business Days before the date on which the meeting is to begin to the Shareholders, the auditors of the Company and, if expressly required in terms of an instrument appointing a proxy, to the proxy or proxies of a Shareholder. A meeting may be called on a shorter period of notice if every person who is entitled to exercise voting rights in respect of any item on the meeting agenda is present at the meeting and votes to waive the required minimum notice of the meeting.

The accidental omission to give notice of any meeting to any particular Shareholder or Shareholders shall not invalidate any resolution passed at any such meeting.

A Shareholders' meeting may not begin until:

- at least three Shareholders are present at the meeting; and
- sufficient Shareholders are present at the meeting (or represented by proxy) to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting.

A matter to be decided at the Shareholders' meeting may not begin to be considered unless sufficient Shareholders are present (or represented by proxy) at the meeting to exercise, in aggregate at least 25% of all the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.

Directors' appointments, retirements and removals

The Board shall comprise not less than four Directors.

The Shareholders shall be entitled at a general meeting of the Company to elect all of the Directors (and their alternates) for the time being and from time to time, by a separate ordinary resolution with respect to each such Director and each alternate. The Shareholders further have the right to nominate persons for appointment as Directors; but no individual Shareholder has a direct appointment right.

The Board has the power to appoint Directors: (i) to fill a casual vacancy (being a vacancy on the Board which does not amount to the number of Directors, being less than the minimum number of Directors prescribed in terms of the Company MOI); or (ii) as an addition to the Board, provided that such appointment must be confirmed by the Shareholders at the next annual general meeting.

The elected Directors shall rotate as follows:

- at the first annual general meeting of the Company, all the elected Directors shall retire from office, and at each subsequent annual general meeting (or other general meeting held on an annual basis) one third of the Non-executive Directors for the time being, or if their number is not three or a multiple of three, the number nearest to one third, but not less than one third, shall retire from office;
- if an elected Director is appointed as CEO, CFO or as an employee of the Company in any other capacity, the contract under which they are appointed may provide that they shall not, while they continue to hold that position or office, be subject to retirement by rotation and they shall not, in such case, be taken into account in determining the rotation or retirement of Directors;
- the elected Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot unless those Directors agree otherwise between themselves;
- life directorships and directorships for an indefinite period are not permitted;
- a retiring Director shall act as a Director throughout the meeting at which they retire and may be re-elected, provided that such Director is eligible; and
- the Shareholders of the Company, at the general meeting at which any Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto.

A Director may also hold any other office in the Group other than that of auditor, and may also hold office as director or manager of, or in any other capacity, in any other company in which the Company is a shareholder or is otherwise interested. Such a Director will not be liable to account to the Company for any remuneration or other benefits receivable by him or her from such other company. The appointment of a Director in any other capacity and their remuneration must be determined by a disinterested quorum of Directors.

Alternate Director

The Shareholders shall be entitled to elect the alternates for Directors at a general meeting of the Company where those Directors are elected, by a separate ordinary resolution with respect to each such alternate. If the Shareholders do not elect an alternate with respect to any Director, the Board shall be entitled to appoint such alternate(s). Such alternate may not be a person previously proposed to the Shareholders as an alternate or as a Director but who was not elected by the Shareholders when put to the vote.

Directors' meetings

Save to the extent provided otherwise in the Company MOI, the Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit.

The Board may appoint a Director to act as Chairperson and one or more Directors to act as deputy Chairperson(s) of the Board Director and determine the period for which each is to hold office. At any meeting of directors the Chairperson of the Board, or if they are not present or willing to act as such, the most senior lead Director present and willing to act as such, shall act as Chairperson. If no Chairperson or deputy Chairperson is present and willing to act as such, the directors present at any Directors' meeting shall choose one of their number to be Chairperson of the meeting.

In addition to the provisions of the Companies Act, any Director shall at any time be entitled to call a meeting of the Directors.

The quorum requirement for a meeting of Directors (including an adjourned meeting) shall be a majority of the total number of Directors.

Each Director has one vote on a matter before the Board.

A majority of the votes cast on a resolution is sufficient to approve that resolution and, in the case of a tied vote, the Chairperson shall not have a casting vote and the matter being voted on fails.

A resolution that could be voted on at a Board meeting may instead be submitted for consideration to each Director and voted on in writing by Directors entitled to exercise voting rights on that matter. Such a resolution will have been adopted if it has been supported in writing by the requisite majority of the Directors in person who are entitled to exercise voting rights on the resolution proposed and, if so adopted, such a resolution will have the same effect as if it had been adopted at a Board meeting.

Directors' interests in contracts

If a Director has a personal financial interest (as contemplated in section 75 read with section 1 of the Companies Act, being a material direct economic interest) in respect of a matter to be considered at a meeting of the Board, or knows that a related person has a personal financial interest in the matter, that Director must disclose the interest and its general nature before the matter is considered at the meeting. The Director must further disclose to the meeting any material information relating to the matter known by the Director and may disclose any observations or pertinent insights relating to the matter if requested to do so.

A Director must, if present at a meeting, leave the meeting immediately after making any disclosure of a personal financial interest of that Director or a related person of that Director, and must not take part in the consideration of the matter. While absent from the meeting, the Director will be regarded as being present at the meeting for the purpose of determining whether sufficient Directors are present to constitute the meeting, but will not be regarded as being present at the meeting for the purpose of determining whether a resolution has sufficient support to be adopted.

Such a Director must not execute any document on behalf of the Company in relation to the matter unless specifically requested or directed to do so by the Board.

Directors' fees and expenses

The Company may pay remuneration to the Directors for their service as directors in accordance with a special resolution approved by the Shareholders within the previous two years.

The Directors shall be paid all of their travelling and other expenses properly and necessarily incurred by them in and about the business of the Company, (including in relation to attending meetings of the Directors or of committees thereof). If any Director is required to perform extra services or to reside abroad or shall be specifically occupied about the Company's business, they shall be entitled to receive such remuneration, which may be either in addition to or in substitution for any other remuneration, as is determined by a disinterested quorum of the Board.

Directors' liabilities

The Company shall be entitled, to the extent permitted in terms of the Companies Act, to advance expenses to a Director and/or directly or indirectly indemnify a Director in respect of the defence of legal proceedings arising out of the Director's service to the Company and to indemnify a Director in respect of any liability. The Company may further purchase insurance to protect a Director against any liability or expenses for which the Company is permitted to indemnify a Director or to protect the Company against any contingency, including any liability for which it may indemnify a Director and any expenses that it is permitted to advance to a Director or for which it is permitted to indemnify a Director.

The same applies, with the necessary changes being made, in respect of any former Director, prescribed officer or member of any committee of the Board, including the Audit Committee.

Borrowing powers

The Directors may from time to time exercise all of the powers of the Company to borrow for the purposes of the Company such sums as they think fit and to secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of any securities, mortgage or charge upon all or any of the property or assets of the Company.

Mandatory takeover bids, squeeze-out and sell-out rules

The Company will be subject to the provisions of Chapter 5 of the Companies Act (which regulate fundamental transactions, takeovers and offers) and the Takeover Regulations (as defined in "Annexe 14—Extracts of the Company's MOI and the memoranda of incorporation of the Major Subsidiaries"), including the provisions regarding mandatory offers, compulsory acquisitions and squeeze outs.

Under section 123 of the Companies Act, if: (i) the Company re-acquires any of its voting securities (in terms of a repurchase or a scheme of arrangement) or a person acting alone has (or two or more related or inter-related persons, or two or more persons acting in concert, have) acquired a beneficial interest in voting rights attached to any securities issued by the Company, such that (ii) before that acquisition a person was (or persons, as contemplated, were) able to exercise less than 35% of the voting rights attached to securities of the Company, and (iii) as a result of that acquisition, together with any other securities of the Company already held by the person (or persons), they are able to exercise at least 35% of all the voting rights attached to securities of the Company, then, within one Business Day after the date of the acquisition, the person(s) in whom the voting rights vest must give notice to the holders of the remaining securities, offering to acquire any such remaining securities. A written offer to acquire the remaining securities on terms determined in accordance with the Companies Act and the Takeover Regulations must be delivered to the holders of the remaining securities within one month after the notice.

Under section 124(1) of the Companies Act, if, within four months after the date of an offer for the acquisition of any class of securities of the Company, that offer has been accepted by the holders of at least 90% of that class of securities, other than any such securities held before the offer by the offeror, a related or inter-related person, or such persons acting in concert, or a nominee or subsidiary of any such person or persons, then within two months, the offeror may notify the holders of the remaining securities of the class and after giving notice, the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer. Within 30 days after receiving such a notice, a person may apply to court for an order that the offeror is not entitled to acquire the applicant's securities of that class or imposing conditions of acquisition different from those of the original offer.

If an offer for the acquisition of any class of securities of the Company results in the acquisition by the offeror or a nominee or subsidiary of the offeror, or a related or inter-related person of any of them, individually or in aggregate, of sufficient securities of that class such that, together with any other securities of that class already held by that person, or those persons in aggregate, they then hold at least 90% of the securities of that class, then the offeror must notify the holders of the remaining securities of the class that the offer has been accepted to that extent and within three months after receiving such a notice, a person may demand that the offeror acquire all of the person's securities of the class concerned. The offeror will be entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.

The Company's securities will also be subject to the comparable and partial offer procedures in the Companies Act. Under section 125(2) of the Companies Act: if (i) the Company re-acquires any of its voting securities of a particular class or one or more particular classes (in terms of a repurchase or a scheme of arrangement) and, as a result, a person or a number of related persons hold securities of the Company entitling the person or persons to exercise more than 35% of the general voting rights associated with all the issued securities of the Company; or (ii) a person acting alone, or two or more persons acting in concert, make an offer for any securities of the Company, which, if accepted, could result in a person, or a number of related or inter-related persons holding securities of the Company entitling the person or persons to exercise more than 35% of the general voting rights associated with all issued securities of the Company, that person or those persons acting in concert must make a comparable offer to acquire securities of each class of issued securities of the Company.

Fundamental transactions

The Company will further be subject to the provisions of Chapter 5 of the Companies Act which regulate fundamental transactions, as well as the appropriate provisions of the JSE Listings Requirements. The fundamental transactions provided for in Part A of Chapter 5 comprise: (i) a disposal of all or the greater part of the assets or undertaking of a company; (ii) an amalgamation or merger; and (iii) a scheme of arrangement.

The Company may only dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking or implement an amalgamation or a merger or scheme of arrangement, if the transaction has been approved by a special resolution of the Shareholders in compliance with section 115 of the Companies Act.

Despite a special resolution having been adopted, a fundamental transaction will require court approval if the resolution approving it was opposed by at least 15% of voting rights exercised on the resolution and any person who voted against the resolution demands (within five Business Days after the vote) that the Company seeks court approval, or, alternatively, where the court grants leave to a person who voted against the resolution to apply for a review of the transaction. If a resolution requires approval by a court, the Company must either apply to the court for approval, bearing the costs of the application, or treat the resolution as a nullity. The court may set aside such a resolution only if it is manifestly unfair to any class of holders of the Company's securities or if the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Companies Act, the Company MOI or any applicable rules of the Company or any other significant and material procedural irregularity.

In addition, an amalgamation or merger must comply with the requirements under section 113 of the Companies Act, in terms of which: (i) the amalgamating or merging parties must enter into a written agreement which sets out the terms and means of effecting the amalgamation or merger and other prescribed matters; (ii) the Board and the board of every other amalgamating or merging company must reasonably believe that each proposed amalgamated or merged company will satisfy the solvency and liquidity test upon implementation of the amalgamation or merger agreement; and (iii) a notice of the amalgamation or merger must be given to every known creditor of the Company.

A scheme of arrangement must comply with the further requirements under section 114 of the Companies Act, in terms of which the Company will be required to appoint an independent expert, who satisfies the requirements set out in the Companies Act, to prepare a report on the scheme of arrangement to the Board and cause the report to be distributed to all the Shareholders. A scheme of arrangement includes any arrangement between the Company and the holders of any class of its securities, by way of, *inter alia*: (i) a consolidation of securities of different classes; (ii) a division of securities into different classes; (iii) an expropriation of securities from the holders; (iv) exchanging of any of its securities for other securities; (v) a re-acquisition by the Company of its securities; or (vi) a combination of these methods.

In the event of a disposal of all or the greater part of the assets or undertaking of the Company, the assets must be fairly valued, as calculated in the prescribed manner, as set out in section 112 of the Companies Act.

As long as the Company is a public company it will be a regulated company for purposes of Chapter 5 of the Companies Act and the Takeover Regulations. As a regulated company, the Company may not implement any fundamental transaction as contemplated above unless the Takeover Regulation Panel has issued a compliance certificate in respect of the transaction in terms of section 119(4)(b) of the Companies Act or exempted the transaction in terms of section 119(6) of the Companies Act.

Shareholder appraisal rights

If a special resolution to enter into a fundamental transaction, as contemplated above, or to amend the Company MOI which alters the rights, preferences, limitations or other terms of any class of shares in any manner materially adverse to the rights or interests of holders of that class of shares is adopted, the holder of any voting rights in the Company is entitled to seek relief in terms of section 164 of the Companies Act if that person: (i) notified the Company in advance of the Shareholder's intention to oppose the resolution; (ii) was present at the meeting and voted against that resolution; and (iii) in the case of a resolution amending the Company MOI, holds shares of a class that is materially and adversely affected by the amendment. If a Shareholder complies with the aforementioned requirements and all the procedural requirements, the Shareholder may demand that the Company pay the Shareholder the fair value for all the shares of the Company held by that Shareholder in accordance with section 164 of the Companies Act.

Special Resolutions

In terms of section 65(11) of the Companies Act, the Company requires the prior approval of the Shareholders by way of special resolution to:

- amend the Company MOI, to the extent required by the Companies Act, and to ratify a consolidated revision of the Company MOI;
- subject to the provisions of the Company MOI, the Companies Act and the JSE Listings Requirements, ratify actions by the Company or the Board in excess of their authority;
- issue shares or securities or grant rights in certain circumstances;
- authorise the Board to grant financial assistance as contemplated in sections 44 and 45 of the Companies Act;

- approve a decision of the Board for a re-acquisition of the Company's shares if: (i) any shares are to be acquired by the Company from a Director or prescribed officer, or a person related to a Director or prescribed officer; and (ii) considered alone or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% of the issued shares of any particular class of the Company's shares;
- authorise the basis for compensation to the Directors;
- approve the voluntary winding up of the Company;
- approve an application to transfer the registration of the Company to a foreign jurisdiction;
- approve any proposed fundamental transaction, to the extent required by Part A of Chapter 5 of the Companies Act; or
- revoke a resolution that gave rise to Shareholders' appraisal rights under section 164.

For a special resolution to be approved, it must be supported by at least 75% of the voting rights exercised on the resolution.

3. INFORMATION ON THE MAJOR SUBSIDIARIES

Details of the Company's Major Subsidiaries are set out in "Annexe 11—Major Subsidiaries, their directors and subsidiary undertakings".

4. PRINCIPAL IMMOVABLE PROPERTIES HELD OR OCCUPIED

Details of the principal immovable properties held or occupied by the Company and its Major Subsidiaries are set out in "Annexe 12—Principal immovable properties held or occupied". None of the Directors has any material interest in any of the immovable properties held or occupied by the Company and its Major Subsidiaries.

5. PROPERTY ACQUIRED OR TO BE ACQUIRED

There were no material acquisitions of property (as envisaged in the JSE Listings Requirements) by the Company or its Major Subsidiaries or by any subsidiary where the acquisitions were material to the Company in the three years preceding the date of this Document. There are no proposed material acquisitions by the Company or its Major Subsidiaries or any other subsidiary where the acquisition will be material to the Company of any property (as envisaged in the JSE Listings Requirements), and there are no options to acquire any such property, nor have the Directors made any firm commitments concerning any principal future investments by the Group.

None of the Directors or the promoters has a material beneficial interest in any of the properties referred to above.

6. DISPOSAL OF PROPERTY

There were no disposals of material property (as envisaged in the JSE Listings Requirements) by the Company, the Major Subsidiaries or any subsidiary in the three years preceding the date of this Document, save for the properties transferred by TOPL to ACSSA as part of the Internal Restructure on 31 August 2020, as set out below:

Province	Description	Title Deed	Valuation	Purchase Price (excluding VAT) ⁽¹⁾		
Gauteng	Ferreiras Dorp and Marshalls Town land (including 44 Main Street, 45 Main Street, 47 Main Street, 55 Marshall Street and 42 Marshall Street):	Erf 45 Ferreiras Dorp Township, Registration Division IR	T2234/2005	R56,200,000	R325,033.83	
		Erf 46 Ferreiras Dorp Township, Registration Division IR				
		Erf 56 Ferreiras Dorp Township, Registration Division IR				
		Erf 53 Ferreiras Dorp Township, Registration Division IR	T45096/1999			
		Erf 305 Ferreiras Dorp Township, Registration Division IR	T45095/1999			
		Erf 304 Ferreiras Dorp Township, Registration Division IR	T44772/1999	R135,500,000	R749,122.77	
		Erf 318 Ferreiras Dorp Township, Registration Division IR	T44770/1999	R44,400,000	R502,456.33	
		Erf 319 Ferreiras Dorp Township, Registration Division IR	T44771/1999			
		Erf 1153 Marshalls Town Township, Registration Division IR	T44848/1999	R112,700,000	R493,165.79	
		Erf 1254 Marshalls Town Township, Registration Division IR	T45095/1999	R140,200,000	R7,631,167.84	
		Other Land:				
		Erf 1 Theta Township, Registration Division IQ	T34874/1999	R25,300,00	R20,778,150.56	
		Erf 2 Theta Township, Registration Division IQ				
		Erf 30 Theta Ext 2 Township, Registration Division IQ				
Erf 33 Theta Ext 2 Township, Registration Division IQ						
Erf 37 Theta Ext Township, Registration Division IQ	T44768/1999	R68,500,000	R209,904,769.78			
Erf 96 Theta Ext 6 Township, Registration Division IQ	T13523/2003					
Mpumalanga	Holdings 94 Rietkol Agricultural Holdings, Registration Division IR	T3051/2011	R11,300,000	R11,751,651.27		
Western Cape	Erf 526 Pikelberg Township, Registration Division N/A	T64279/1999	R230,000	R1		

Note:

⁽¹⁾ The material properties listed above were sold in terms of the Intragroup Sale Agreement, pursuant to which the consideration received for these properties equated to the book value of these properties. The valuations disclosed above represent the market value of these properties as valued by an independent valuator and therefore differ from the purchase price.

7. **THIRD-PARTY MANAGEMENT**

The Group outsources and procures certain functions and services externally to third parties. SACO and TOPL have concluded the Group Transitional Services Agreement with ACSSA in terms of which transitional services shall be provided by the Anglo American Group to members of the Group, details of which are set out in “Annexe 15—Material Contracts—Group Transitional Services Agreement”. Notwithstanding the above, none of the Group’s business, or any part of it, is managed, or proposed to be managed, by any third-party under a contract of management.

8. **MATERIAL CAPITAL COMMITMENTS**

Other than disclosed in the Historical Financial Information of the Company and the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, there were no material capital commitments of the Company as at 5 January 2021 and the Group as at 31 December 2020. No portion of these commitments relates to commitments authorised but not contracted for.

9. **MATERIAL CONTINGENT LIABILITIES**

Other than disclosed in the Historical Financial Information of the Company and the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, there were no material contingent liabilities of the Company and the Group.

10. **LEASE PAYMENTS**

Other than disclosed in the Historical Financial Information of the Company and the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, there are no material lease payments payable by the Group.

11. **LOAN CAPITAL AND MATERIAL LOANS**

Details of the SA Thermal Coal Operations’ material borrowings as at 31 December 2020 are set out in “Annexe 13—Material borrowings and material inter-company balances”.

The Company has no debentures in issue.

No restrictive funding arrangements have been entered into by the Company, its Major Subsidiaries, or by any subsidiaries where such restrictive funding arrangements are material to the Company.

Other than the Thermal Coal Loan, neither the Company nor any of its subsidiaries has any material loans receivable outstanding.

Save as envisaged in “Annexe 13—Material borrowings and material inter-company balances”, no loans have been made or security furnished by the Company to or for the benefit of any Director or manager.

Details of material inter-company financial and other transactions as at 31 December 2020 are set out in “Annexe 13—Material borrowings and material inter-company balances”.

12. **INTERESTS OF ADVISERS AND PROMOTORS AND AMOUNTS PAID OR PAYABLE TO PROMOTERS**

None of the advisers, as set out in “Part IV—Corporate Information” on page 35, holds any Shares or has agreed to acquire any Shares.

The Group has not paid any amount and no amount (in cash or otherwise) is payable to any promoters (not being a Director or officer of the Company) or to any partnership, syndicate or other association of which the promoter was a member during the three years preceding the date of this Document.

From time to time, in the ordinary course of their respective businesses, the Financial Advisers and their affiliates have engaged, and may in the future engage, in commercial or investment banking transactions with the Company.

No promoter, Director or officer of the Company has any beneficial interest, direct or indirect, in the Financial Advisers.

13. **LITIGATION**

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) during the period covering at least the 12 months preceding the date of this Document that may have, or have had in the recent past, a significant effect on the Company and/or the Group's financial position or profitability.

14. **MATERIAL CONTRACTS**

"Annexe 15—Material Contracts" sets out details of contracts, other than contracts entered into in the ordinary course of business, that have been entered into by the Company or any of the Group's subsidiaries: (i) within the two years immediately preceding the date of this Document and are material to the Company or any of the Group's subsidiaries; or (ii) may contain provisions under which the Company or any of the Group's subsidiaries has an obligation or entitlement which is material to the Group.

There are no existing or proposed contracts relating to royalties payable by the Company or its Major Subsidiaries.

There are no existing or proposed contracts relating to secretarial fees payable by the Company or its Major Subsidiaries.

There are no existing or proposed contracts relating to technical fees payable by the Company or its Major Subsidiaries.

15. **SOCIAL MANDATE**

Save as disclosed elsewhere in this Document, the Social and Ethics Committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and there are no instances of material non-compliance to disclose.

16. **COMPLIANCE WITH THE LAWS OF THE JURISDICTION OF INCORPORATION AND COMPANY MOI**

The principal legislation under which the Company operates, and pursuant to which the Shares have been created, is the Companies Act and the Companies Regulations made thereunder and the Company operates in compliance with the Companies Act and the Companies Regulations and operates in conformity with the Company MOI.

17. **RELATED PARTY TRANSACTIONS**

All transactions with related parties are conducted on an arm's-length basis. Details of material intercompany financial and other transactions with Anglo American or its subsidiaries to give effect to the Demerger are described in "Annexe 15—Material Contracts". Related party transactions for FY20, FY19 and FY18 can be found in note 28 of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

18. **GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAWS**

The Group does not benefit from any government protection or investment encouragement law affecting its business.

19. **WORKING CAPITAL STATEMENT FOR JSE PURPOSES**

In the opinion of the Directors, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months following the date of this Document.

20. **WORKING CAPITAL STATEMENT FOR FCA PURPOSES**

In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months following the date of this Document.

21. **NO MATERIAL CHANGE FOR JSE PURPOSES**

Other than as described in "Part XV—Operating and Financial Review—Post Balance Sheet Events", there has been no material change in the Group's financial or trading position since 31 December 2020, the date of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, and the Last Practicable Date. There has been no material change in the Company's financial or trading position since 5 January 2021, being the date of incorporation of the Company, and the Last Practicable Date.

22. **NO SIGNIFICANT CHANGE FOR FCA PURPOSES**

Other than as described in "Part XV—Operating and Financial Review—Post Balance Sheet Events", there has been no significant change in the Group's financial position or financial performance since 31 December 2020, the date of the Combined Carve-Out Historical Financial Information of the SA Thermal Coal Operations. There has been no significant change in the Company's financial position or financial performance since 5 January 2021, being the date of incorporation of the Company.

23. **NO MATERIAL CHANGE TO EACH OF THE COMPETENT PERSONS' REPORTS**

There have been no material changes since 31 December 2020, the effective date of the Competent Person's Report prepared by Ukwazi as set out in "Annexe 19—Competent Persons' Reports", the omission of which would make such Competent Person's Report misleading.

There have been no material changes since 31 December 2020, the effective date of each of the Competent Person's Reports prepared by SRK as set out in "Annexe 19—Competent Persons' Reports", the omission of which would make such Competent Person's Reports misleading.

24. **JSE LISTINGS REQUIREMENTS DISPENSATIONS**

The JSE Limited and the FCA have made rulings, granted dispensations and given confirmations in relation to the Group's presentation of financial information as set out herein. The JSE has made further rulings and granted dispensations in respect of the timing of the implementation of the Internal Restructure, the manner of preparation of the CPRs and the submission process regarding the material contracts set out in "Annexe 15—Material Contracts".

25. EXPENSES

The following table sets out the total estimated expenses paid or payable by the Company in respect of the Admissions. Other costs and expenses relating to the Internal Restructure, Demerger and the Admissions will be borne by Anglo American.

	(R million)
Auditor and independent reporting accountant – PricewaterhouseCoopers Inc.	15
Auditor and independent reporting accountant – PricewaterhouseCoopers LLP	12
Other expenses and disbursements ⁽¹⁾	1
Total estimated expenses and fees	28

Note:

⁽¹⁾ Other expenses include fees paid to external advisors regarding the preparation of the Share Plan and the Remuneration Policy.

26. CONSENTS AND RESPONSIBILITY STATEMENTS

Morgan Stanley, Financial Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

RMB, Financial Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

PricewaterhouseCoopers Inc. located at 4 Lisbon Lane, Waterfall City, Jukskei View, South Africa, independent reporting accountant and auditor to the Company, has given and has not withdrawn its written consent to (i) the inclusion of its reports in the form and context in which they appear herein and (ii) the issue of this Document with the inclusion herein of the references to its name in the form and context in which it appears.

PricewaterhouseCoopers LLP located at 1 Embankment Place, London, WC2N 6RH, United Kingdom, independent reporting accountant to the Company, a member firm of the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to (i) the issue of this Document with the inclusion herein of the references to its name and: (ii) the inclusion of its reports and references thereto set out in "Annexe 3C—Independent Reporting Accountant's Report on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the three years ended 31 December 2020 included for purposes of the UK Prospectus Regulation Rules", "Annexe 5B—Independent Reporting Accountant's Report on the Historical Financial Information of the Company as at incorporation included for purposes of the UK Prospectus Regulation Rules" and "Annexe 7B—Independent Reporting Accountant's Report on the Pro Forma Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules", and has authorised the contents of those reports for the purposes of item 1.3 of Annex 1 of the UK Prospectus Delegated Regulation. In compliance with item 5.3.2R(2)(f) of the UK Prospectus Regulation Rules and item 1.2 of Annex 1 of the UK Prospectus Delegated Regulation, PricewaterhouseCoopers LLP accepts responsibility for the abovementioned reports and to the best of PricewaterhouseCoopers LLP's knowledge, PricewaterhouseCoopers LLP declares the information set out in the abovementioned reports is in accordance with the facts and the abovementioned reports make no omission likely to affect their import.

Webber Wentzel, legal adviser to the Company as to South African law, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

Linklaters LLP, legal adviser to the Company as to English and US law, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

Computershare Investor Services Proprietary Limited, the JSE Transfer Secretaries, have given and have not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

Computershare Investor Services (Jersey) Limited, the Jersey Registrar has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

RMB, JSE Sponsor to the Company, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

KPMG SA, Transaction Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

KPMG UK, Transaction Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

SRK, commissioned by the Company to compile Competent Person's Reports, has given and has not withdrawn its written consent to: (i) the issue of this Document with the inclusion herein of the references to its name and (ii) the inclusion of information extracted from its Competent Person's Reports in "Part VIII—Business Overview", and has authorised the contents of those reports and references thereto as part of this Document for the purposes of item 1.3 of Annex 1 of the UK Prospectus Delegated Regulation. In compliance with item 1.2 of Annex 1 of the UK Prospectus Delegated Regulation, SRK accepts responsibility for the Competent Person's Reports and to the best of SRK's knowledge, declares the information set out in the Competent Person's Reports prepared by SRK is in accordance with the facts and the Competent Person's Reports prepared by SRK make no omission likely to affect their import.

Ukwazi, commissioned by the Company to compile a Competent Person's Report, has given and has not withdrawn its written consent to: (i) the issue of this Document with the inclusion herein of the references to its name and (ii) the inclusion of information extracted from its Competent Person's Report where applicable, in "Part VIII—Business Overview", and has authorised the contents of the Competent Person's Report and references thereto as part of this Document for the purposes of item 1.3 of Annex 1 of the UK Prospectus Delegated Regulation. In compliance with item 1.2 of Annex 1 of the UK Prospectus Delegated Regulation, Ukwazi accepts responsibility for its Competent Person's Report and to the best of Ukwazi's knowledge, declares the information set out in the Competent Person's Report prepared by Ukwazi is in accordance with the facts and the Competent Person's Report prepared by Ukwazi makes no omission likely to affect its import.

Wood Mackenzie, industry adviser to the Company, has given and not withdrawn its written consent to: (i) the issue of this Document with the inclusion herein of the references to its name and (ii) the inclusion of extracts of its report in "Part VII—Industry Overview", and has authorised the contents of its

report and references thereto as part of this Document for the purposes of item 1.3 of Annex 1 of the UK Prospectus Delegated Regulation. In compliance with item 1.2 of Annex 1 of the UK Prospectus Delegated Regulation, Wood Mackenzie accepts responsibility for "Part VII—Industry Overview", which has been sourced to Wood Mackenzie and to the best of Wood Mackenzie's knowledge, Wood Mackenzie declares the information set out in "Part VII—Industry Overview" is in accordance with the facts and "Part VII—Industry Overview" makes no omission likely to affect its import.

27. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office and the JSE Sponsor's offices set out in "Part IV – Corporate Information" during Business Hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of issue of this Document until the date of the Admissions and, where marked with an asterisk (*), also at www.thungela.com and at www.angloamerican.com/products/thermal-coal/demerger:

- the Company MOI*;
- the memoranda of incorporation of the Company's Major Subsidiaries*;
- the signed responsibility statement made by the CEO and the CFO in respect of the presentation and preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations and the Company's financial information at incorporation*;
- the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the Financial Years ended 31 December 2018, 31 December 2019 and 31 December 2020*;
- the signed independent reporting accountant's audit report issued by PricewaterhouseCoopers Inc. dated 1 April 2021, in respect of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the Financial Year ended 31 December 2020 for purposes of the JSE Listings Requirements*;
- the signed independent reporting accountant's review report issued by PricewaterhouseCoopers Inc. dated 1 April 2021, in respect of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the Financial Years ended 31 December 2019 and 31 December 2018 for purposes of the JSE Listings Requirements*;
- the signed independent reporting accountant's report issued by PricewaterhouseCoopers LLP dated 8 April 2021, in respect of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the Financial Years ended 31 December 2020, 31 December 2019 and 31 December 2018 for purposes of the UK Prospectus Regulation Rules*;
- the Historical Financial Information of the Company as at its date of incorporation*;
- the signed independent reporting accountant's audit report issued by PricewaterhouseCoopers Inc. dated 1 April 2021, in respect of the Historical Financial Information of the Company at its date of incorporation for purposes of the JSE Listings Requirements*;
- the signed independent reporting accountant's report issued by PricewaterhouseCoopers LLP dated 8 April 2021, in respect of the Historical Financial Information of the Company at its date of incorporation for purposes of the UK Prospectus Regulation Rules*;
- the *Pro Forma* Financial Information of the Group*;
- the signed independent reporting accountant's report issued by PricewaterhouseCoopers Inc. dated 1 April 2021, in respect of the *Pro Forma* Financial Information of the Group for purposes of the JSE Listings Requirements*;
- the signed independent reporting accountant's report issued by PricewaterhouseCoopers LLP dated 8 April 2021, in respect of the *Pro Forma* Financial Information for purposes of the UK Prospectus Regulation Rules*;
- the signed independent reporting accountant's report issued by PricewaterhouseCoopers Inc. dated 1 April 2021, in respect of the Non-IFRS Financial Measures for purposes of the JSE Listings Requirements*;
- a signed copy of this Document*;
- copies of the Competent Persons' Reports in relation to Greenside, Isibonelo, Goedehoop, Zibulo, Khwezela and Mafube collieries*;
- copies of the Competent Persons' Reports in relation to Dalyshope Project and Elders Project*;
- copies of the written consents of each of the advisers named in "—Consents and Responsibility Statements" to act in those capacities;
- copies of the material contracts referred to in "Annexe 15—Material Contracts" (save for the RBCT Shareholders Agreement, the Leased RBCT Allocation and the Isibonelo Coal Supply Agreement which are in the ordinary course of business and subject to confidentiality restrictions), provided that some clauses in the Offtake Agreement and Capital Support Agreement have been redacted to obscure commercially sensitive information which, if provided in full, could be seriously detrimental to the Group, or contrary to the public interest, and omission thereof is not likely to mislead investors with regard to any important facts and/or circumstances;
- a copy of the Share Plan referred to in "Annexe 10—Company Share Plan";
- summaries of the Directors' service agreements referred to in "Annexe 9—Particulars of the Directors and Senior Management of the Company"; and
- the Scheme Circular.

For the purposes of the JSE Listings Requirements and the UK Prospectus Regulation Rules, this Document will be published in electronic form and made available at www.thungela.com.

Signed in Sandton on behalf of the Company in terms of a resolution by the Directors.

By order of the Board

31 March 2021

July Ndlovu
(CEO)

Sango Ntsaluba
(Chairman)

CEO AND CFO RESPONSIBILITY STATEMENT REGARDING THE FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS

The CEO and the CFO hereby confirm that -

- (a) the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as set out in "Annexe 2—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and the Historical Financial Information of the Company as at the date of incorporation as set out in "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company" and "Annexe 4C—Historical Financial Information of the Company as at incorporation" fairly present in all material respects the financial position, financial performance and cash flows of the Company in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as set out in "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and the Historical Financial Information of the Company as at the date of incorporation as set out in "Annexe 4B—Background, scope, purpose and basis of preparation of the Historical Financial Information of the Company" and "Annexe 4C—Historical Financial Information of the Company" false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the Company and the Group have been provided to effectively prepare the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as set out in "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and the Historical Financial Information of the Company as at the date of incorporation as set out in "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation" and "Annexe 4C—Historical Financial Information of the Company as at incorporation"; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as set out in "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical financial Information of the SA Thermal Coal Operations" and "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and the Historical Financial Information of the Company as at incorporation as set out in "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company" and "Annexe 4C—Historical Financial Information of the Company as at incorporation", having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and PricewaterhouseCoopers Inc. the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves Directors, and have taken the necessary remedial action.

July Ndlovu
(CEO)

Deon Smith
(CFO)

BASIS OF COMPILATION AND REPORTING ON THE COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as at, and for the three financial years ended 31 December 2020, is set out in Annexe 2, Sections A, B and C, as follows:

- Annexe 2A: Basis of compilation and reporting on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations;
- Annexe 2B: Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as follows:
 - Part 1: Background to, purpose of and principles applied in preparing the Combined Carve-out Historical Financial Information;
 - Part 2(a): Basis of preparation in respect of the Combined Carve-out Historical Financial Information for purposes of the JSE Listings Requirements;
 - Part 2(b): Directors' commentary in respect of the Combined Carve-out Historical Financial Information for purposes of the JSE Listings Requirements;
 - Part 3: Basis of preparation in respect of the Combined Carve-out Historical Financial Information for purposes of the UK Prospectus Regulation Rules;
- Annexe 2C: Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations which includes the Combined Carve-out Historical Financial Information, accounting policies and notes to the Combined Carve-out historical Financial Information.

Annexe 2A, Part 1, Part 2(a) and Part 2(b) of Annexe 2B and Annexe 2C, together jointly form the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for purposes of the JSE Listings Requirements, which are the responsibility of the Directors of Thungela Resources Limited ("**the Company**") and were approved by the Board on 31 March 2021; and

Annexe 2A, Part 1 and Part 3 of Annexe 2B and Annexe 2C, together jointly form the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for purposes of the UK Prospectus Regulation Rules, which are the responsibility of the Directors of the Company and were approved by the Board on 31 March 2021 and 8 April 2021.

Although the independent reporting accountant's reports, presented in Annexe 3A and Annexe 3B, and the basis of preparation of the Combined Carve-out Historical Financial Information for JSE Listings Requirements purposes, as detailed in Part 2 of Annexe 2B, is different to the independent reporting accountant's report, presented in Annexe 3C, and the basis of preparation of the Combined Carve-out Historical Financial Information for UK Prospectus Regulation Rules, as detailed in Part 3 of Annexe 2B, the background, scope, purpose and the principles applied in preparing the Combined Carve-out Historical Financial Information, set out in Part 1 of Annexe 2B, and the Combined Carve-out Historical Financial Information, accounting policies and notes (except for note 6 that presents headline earnings as per JSE Listings Requirements) to the Combined Carve-out Historical Financial Information set out in Annexe 2C, is common to both regimes.

The reporting requirements under which the independent reporting accountant's reports are prepared for purposes of the JSE Listing Requirements and the UK Prospectus Regulation Rules are different, necessitating the issuance of an Independent Reporting Accountant's Reports by PricewaterhouseCoopers Inc. for purposes of the JSE Listings Requirements and the issuance of Independent Reporting Accountant's Reports by PricewaterhouseCoopers LLP for purposes of the UK Prospectus Regulation Rules.

The differences are as follows:

	JSE	LSE
Nature of opinion	<ul style="list-style-type: none"> – An independent reporting accountant's report including an audit opinion, prepared in terms of International Standards on Auditing in respect of the year ended 31 December 2020; – An Independent reporting accountant's report including review conclusions, prepared in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, in respect of the years ended 31 December 2019 and 2018. 	<ul style="list-style-type: none"> – An independent reporting accountant's report prepared in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom, including audit opinions in respect of the years ended 31 December 2020, 2019 and 2018, as required by the UK Prospectus Regulation Rules.

Annexe 2A: Basis of compilation and reporting on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations (continued)

	JSE	LSE
Basis of preparation	<ul style="list-style-type: none"> – Combined Carve-out Historical Financial Information, as set out in Annexe 2C, prepared in accordance with IFRS and paragraphs 8.3 to 8.12 of the JSE Listings Requirements, to the extent applicable, as detailed in the basis of preparation set out in Part 1, Part 2(a) and Part 2(b) of Annexe 2B. 	<ul style="list-style-type: none"> – Combined Carve-out Historical Financial Information, as set out in Annexe 2C, and prepared in accordance with the basis of preparation set out in Part 1 and Part 3 of Annexe 2B.
Companies Act compliance	<ul style="list-style-type: none"> – The Combined Carve-out Historical Financial Information set out in Annexe 2C and prepared in accordance with the basis of preparation set out in Part 1, Part 2(a) and Part 2(b) of Annexe 2B does not constitute statutory accounts within the meaning of the South African Companies Act, 71 of 2008. 	<ul style="list-style-type: none"> – The Combined Carve-out Historical Financial Information set out in Annexe 2C and prepared in accordance with the basis of preparation set out in Part 1 and Part 3 of Annexe 2B does not constitute statutory accounts within the meaning of section 434 of the UK Companies Act.

The independent reporting accountant's reports for JSE purposes issued by PricewaterhouseCoopers Inc., in respect of the Combined Carve-out Historical Financial Information set out in Annexe 2C and prepared in accordance with the basis of preparation set out in Part 1, Part 2(a) and Part 2(b) of Annexe 2B, are set out in Annexe 3A and Annexe 3B.

PricewaterhouseCoopers LLP's independent reporting accountant's report, in respect of the Combined Carve-out Historical Financial Information set out in Annexe 2C and prepared in accordance with the basis of preparation set out in Part 1 and Part 3 of Annexe 2B, is set out in Annexe 3C.

Capitalised terms used in Annexe 2A, Annexe 2B and Annexe 2C shall, unless otherwise defined in Annex 2A, Annex 2B or Annexe 2C, have the meaning given in "Annexe 17: Definitions, Glossary and Interpretation".

BACKGROUND, SCOPE, PURPOSE AND THE BASIS OF PREPARATION OF THE COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS

Part 1: Background to, purpose of and the principles applied in preparing the Combined Carve-out Historical Financial Information

On 7 May 2020 Anglo American Plc ('Anglo American' or the "**Parent**") announced its plan to demerge and publicly list its South African Thermal Coal Operations. The Anglo American Group consists of Anglo American and its subsidiaries.

The Anglo American Group's South African Thermal Coal operations ("**Anglo American Coal Operations**") have historically been carried out by the following fully owned subsidiaries:

- Thungela Operations Proprietary Limited ("**TOPL**"),
- South Africa Coal Operations Proprietary Limited ("**SACO**"), including its interests in the following subsidiaries, Anglo American Inyosi Coal Proprietary Limited ("**AAIC**") (73%) and Butsanani Energy Investment Holdings Proprietary Limited ("**Butsanani Energy**") (66.7%), as well as Phola Coal Processing Plant Proprietary Limited ("**Phola**"), a 50% joint operation; and
- Anglo American South African Capital Proprietary Limited ("**ASAC**") that owns a 50% interest in Mafube Coal Mining Proprietary Limited ("**Mafube**"), a joint operation.

Proposed transaction (the 'Transaction')

The separation is being implemented by way of a demerger by the Anglo American Group of the SA Thermal Coal Operations (as defined below) to a newly created public company (the "**Demerger**"), Thungela Resources Limited, incorporated in the Republic of South Africa. The Company expects to have a primary listing on the main board of the Johannesburg Stock Exchange ("**JSE**") and a listing on the main board of the London Stock Exchange ('LSE') with an admission to the standard listing segment of the official list of the Financial Conduct Authority ("**FCA**") (the "**Admissions**").

Anglo American underwent an Internal Restructure of its South African coal operations through the transfer from Anglo South Africa Proprietary Limited ("**ASA**") to SACO of the trade and assets relating to the coal mining businesses held in TOPL, and from ASAC to SACO of the 50% interest in the Mafube joint operation (collectively the "**SA Thermal Coal Operations**"). The transfer of TOPL and Mafube to SACO is effective from 31 December 2020 and 31 March 2021 respectively.

The SA Thermal Coal Operations to which this Combined Carve-out Historical Financial Information relates, consists of seven mining operations located in the Republic of South Africa made up as follows:

- The entirety of the SACO Group's thermal coal business comprising of the Zibulo and Rietvlei mining operations, as well as a 50% share of the activities carried out under Phola;
- The TOPL thermal coal business comprising of the Isibonelo, Goedehoop, Greenside and Khwezela mining operations; and
- 50% of the thermal coal business carried out under Mafube.

A list of all the businesses that comprise the SA Thermal Coal Operations is included in Note 33.

In advance of the Admissions, the Company will be inserted as the ultimate parent company of SACO and its respective subsidiaries and joint operations via a share-for-share exchange mechanism expected to take place in June 2021.

The Demerger of the Company from the Anglo American Group will be implemented by way of a scheme of arrangement (including an *in specie* reduction of capital), which is a process requiring approval by the UK High Court under the UK Companies Act (the "**Scheme**"). Under the Scheme and pursuant to the reduction of capital, Anglo American will transfer all of the issued Shares of the Company to Anglo American Shareholders in the ratio of one Share for every ten Anglo American Shares held at the time of the Demerger. The overall effect of the Demerger is therefore to transfer ownership in the Company from Anglo American to Anglo American Shareholders on a pro-rata basis.

Purpose

During the period covered by the Combined Carve-out Historical Financial Information the SA Thermal Coal Operations was performed through the Anglo American Coal Operations as detailed above. Prior to the Internal Restructure described above, the Anglo American Coal Operations did not form a group and therefore it is not possible to prepare consolidated historical financial information in accordance with IFRS 10: *Consolidated Financial Statements* ("**IFRS 10**"), in respect of the SA Thermal Coal Operations. The Combined Carve-out Historical Financial Information as at and for the years ended 31 December 2020, 2019 and 2018 has been prepared for the purposes of presenting the financial position, the results of operations, changes in equity and cash flows of the SA Thermal Coal Operations on a stand-alone basis.

Principles applied in preparing the Combined Carve-out Historical Financial Information

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is prepared in compliance with International Financial Reporting Standards and Interpretations of those standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") effective at the time of preparing the Combined Carve-out Historical Financial Information.

IFRS does not specifically provide for the preparation of combined carve-out historical financial information, and accordingly, in preparing the Combined Carve-out Historical Financial Information, certain accounting conventions commonly used in the preparation of combined carve-out historical financial

information for inclusion in a, pre-listing statement and/or prospectus, have been applied in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* ("**IAS 8**"). These are discussed in more detail below.

IAS 8 requires consideration of the most recent pronouncements of other standard-setting bodies, other financial reporting requirements, and recognised industry practices.

For the periods covered in the Combined Carve-out Historical Financial Information, the operations of the SA Thermal Coal Operations were under the control of Anglo American. This includes the judgment management have made regarding Anglo American's share of the activities, assets and liabilities of the two joint operations (Mafube and Phola), that were recognised in Anglo American's consolidated financial statements, as Anglo American's share of those assets and liabilities are deemed to have been under the control of Anglo American throughout the historical track record period.

In the Combined Carve-out Historical Financial Information, the predecessor accounting approach has been applied in accordance with the common practice for the accounting for business combinations under common control in combined financial statements. This means that the assets, liabilities, income, and expenses of the economic activities included in the Combined Carve-out Historical Financial Information correspond to the historically reported amounts in the consolidated financial statements of the parent (predecessor values).

The Combined Carve-out Historical Financial Information has been prepared by extracting and aggregating the historical income, expenses, assets and liabilities attributable to the SA Thermal Coal Operations from the historical records of the SA Thermal Coal Operations, as detailed below, which were included in the consolidated audited financial statements of Anglo American.

The consolidated audited financial statements of Anglo American were prepared as below, for the relevant periods, (which is consistent with IFRS issued by the IASB):

- For the years ended 31 December 2018 and 31 December 2019: prepared in accordance with IFRS as adopted for use by the European Union.
- For the year ended 31 December 2020: in accordance with International Accounting Standards in conformity with the requirements of the UK Companies Act 2006, IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The historical records of the SA Thermal Coal Operations' operations include all income, costs, assets, and liabilities attributable to the SA Thermal Coal Operations. Butsanani Energy has been recognised from 1 March 2019 by the SA Thermal Coal Operations, the date from when control was obtained, which is earlier than in Anglo American's consolidated financial statements on the basis of materiality.

Costs directly associated to the SA Thermal Coal Operations, for example, the costs associated with employment costs, and other direct overheads, are recognised in the respective ledgers of the SA Thermal Coal Operations' operations and are directly identifiable from the financial records maintained in the finance system (hereinafter called "**HFM**"). Therefore, they are separately identifiable within HFM and have been included within the Combined Carve-out Historical Financial Information.

The Combined Carve-out Historical Financial Information also includes allocations of SA Thermal Coal Operations related expenses, assets, and liabilities from Anglo American and other entities within the Anglo American Group that were reflected within HFM in respect of each of the SA Thermal Coal Operations, as these were historically on-charged.

No additional central costs are required to be allocated to the SA Thermal Coal Operations. The assets recognised include goodwill recognised in the consolidated financial statements of Anglo American, which was historically recognised in relation to the business acquisitions of the SA Thermal Coal Operations. No additional goodwill and intangible assets related to the SA Thermal Coal Operations were recognised by the Anglo American Group which would require allocation.

The SA Thermal Coal Operations has not historically filed separate tax returns. Rather the results of the SA Thermal Coal Operations have historically been included in the tax computations and submissions at the respective legal entity levels. The taxation expense included in the Combined Carve-out Historical Financial Information is calculated based on the stand-alone reporting entity historical tax computations that were consolidated into the Anglo American Group tax computation. Deferred taxation has been calculated by comparing the tax bases of the assets and liabilities of the SA Thermal Coal Operations to the carrying amounts recognised in Combined Carve-out Historical Financial Information. The recoverability of deferred tax assets has been assessed by considering the forecast results for the SA Thermal Coal Operations.

Certain employees of the SA Thermal Coal Operations are part of the share-based payment schemes offered by Anglo American. All schemes are settled in Anglo American shares and recognised as equity settled share-based payments since the obligation to settle does not lie with the underlying operations within the SA Thermal Coal Operations.

The Combined Carve-out Historical Financial Information eliminates any balances and transactions between the operations that comprise the SA Thermal Coal Operations. For the purpose of the intercompany eliminations, transactions between the entities comprising the SA Thermal Coal Operations and the other Anglo American Group entities that are not part of the SA Thermal Coal Operations and were previously eliminated in the consolidated financial statements of Anglo American, have been reinstated in the Combined Carve-out Historical Financial Information and disclosed as related party transactions. This approach has been followed to ensure that the Combined Carve-out Historical Financial Information reflects the activities of the SA Thermal Coal Operations as far as practically possible, on a stand-alone basis.

As the Combined Carve-out Historical Financial Information has been prepared on a combined carve-out basis, it is not possible to show share capital or provide a meaningful analysis of reserves. Therefore, amounts which reflect the carrying value of investments of Anglo American in the combined entities are disclosed as 'invested equity', which includes certain intercompany balances considered as part of Anglo American's equity investment in the SA Thermal Coal Operations as they will be settled as part of the Internal Restructure. As a result of applying predecessor accounting invested equity is recognised at the carrying value of the net assets attributable to the SA Thermal Coal Operations at the earliest comparative period presented. The carrying value of net assets attributable to shareholders other than Anglo American are presented as "non-controlling interests" and includes certain adjustments made to the Combined Carve-out Historical Financial Information.

The basis of preparation of the Combined Carve-out Historical Financial Information, which are the first combined financial statements of the SA Thermal Coal Operations, is consistent with the principles of IFRS 1: *First time adoption of International Financial Reporting Standard* ("**IFRS**").

In preparing the Combined Carve-out Historical Financial Information consistent with the principles of IFRS 1, the SA Thermal Coal Operations has applied the exemption in IFRS 1.D16(a) and has measured its assets and liabilities at the carrying amounts that would be included in Anglo American's consolidated financial statements, based on the parent's date of transition to IFRS. The reconciliations normally required under IFRS 1 for first-time adopters are not presented as the SA Thermal Coal Operations did not previously prepare combined carve-out historical financial information. Aside from the exemptions stated above, no other exemptions related to IFRS 1 were elected in the preparation of this Combined Carve-out Historical Financial Information. The combined carve-out statement of financial position of the SA Thermal Coal Operations at its date of transition to IFRS (1 January 2018) is set out on the face of the Combined Carve-out Statement of Financial Position.

The Combined Carve-out Historical Financial Information has been prepared on a historical cost basis except for the revaluation of post-retirement medical aid liabilities, the fair valuation of financial instruments and biological assets. A summary of the accounting policies applied is provided in note 1. The accounting policies have been applied consistently in respect of each period, except as otherwise disclosed.

The Combined Carve-out Historical Financial Information has been prepared on a going concern basis. The future plans of the SA Thermal Coal Operations have been considered, and it has been assessed that sufficient funding will be available for future operations following demerger. In addition, as part of the Internal Restructure undertaken by Anglo American in order to form the SA Thermal Coal Operations as a stand-alone business, Anglo American will capitalise the SA Thermal Coal Operations in the amount of R2,500 million and provide further financial support through a Capital Support Agreement from the first day of the month in which the Admission Dates occur until the last payment is made for products delivered as at 31 December 2022.

The SA Thermal Coal Operations' forecasts and projections, taking account of possible changes in trading performance show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future.

The Combined Carve-out Historical Financial Information is presented in Rand, which is the functional currency of the entities that comprise the SA Thermal Coal Operations. All amounts have been rounded to the nearest million unless otherwise stated.

As the Combined Carve-out Historical Financial Information has been prepared on a combined carve-out basis, it may not be indicative of the future performance of the SA Thermal Coal Operations and does not necessarily reflect what its results of operations, financial position and cash flows would have been had the SA Thermal Coal Operations operated as an independent entity during the periods presented.

Part 2 (a): Basis of preparation in respect of the Combined Carve-out Historical Financial Information for purposes of the JSE Listings Requirements

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is prepared in compliance with IFRS, as issued by the IASB and effective at the time of preparing the Combined Carve-out Historical Financial Information, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements.

Part 2 (b): Directors commentary in respect of the Combined Carve-out Historical Financial Information for purposes of the JSE Listings Requirements;

Directors' commentary in respect of the historical periods included in the Combined Carve-out Historical Financial Information, for purposes of the JSE Listing Requirements, are provided in "Part XV—Operating and Financial Review" of this Document.

Part 3: Basis of preparation in respect of the Combined Carve-out Historical Financial Information for purposes of the UK Prospectus Regulation Rules

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations is prepared in compliance with IFRS as issued by the IASB and effective at the time of preparing the Combined Carve-out Historical Financial Information and in accordance with the requirements of the UK Prospectus Regulation Rules, together with the Prospectus Regulation and the requirements of the FCA (the "UK Prospectus Regime") and reflecting a three-year track record of the SA Thermal Coal Operations.

COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS

Combined carve-out statement of profit or loss for the years ended 31 December 2020, 31 December 2019 and 31 December 2018

Rand million	Notes	2020 (Audited) ¹	2019 (Audited)/ (Reviewed) ¹	2018 (Audited)/ (Reviewed) ¹
Revenue	5	18,254	18,592	24,545
Operating costs	4	(20,351)	(19,132)	(18,088)
Impairment losses	10	(2,160)	(7,731)	–
Restructuring costs and termination benefits	4,10,25	(157)	(128)	(40)
Reversal of impairment losses	10	–	664	–
Operating (loss)/profit	4,5	(4,414)	(7,735)	6,417
Remeasurement gain on the acquisition of subsidiary	10	–	126	–
Gain on the disposal of operations	10	–	–	998
(Loss)/profit before net finance costs and tax		(4,414)	(7,609)	7,415
Net finance costs		(410)	(168)	(408)
Investment income	7	167	217	107
Finance costs	7	(567)	(417)	(410)
Other net financing (losses)/gains	7	(10)	32	(105)
(Loss)/profit before tax		(4,824)	(7,777)	7,007
Income tax credit/(expense)	8	121	115	(1,819)
(Loss)/profit for the year		(4,703)	(7,662)	5,188
Attributable to:				
Parent entities ²		(4,413)	(7,700)	4,461
Non-controlling interests		(290)	38	727
(Loss)/profit for the year		(4,703)	(7,662)	5,188

The historical financial information has been prepared on a combined carve-out basis such that share capital is not disclosed, therefore, earnings and diluted earnings per share information are not presented.

¹ All the periods presented above have been audited for purposes of UK Prospectus Regulation Rules. The financial year 2020 has been audited and the financial years 2018 and 2019 have been reviewed for purposes of the JSE Listings Requirements.

² Parent entities are defined as Anglo American Group entities which are not part of the transaction.

The notes on pages 168 to 209 are an integral part of this Combined Carve-out Historical Financial Information.

Combined carve-out statement of comprehensive income for the years ended 31 December 2020, 31 December 2019 and 31 December 2018

Rand million	Notes	2020 (Audited) ¹	2019 (Audited)/ (Reviewed) ¹	2018 (Audited)/ (Reviewed) ¹
(Loss)/profit for the year		(4,703)	(7,662)	5,188
Other comprehensive income/(loss)				
Items that will not be re-classified to statement of profit or loss:				
Remeasurement of retirement benefit obligation	26	54	(33)	(21)
Gain/(loss) in fair value of equity investments	16	10	(164)	(3)
Tax impact	8	(17)	44	86
Other comprehensive income/(loss) (net of tax)		47	(153)	62
Total comprehensive (loss)/income for the year		(4,656)	(7,815)	5,250
Attributable to:				
Parent entities ²		(4,366)	(7,845)	4,523
Non-controlling interests		(290)	30	727
Total comprehensive (loss)/income for the year		(4,656)	(7,815)	5,250

¹ All the periods presented above have been audited for purposes of UK Prospectus Regulation Rules. The financial year 2020 has been audited and the financial years 2018 and 2019 have been reviewed for purposes of the JSE Listings Requirements.

² Parent entities are defined as Anglo American Group entities which are not part of the transaction.

The notes on pages 168 to 209 are an integral part of this Combined Carve-out Historical Financial Information.

Combined carve-out statement of invested equity for the years ended 31 December 2020, 31 December 2019 and 31 December 2018

Rand million	Invested equity attributable to parent entities	Non-controlling interest (note 31)	Total equity
At 1 January 2018	9,710	1,065	10,775
Profit for the year	4,461	727	5,188
Other comprehensive income for the year	62	- ¹	62
Total comprehensive income for the year	4,523	727	5,250
Dividends paid (note 9)	(6,500)	-	(6,500)
Contributions from Parent entities ²	1,114	9	1,123
Equity settled share-based payment	71	2	73
At 31 December 2018	8,918	1,803	10,721
(Loss)/profit for the year	(7,700)	38	(7,662)
Other comprehensive loss for the year	(145)	(8)	(153)
Total comprehensive (loss)/income for the year	(7,845)	30	(7,815)
Dividends paid (note 9)	(10,100)	(185)	(10,285)
Acquisition of subsidiary (note 30)	-	219	219
Contributions from/(distributions to) Parent entities ²	13,788	(2)	13,786
Equity settled share-based payment	46	1	47
At 31 December 2019	4,807	1,866	6,673
Loss for the year	(4,413)	(290)	(4,703)
Other comprehensive income for the year	47	- ¹	47
Total comprehensive loss for the year	(4,366)	(290)	(4,656)
Contributions from/(distributions to) Parent entities ²	3,360	(47)	3,313
Equity settled share-based payment	41	1	42
At 31 December 2020	3,842	1,530	5,372

¹ NCI share of OCI is less than R1 million

² These amounts include the net cash contributions between the SA Thermal Coal Operations and the Parent entities arising from group cash management activities. The amounts included within NCI represent the net impact arising from the adjustments made to the Combined Carve-out Historical Financial Information.

The notes on pages 168 to 209 are an integral part of this Combined Carve-out Historical Financial Information.

Combined carve-out statement of financial position for the years ended 31 December 2020, 31 December 2019 and 31 December 2018

Rand million	Notes	2020 (Audited)¹	2019 (Audited)/ (Reviewed)¹	2018 (Audited)/ (Reviewed)¹	1 January 2018
ASSETS					
Non-current assets					
Intangible assets	11	158	171	349	554
Property, plant and equipment	12	10,120	10,033	13,548	13,427
Environmental rehabilitation trusts	17	2,902	2,742	2,547	3,260
Investment in associate	15	89	105	120	105
Financial asset investments	16	361	349	605	678
Other receivables	20	44	36	38	2,152
Other non-current assets	14	111	84	82	82
Total non-current assets		13,785	13,520	17,289	20,258
Current assets					
Inventories	19	1,211	1,317	1,123	1,403
Trade and other receivables	20	3,476	3,368	3,453	4,078
Current tax assets	8	103	102	–	–
Cash and cash equivalents		394	104	313	273
Total current assets		5,184	4,891	4,889	5,754
Total assets		18,969	18,411	22,178	26,012
EQUITY					
Invested equity attributable to Parent entities		3,842	4,807	8,918	9,710
Non-controlling interests		1,530	1,866	1,803	1,065
Total equity		5,372	6,673	10,721	10,775
LIABILITIES					
Non-current liabilities					
Lease liabilities	13	127	15	–	–
Retirement benefit obligations	26	455	482	427	562
Provisions for liabilities and charges	17	5,717	4,938	4,750	6,930
Deferred tax liabilities	18	1,350	1,474	1,536	1,677
Total non-current liabilities		7,649	6,909	6,713	9,169
Current liabilities					
Trade and other payables	21	4,513	4,157	4,000	4,761
Loans and borrowings	22	221	203	–	–
Lease liabilities	13	24	1	–	–
Provisions for liabilities and charges	17	1,174	407	81	462
Current tax liabilities	8	16	61	663	845
Total current liabilities		5,948	4,829	4,744	6,068
Total liabilities		13,597	11,738	11,457	15,237
Total equity and liabilities		18,969	18,411	22,178	26,012

¹ All the periods presented above have been audited for purposes of UK Prospectus Regulation Rules. The financial year 2020 has been audited and the financial years 2018 and 2019 have been reviewed for purposes of the JSE Listings Requirements.

The notes on pages 168 to 209 are an integral part of this Combined Carve-out Historical Financial Information

Combined carve-out statement of cash flows for the years ended 31 December 2020, 31 December 2019 and 31 December 2018

Rand million	Notes	2020 (Audited) ¹	2019 (Audited)/ (Reviewed) ¹	2018 (Audited)/ (Reviewed) ¹
Cash flows from operating activities				
(Loss)/profit before tax		(4,824)	(7,777)	7,007
Net finance costs	7	410	168	408
Operating (loss)/profit		(4,414)	(7,609)	7,415
Impairment losses	10	2,160	7,731	–
Restructuring costs ⁵	4,10,25	229	–	–
Reversal of impairment loss	10	–	(664)	–
Depreciation and amortisation	4	1,073	1,242	1,659
Profit on disposal of operations	10	–	–	(998)
Remeasurement gain on acquisition of subsidiary	10	–	(126)	–
Equity-settled share-based payments		42	47	73
Increase in provisions and retirement benefit obligations		672	68	90
Decrease/(increase) in inventories		8	(216)	178
Decrease/(increase) in trade receivables		187	49	(1,372)
(Decrease)/increase in trade payables		(101)	281	851
Loss/(profit) on disposal of property, plant and equipment	4	1	1	(509)
Other adjustments ⁴		230	9	–
Cash flow from operations		87	813	7,387
Income tax paid	8	(70)	(718)	(1,311)
Net cash inflows from operating activities		17	95	6,076
Cash flows from investing activities				
Purchase of property, plant and equipment	5	(2,878)	(3,969)	(2,801)
Proceeds from disposal of property, plant and equipment		–	3	852
Purchase of intangible assets	11	(163)	(27)	–
Purchase of financial asset investments ²	16	(75)	(80)	(69)
Proceeds from repayment of loans	16	1	25	9
Loans granted	16	–	–	(25)
Increase in investments in associates	15	(1)	–	–
Repayment of loan by associate	15	17	15	(15)
Interest and other investment income		7	9	23
Disposal of operations net of cash disposed	10	–	–	1,396
Acquisition of subsidiary	30	–	17	–
Net cash outflows from investing activities		(3,092)	(4,007)	(630)
Financing activities				
Dividends paid to parent entities	9	–	(10,100)	(6,500)
Dividends paid to non-controlling interests	9	–	(185)	–
Interest paid		(19)	(22)	(8)
Capital repayment of lease obligations	13	(3)	(1)	–
Proceeds received from short term loans and borrowings	22	–	114	–
Net other contributions from parent entities ³		3,387	13,897	1,102
Net cash inflows/(outflows) from financing activities		3,365	3,703	(5,406)
Net increase/(decrease) in cash and cash equivalents		290	(209)	40
Cash and cash equivalents at the beginning of the year		104	313	273
Cash and cash equivalents at the end of the year		394	104	313

¹ All the periods presented above have been audited for purposes of UK Prospectus Regulation Rules. The financial year 2020 has been audited and the financial years 2018 and 2019 have been reviewed for purposes of the JSE Listings Requirements.

² Includes purchases of Anglo American plc shares for employee share schemes.

³ These amounts represent the net cash contributions between the SA Thermal Coal Operations and the Parent entities arising from group cash management activities.

⁴ Other adjustments in 2020 relate to impairment of consumables included in inventory and a provision raised in relation to the diesel rebate outstanding from the South African Revenue Service ("SARS"). Refer to note 20.

⁵ Restructuring costs in 2020 excludes termination benefits of R72 million which is included in employee costs within (loss)/profit before tax. Refer to note 4, 10 and 25.

The notes on pages 168 to 209 are an integral part of this Combined Carve-out Historical Financial Information.

Notes to the Combined Carve-out Historical Financial Information

1. SIGNIFICANT ACCOUNTING POLICIES

A. Financial Performance

Revenue recognition

Revenue is recognised in a manner that depicts the pattern of the transfer of thermal coal to customers. The amount recognised reflects the amount to which the SA Thermal Coal Operations is entitled in exchange for the sale of thermal coal. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transaction price is the amount of consideration due in exchange for transferring thermal coal to the customer and is recognised at a specific point in time.

Revenue is derived from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts and value added tax ("VAT"). A sale is recognised when control has been transferred. This is usually when title and significant risks have passed to the customer and the thermal coal has been delivered. Revenue derived from export sales is recognised when the thermal coal is loaded onto the ship at the Richards Bay Coal Terminal, whereas domestic sales revenue is recognised when the thermal coal is delivered to a contractually agreed location.

Exploration and evaluation expenditure

Exploration and evaluation expenditure is expensed in the year in which it is incurred.

Exploration expenditure is the cost of exploring for Mineral Resources other than that occurring at existing operations and projects and comprises geological and geophysical studies, exploratory drilling and sampling and Mineral Resource development.

Evaluation expenditure includes the cost of conceptual and pre-feasibility studies and evaluation of Mineral Resources at existing operations.

When a decision is taken that a mining project is technically feasible and commercially viable, usually after a pre-feasibility study has been completed, subsequent directly attributable expenditure, including feasibility study costs, are considered development expenditure and are capitalised within property, plant and equipment.

Exploration properties acquired are recognised on the statement of financial position when management considers that their value is recoverable. These properties are measured at cost less any accumulated impairment losses.

B. Capital Base

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost is the fair value of consideration required to acquire and develop the asset and includes the purchase price, acquisition of mineral rights, costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation and, for assets that take a substantial period of time to get ready for their intended use, borrowing costs.

Gains or losses on the disposal of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount. The gain or loss is recognised in the statement of profit or loss.

Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their estimated useful lives, usually between 3 and 20 years, except for goodwill.

For intangible assets with a finite life, the amortisation period is determined as the period over which the SA Thermal Coal Operations expects to obtain benefits from the asset, taking account of all relevant facts and circumstances including contractual lives and expectations about the renewal of contractual arrangements without significant incremental costs. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

Deferred stripping

The removal of rock or soil overlying a mineral deposit, overburden, and other waste materials is often necessary during the initial development of an open pit mine site, in order to access the orebody. The process of removing overburden and other mine waste materials is referred to as stripping. The directly attributable cost of this activity is capitalised in full within "Mining properties", if the stripped area will only commence production in more than 12 months after the stripping costs are incurred. This is classified as sustaining capital expenditure, within investing cash flows.

The removal of waste material after the point at which depreciation commences is referred to as production stripping. All amounts capitalised in respect of waste removal are depreciated using the unit of production method for the component of the orebody to which they relate, consistent with depreciation of property, plant and equipment. When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the statement of profit or loss as operating costs in accordance with the principles of IAS 2: *Inventories*.

The effects of changes to the Life of Mine Plan on the expected cost of waste removal or remaining Ore Reserves for a component are accounted for prospectively as a change in estimate.

Depreciation on property, plant and equipment

Mining properties are depreciated to their residual values using the unit of production method based on Proved and Probable Ore Reserves and, in certain limited circumstances, other Mineral Resources included in the Life of Mine Plan. These other Mineral Resources are included in depreciation calculations where, considering historical rates of conversion to Ore Reserves, there is a high degree of confidence that they will be extracted in an economic manner.

Notes to the Combined Carve-out Historical Financial Information *continued*

Buildings and items of plant and equipment for which the consumption of economic benefits is linked primarily to utilisation or to throughput rather than production, are depreciated to their residual values at varying rates on a straight-line basis over their estimated useful lives, or the Reserve Life, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings. Under limited circumstances, items of plant and equipment may be depreciated over a period that exceeds the Reserve Life by taking into account additional Mineral Resources other than Proved and Probable Reserves included in the Life of Mine Plan, after making allowance for expected production losses based on historical rates of Mineral Resource to Ore Reserve conversion. 'Capital works in progress' are measured at cost less any recognised impairment. Depreciation commences when the assets can operate in the manner intended by management, at which point they are transferred to the appropriate asset class.

Land is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Impairment of goodwill, intangible assets and property, plant and equipment

Goodwill arising on business combinations is allocated to the cash generating units ("CGUs") that are expected to benefit from synergies of the combination and represents the lowest level at which goodwill is monitored by the SA Thermal Coal Operations' leadership team for internal management purposes. The recoverable amount of the CGU, or group of CGUs, to which goodwill has been allocated is tested for impairment annually, or when events or changes in circumstances indicate that it may be impaired.

Any impairment loss is recognised immediately in the statement of profit or loss. Impairment of goodwill is not subsequently reversed.

At each reporting date, the SA Thermal Coal Operations reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the SA Thermal Coal Operations estimates the recoverable amount of the CGU to which the asset belongs. The CGUs are determined as the individual operating mines and impairment is assessed at that level.

Recoverable amount is the higher of fair value less costs of disposal and value in use ("VIU") assessed using discounted cash flow models, as explained in note 11. In assessing fair value less costs of disposal, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU. A reversal of an impairment loss is recognised in the statement of profit or loss.

In addition, in making assessments for impairment, management allocates assets, including goodwill, that do not generate independent cash flows to the appropriate CGUs.

Subsequent changes to the CGU allocation, timing of cash flows or to the assumptions used to determine the cash flows could impact the carrying value of the respective assets.

Biological assets

Biological assets are measured at fair value less cost to sell, with any changes recognised in profit or loss.

Leases as a lessee

At inception of a contract, the SA Thermal Coal Operations assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control an identified asset, the SA Thermal Coal Operations uses the definition of a lease in IFRS 16: *Leases* ("IFRS 16").

Leased right-of-use assets are included within property, plant and equipment, and on inception of the lease are recognised at the amount of the corresponding lease liability, adjusted for any lease payments made at or before the lease commencement date, plus any direct costs incurred and an estimate of costs for dismantling, removing, or restoring the underlying asset and less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the term of the lease, or, if shorter, the useful life of the asset.

Lease liabilities are initially measured at the present value of the future lease payments, discounted at the applicable incremental borrowing rates.

Variable lease payments are not included in the measurement of lease liabilities and are charged to operating costs as they are incurred.

Subsequently, the lease liabilities are measured at amortised cost using the effective interest method. They are remeasured when there is a change to the forecast lease payments. When the lease liabilities are remeasured, an adjustment is made to the corresponding right-of-use assets.

The SA Thermal Coal Operations presents lease liabilities as a separate line item in the statement of financial position.

Leases with a term of less than 12 months, or committed payments of less than R75 000, are not recognised in the statement of financial position. The SA Thermal Coal Operations continues to recognise payments for these leases as an expense on a straight-line basis over the lease term within operating expenses.

Notes to the Combined Carve-out Historical Financial Information *continued*

Financial assets

Investments, other than investments in subsidiaries, joint arrangements and associates, are financial asset investments and are initially recognised at fair value. The SA Thermal Coal Operations' financial assets are classified into the following measurement categories: debt instruments at amortised cost, equity instruments designated at fair value through other comprehensive income ("**OCI**"), and instruments at fair value through profit or loss. Financial assets are classified as at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest.

At subsequent reporting dates, financial assets at amortised cost are measured at amortised cost less any expected credit losses. Other investments are classified as either at fair value through profit or loss or at fair value through OCI. Both categories are subsequently measured at fair value.

The SA Thermal Coal Operations has elected to measure equity instruments, which are not held for trading at fair value through OCI as this better reflects the strategic nature of the SA Thermal Coal Operations' equity investments. For equity instruments at fair value through OCI, changes in fair value, including those related to foreign exchange, are recognised in other comprehensive income and there is no subsequent reclassification of fair value gains and losses to profit or loss.

Impairment of financial assets

The SA Thermal Coal Operations assesses on a forward-looking basis the expected credit loss, defined as the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the simplified approach permitted by IFRS 9: *Financial Instruments* ("**IFRS 9**") is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Losses are recognised in the statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss.

Impairment losses relating to equity instruments at fair value through other comprehensive income are not reported separately from other changes in fair value.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

Environmental restoration and decommissioning obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining asset. Costs for restoration of site damage, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises.

These costs are recognised in the statement of profit or loss over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the statement of profit or loss as extraction progresses.

The amount recognised as a provision represents management's best estimate of the consideration required to complete the restoration and rehabilitation activity, the application of the relevant regulatory framework and timing of expenditure. These estimates are inherently uncertain and could materially change over time. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out above.

Contributions have historically been made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine and as required thereafter. The SA Thermal Coal Operations exercises full control of these trusts and therefore the trusts are consolidated. The trusts' assets are disclosed separately on the statement of financial position as non-current assets.

The trusts' assets are measured based on the nature of the underlying assets in accordance with accounting policies for similar assets.

C. Working Capital

Inventories

Inventory is measured at the lower of cost and net realisable value ("**NRV**"). The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following basis:

- Consumables are measured at cost on a first in, first out ("**FIFO**") basis.
- Finished products, being Coal stock held at the mine or available for export at the Richards Bay Coal Terminal, are measured at production costs and transport costs where relevant, on a weighted average cost basis.
- Inventory is not valued until it has been processed, and so Run of Mine ("**ROM**") stockpiles are not included in the inventory value. This is due to costs required to convert the ROM into finished products are significant.

Inventory is recognised as a current asset as it is consumed within the normal business cycle.

Notes to the Combined Carve-out Historical Financial Information *continued*

D. Net debt and financial risk management

Cash and debt

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits. Cash and cash equivalents are measured at amortised cost.

Financial liabilities

Financial liabilities comprise trade and other payables, short-term loans and borrowings. They are measured at amortised cost.

Invested equity

The amounts included in invested equity reflect the funds contributed by Anglo American throughout the historical period presented which the SA Thermal Coal Operations has no contractual obligation to repay.

Foreign currency transactions and translation

Foreign currency transactions by the SA Thermal Coal Operations are recognised in the functional currency of the SA Thermal Coal Operations at the exchange rate ruling on the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the statement of profit or loss for the period and are classified in the statement of profit or loss according to the nature of the monetary item giving rise to them.

Finance income and finance cost

The SA Thermal Coal Operations' finance income and finance costs include interest income, interest expense, gain on environmental rehabilitation trust, unwinding of discount rates relating to provisions and other liabilities and net interest costs on defined benefit arrangements. Net foreign exchange gains and losses are presented in 'Net finance cost' in the statement of profit or loss if they are related to financing or investing activities.

Interest income and expenses are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

E. Taxation

The tax expense includes the current tax and deferred tax charge recognised in the statement of profit or loss.

The SA Thermal Coal Operations' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the SA Thermal Coal Operations can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset by legal entity and the SA Thermal Coal Operations intends to settle its current tax assets and liabilities on a net basis by legal entity.

F. Employees

Retirement benefits

The SA Thermal Coal Operations operates both defined benefit and defined contribution medical aid plans for its employees as well as post-employment medical aid plans. For defined contribution plans the amount recognised in the statement of profit or loss is the contributions paid or payable during the year.

For post-employment medical aid plans, full actuarial valuations are carried out at least every three years using the projected unit credit method and updates are performed for each financial year end. The average discount rate for the plans' liabilities is based on government bonds as there is no deep market for Corporate bonds in South Africa.

Remeasurements comprising actuarial gains and losses are recognised immediately in the statement of comprehensive income and are not recycled to the statement of profit or loss. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The net interest income or cost on the net defined benefit liability is included in interest expense.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised on a straight-line basis over the average period until the benefits vest.

The retirement benefit obligation recognised on the statement of financial position represents the present value of the deficit of the defined benefit plans.

Notes to the Combined Carve-out Historical Financial Information *continued*

Share-based payments

The Anglo American Group operates equity settled share-based payment schemes which allow certain employees of the SA Thermal Coal Operations to receive Anglo American shares. These schemes are accounted for as equity settled share-based payments by the SA Thermal Coal Operations and are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period of three years, based on the SA Thermal Coal Operations' estimate of shares that will eventually vest. For those share schemes with market and non-market related vesting conditions, the fair value is determined using the Monte Carlo model at the grant date.

For all other share awards, the fair value is determined by reference to the market value of the shares at the grant date. For all share schemes with non-market vesting conditions, the likelihood of vesting has been considered when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

G. Structure

Business combinations and goodwill arising thereon

The identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint arrangement or an associate, which can be measured reliably, are recorded at their provisional fair values at the date of acquisition. The estimation of the fair value of identifiable assets and liabilities is subjective, and the use of different valuation assumptions could have a significant impact on financial results.

Goodwill is the fair value of the consideration transferred (including contingent consideration and previously held non-controlling interests) less the fair value of the SA Thermal Coal Operations' share of identifiable net assets on acquisition.

For the acquisition of Butsanani Energy the SA Thermal Coal Operations' previously held interests in Butsanani Energy were remeasured to fair value at the acquisition date and the resulting gain or loss is recognised in the statement of profit or loss.

Transaction costs incurred in connection with the business combination are expensed.

Goodwill in respect of subsidiaries and joint operations is included within intangible assets.

For non-wholly owned subsidiaries, non-controlling interests are initially recorded at the non-controlling interests' proportion of the fair values of net assets recognised at acquisition.

Investment in associates

Associates are investments over which the SA Thermal Coal Operations has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but without the ability to exercise control or joint control.

Investments in associates are equity accounted and represent the cost of investment, the post-acquisition share of any profits or losses and other changes in equity, and the long-term debt interests which in substance form part of the SA Thermal Coal Operations' net investment.

The carrying values of associates are reviewed on a regular basis and if there is objective evidence that a sustained decline in value has occurred as a result of one or more events during the period, the investment is impaired.

Interests in joint operations

Joint arrangements are arrangements in which the SA Thermal Coal Operations shares joint control with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement and exists only when decisions about the activities that significantly affect the arrangement's returns require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangement, whereas in joint ventures, the parties have rights to the net assets of the arrangement.

Joint arrangements that are not structured through a separate vehicle are always joint operations. Joint arrangements that are structured through a separate vehicle may be either joint operations or joint ventures depending on the specific facts and circumstances of the arrangement. In these cases, consideration is given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties, and the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates that the parties to the arrangements have rights to the assets and obligations for the liabilities.

The joint arrangements, Mafube and Phola are accounted for as joint operations. These arrangements are primarily designed for the provision of output to the parties sharing joint control, indicating that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in substance satisfied by cash flows received from the parties; this dependence indicates that the parties effectively have obligations for the liabilities. It is primarily these facts and circumstances that give rise to the classification as joint operations.

The SA Thermal Coal Operations accounts for joint operations by recognising the assets, liabilities, revenue and expenses for which it has rights or obligations, including its share of such items held or incurred jointly.

H. Accounting policies to be adopted in the future periods

In addition to the accounting policies detailed above, the accounting policies that will be applied by the SA Thermal Coal Operations as a consequence of certain post-balance sheet transactions, and which will be applied for purposes of the preparation of the annual consolidated financial statements of the Company for the year ending 31 December 2021, are set out below:

Derivatives

Derivative instruments are classified as at fair value through profit or loss. The fair value gains and losses on subsequent measurement are recognised in profit or loss within other income and expenses. All derivatives are held in the statement of financial position within 'Derivative financial assets' or 'Derivative financial liabilities'. They are classified as current or non-current depending on the contractual maturity of the derivative.

Notes to the Combined Carve-out Historical Financial Information *continued*

The derivative arising from the Capital Support Agreement is fair valued using the Clewlow and Strickland pricing model for the valuation of average rate commodity options.

Share based payment schemes

The Company Share Plan consists of two components: (i) the Award of Conditional Shares, the vesting of which is conditional upon the fulfilment of certain Performance Conditions and a service condition; and (ii) the Award of Forfeitable Shares where the vesting will be subject to the employee remaining employed by the SA Thermal Coal Operations. The scheme is accounted for as an equity settled share-based payment scheme and the grant date fair value of the awards are recognised as an expense, with a corresponding increase in equity, over the vesting period. The amounts recognised as expenses are adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met.

Employees participating in the Conditional Share Awards are also entitled to receive shares in lieu of dividends and they are forfeitable if the vesting conditions are not met. The forfeitable dividends are treated as dividend entitlements during the vesting period.

Employee Partnership Plan ("EPP")

The participating employees of the EPP are entitled to receive a fixed minimum payment over the first three years of the plan, a variable payment over the full term of the plan and a lump-sum payment at the end of the Life of Mine. The EPP is accounted for as other long-term employee benefits in line with IAS 19: *Employee benefits ("IAS 19")*. The long-term employee benefits obligation is measured at the present value of the expected future benefit payments. The cost of benefits is recognised in profit or loss over the three-year period on a straight-line basis within employee costs. The unwinding of the discounting effect is included within net finance costs.

Community Partnership Plan ("CPP")

The CPP is formed as a trust for the benefit of host communities within the areas in which the Company operates. The beneficiaries of the CPP trust are groups or communities of persons who represent predominately historically disadvantaged South Africans ("**HDSAs**") ordinarily resident in the areas where the SA Thermal Coal Operations operates. The Group recognises a provision for the constructive obligation it has to the beneficiaries of the CPP in respect of the distribution of the CPP entitlement each year.

Insurance guarantees for environmental rehabilitation provisions

In order to meet the requirements of the DMRE, the SA Thermal Coal Operations enters into agreements with insurers to provide financial guarantees to the DMRE. A part of the premium contributions made under these agreements are held as collateral against the financial guarantees to the DMRE. These contributions are invested in various instruments such as money market funds, equity investments and unit trusts and are classified as fair value through profit or loss. On subsequent measurement, the fair value gains and losses, net of investment income, are recognised in profit or loss within net finance costs.

The investment in relation to the guarantees is recognised in the statement of financial position within Financial asset investments. On subsequent measurement, the fair value gains and losses, net of investment income, are recognised in profit or loss within net finance costs.

2. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Combined Carve-out Historical Financial Information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the SA Thermal Coal Operations' accounting policies, which are described in note 1. These judgements, estimates and assumptions may affect the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting periods as set out below. In addition to these items, further detail on other judgements and estimates determined by management is provided, where applicable, in the relevant note to the Combined Carve-out Historical Financial Information.

Impairment and impairment reversals of assets

Critical accounting judgements

The SA Thermal Coal Operations assesses at each reporting date whether there are any indicators that its assets and CGUs may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flows, are updated regularly as part of the SA Thermal Coal Operations' planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU and are therefore indicators of impairment or impairment reversal. The judgement also considers the SA Thermal Coal Operations' long-term economic forecasts, market consensus and sensitivity analysis of the discounted cash flow models used to value the SA Thermal Coal Operations' assets.

Assets (other than goodwill) that have been previously impaired must be assessed for indicators of both impairment and impairment reversal. Such assets are generally carried on the statement of financial position at a value close to their recoverable amount at the last assessment. Therefore, in principle any change to operational plans or assumptions or economic parameters, could result in further impairment or impairment reversal if an indicator is identified.

Key sources of estimation uncertainty

For assets where indicators of impairment or impairment reversals are identified, the SA Thermal Coal Operations performs impairment reviews to assess the recoverable amount of its operating assets principally with reference to their fair value less costs of disposal, assessed using discounted cash flow models. Mining operations are large, complex assets requiring significant technical and financial resources to operate. Their value may be sensitive to a range of characteristics. Management applies judgement in determining the assumptions that are reasonable and consistent with those that would be applied by market participants as outlined in note 11.

Estimating the useful life of property, plant and equipment

Key sources of estimation uncertainty

The estimation of the useful life of the asset is a matter of judgement based on the experience of the SA Thermal Coal Operations with similar assets. In determining the useful life of items of property, plant and equipment that are depreciated, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights, as well as obsolescence.

Notes to the Combined Carve-out Historical Financial Information *continued*

The estimate is further impacted by management's best estimation of coal reserves and resources, and in certain circumstances other mineral reserves, and the expected future life of each of the mines within SA Thermal Coal Operations. The forecast production could be different from the actual coal mined. This would generally result from significant changes in the factors or assumptions used in estimating the coal reserves. These factors could include:

- Changes in coal reserves and resources;
- Differences between achieved coal prices and assumptions;
- Unforeseen operational issues at mine sites; and
- Changes in capital, operating, mining, processing, costs, discount rates and foreign exchange rates.

Estimation of environmental restoration and decommissioning liabilities

Estimates are made in determining the liability in relation to the environmental restoration provisions and decommissioning liabilities required as per various pieces of legislation. Each of these provisions are based on the estimated closure costs per operation on reporting date, inflation and discount rates relevant to the calculation and the expected date of closure of mining activities in determining the present value of the total environmental restoration and decommissioning liabilities.

Because of the long-term nature of the environmental and decommissioning liabilities, the greatest uncertainty in estimating the liabilities is the costs that will be incurred, and the discount rates applied. Refer to note 17 for further detail.

Restoration and decommissioning liabilities have been provided for based on current disturbance at the reporting date. Assessments are annually updated for changes in regulations, technology and approaches to conduct rehabilitation. These costs have been discounted to present value over the period they are expected to be incurred, which ranges up to 20 years post the closure, and for water treatment costs up to 50 years post closure of the mine.

Management has provided for water treatment costs at the reporting date using a combination of active and passive water treatment methods, based on activities currently being performed at our operations. The National Environmental Management Authority ("**NEMA**") regulations, which have been promulgated and become effective on 19 June 2021, require the treatment of water to be provided for using the costs for currently available technologies which the Department of Mineral Resources and Energy ("**DMRE**") has approved. Passive water treatment has not yet been accepted by the DMRE as a proven water treatment technology, and so may not be considered a currently available method of treating water. Significant engagement with the DMRE is planned for the first half of 2021 to ensure passive water treatment and water treatment plans in general are approved. If this treatment is not accepted before the effective date of the new regulations, the liability currently provided for may increase by R1.4 billion.

Discounting of the costs relating to closure on the reporting date is calculated over the expected closure and rehabilitation plan of each mine, including the impact of concurrent rehabilitation undertaken while mining is ongoing. The closure plan is determined based on the remaining reserves per operation, which is assessed on an annual basis. Cost estimates are updated annually to account for potential changes in contractor rates and costs expected to be incurred in the closure activities, as well as disturbance caused in the year.

Measurement of defined benefit obligations

The SA Thermal Coal Operations' accounting policy involves the use of 'best estimate' assumptions in calculating the schemes' valuations in accordance with the accounting standard. This valuation methodology differs from that applied in calculating the funding valuations, which require the use of 'prudent' assumptions, such as lower discount rates, higher assumed rates of future inflation expectations and greater improvements in life expectancy, leading to a higher value placed on the liabilities. The funding valuations are carried out at least every three years, using the projected credit method, by independent qualified actuaries and are used to determine the money that must be put into the funded schemes.

The SA Thermal Coal Operations applies estimates and judgements in the measurement of the retirement benefits obligations and plan assets. Note 26 sets out key actuarial assumptions used.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

New standards, amendments and interpretations effective and adopted in the financial year 2020

The following amendments to the accounting standards, issued by the IASB have been adopted by the SA Thermal Coal Operations from 1 January 2020 with no material impact on the SA Thermal Coal Operations' results, financial position or disclosures:

- Amendments to IFRS 3 'Business Combinations', definition of a business, effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8, amendments to the definition of Material, effective for annual periods beginning on or after 1 January 2020; and
- Amendments to IFRS 9, IAS 39 and IFRS 7, amendments to the interest rate benchmark reform, effective for annual periods beginning on or after 1 January 2020.

The SA Thermal Coal Operations has not early adopted any standard, amendment or interpretation in the year and accounting standards, amendments and interpretations effective from 1 January 2021 are not expected to have a material impact on the SA Thermal Coal Operations' results, financial position or disclosures.

Financial Performance

The following disclosures provide further information about the drivers of the SA Thermal Coal Operations' financial performance in the year. This includes analysis of the respective contribution of the SA Thermal Coal Operations' operating segments along with information about its operating cost base, net finance costs and tax. In addition, disclosure on the dividend is provided.

Notes to the Combined Carve-out Historical Financial Information continued

4. OPERATING (LOSS)/PROFIT

Overview

Rand million	Notes	2020	2019	2018
Revenue		18,254	18,592	24,545
Operating costs:				
Employee costs	25	(4,379)	(4,371)	(4,214)
Depreciation of property, plant and equipment	12	(1,058)	(1,240)	(1,657)
Amortisation of intangible assets	11	(15)	(2)	(2)
Third party commodity purchases		(1,287)	(1,429)	(991)
Consumables, maintenance and production input costs		(8,129)	(6,848)	(7,049)
Logistics, marketing and selling costs		(3,894)	(4,057)	(3,648)
Royalties		(70)	(102)	(501)
Exploration and evaluation ¹		(186)	(215)	(159)
Exploration expenditure		(29)	(11)	(12)
Evaluation expenditure		(157)	(204)	(147)
Net foreign exchange gains/(losses)		113	(145)	334
Profit/(loss) on sale or disposal of property, plant and equipment		(1)	(1)	509
Centrally recharged costs with Parent entities		(802)	(722)	(746)
Other net operating (expenses)/income ²		(643)	-	36
Operating (loss)/profit before net impairment loss and restructuring costs		(2,097)	(540)	6,457
Net impairment loss	10	(2,160)	(7,067)	-
Restructuring costs and termination benefits	10	(157)	(128)	(40)
Operating (loss)/profit		(4,414)	(7,735)	6,417

¹ Exploration and evaluation expenditure excludes associated employee costs.

² Other net operating income/(expense) includes temporary staff and service contractor costs.

5. FINANCIAL PERFORMANCE BY SEGMENT

Overview

The SA Thermal Coal Operations' segments are aligned to those business units that are evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The South African Regional Leadership Team (the "SARLT") is identified as the CODM of the SA Thermal Coal Operations. Operating segments with similar economic characteristics are aggregated into reportable segments. The economic characteristics considered include performance of key equipment specific to each type of operation, and productivity of the operations measured in volumes and headcounts. The SA Thermal Coal Operations has one principal operating activity which is the operation of open-cast and underground energy coal mines and processing of thermal coal in South Africa. The reportable segments are aggregated by the nature of technology applied by the operations either as an open-cast or underground mine and similar economic characteristics as it relates to capital and operating structure.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Open-cast	Mining operations done in an open-cast mine where coal is extracted, include the following mining operations: <ul style="list-style-type: none"> - Isibonelo - Khwezela - Mafube - Rietvlei
Underground	Mining operations done in an underground mine where coal is extracted, include the following mining operations: <ul style="list-style-type: none"> - Zibulo - Greenside - Goedehoop
Corporate and other	Various corporate activities.

The disclosures in this note include certain Alternative Performance Measures ("APMs"), being (loss)/profit before net financial income/(costs), tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation ("Adjusted EBITDA"). For more information on the APMs used by the SA Thermal Coal Operations refer to note 34.

Notes to the Combined Carve-out Historical Financial Information *continued*

Segment results

Rand million

2020

	Revenue	Adjusted EBITDA	Depreciation and amortisation	Impairments and restructuring costs (Note 10)	Net finance costs and income tax expense ¹	Loss after tax
Open-cast	8,674	(1,154)	(388)	(1,755)	(302)	(3,599)
Underground	9,580	743	(684)	(287)	(869)	(1,097)
Corporate and other	–	(613)	(1)	(275)	882	(7)
Total	18,254	(1,024)	(1,073)	(2,317)	(289)	(4,703)

¹ Net finance costs and income tax expenses include net finance expense of R410 million and income tax credit of R121 million.

Rand million

2019

	Revenue	Adjusted EBITDA	Depreciation and amortisation	Net impairments, restructuring costs and gain on remeasurements (Note 10)	Net finance costs and income tax expense ²	Profit/(loss) after tax
Open-cast	7,376	(944)	(419)	(3,065)	484	(3,944)
Underground	11,216	1,474	(801)	(1,636)	1,232	269
Corporate and other	–	172	(22)	(2,368)	(1,769)	(3,987)
Total	18,592	702	(1,242)	(7,069)	(53)	(7,662)

² Net finance costs and income tax expenses include net finance expense of R168 million and income tax credit of R115 million.

Rand million

2018

	Revenue	Adjusted EBITDA	Depreciation and amortisation	Gain on disposal of operations and restructuring costs (Note 10)	Net finance costs and income tax expense ³	Profit after tax
Open-cast	8,861	1,188	(492)	719	(606)	809
Underground	15,460	6,245	(951)	–	(1,455)	3,839
Corporate	224	683	(216)	239	(166)	540
Total	24,545	8,116	(1,659)	958	(2,227)	5,188

³ Net finance costs and income tax expenses includes net finance expense of R408 million and income tax expense of R1,819 million.

Capital expenditure by segment

The disclosures in this note include certain Alternative Performance Measures (APMs) being capital expenditure. For more information on the APMs used by SA Thermal Coal Operations, including definitions, refer to note 34.

Rand million	2020	2019	2018
Open-cast	1,376	2,542	1,631
Underground	1,310	1,249	949
Corporate and other	183	72	235
Capital expenditure	2,869	3,863	2,815
Reconciliation to the cash flow statement:			
Movement in capital creditor included in capital expenditure	9	106	(14)
Expenditure on property, plant and equipment	2,878	3,969	2,801

Notes to the Combined Carve-out Historical Financial Information *continued*

Capital expenditure by category

Rand million	2020	2019	2018
Expansionary	1,111	2,080	870
Stay in business	1,537	1,555	1,726
Stripping and development	221	228	219
	2,869	3,863	2,815

Capitalised operating cash flows

Capital expenditure includes capitalised operating cash flows generated by operations prior to reaching commercial production for accounting purposes amounting to R205 million (2019: R156 million, 2018:Rnil).

Capital expenditure encompasses expenditure (cash capital expenditure and capital expenditure accruals) to sustain the business (stay in business and stripping and development) and investment and lifex projects (expansionary).

Further information

Revenue by product

Rand million	2020	2019	2018
Thermal Export ¹	14,491	15,594	20,376
Industrial and Domestic	3,763	2,998	4,169
Total revenue	18,254	18,592	24,545

¹Export revenue includes revenue generated from sales to Anglo American Marketing Limited. Refer to Note 28.

Product revenue by segment

Rand million				2020
	Open-cast	Underground	Corporate	Total
Thermal Export ¹	5,240	9,251	–	14,491
Industrial and Domestic	3,434	329	–	3,763
Total revenue	8,674	9,580	–	18,254

¹Export revenue includes revenue generated from sales to Anglo American Marketing Limited. Refer to Note 28.

Rand million				2019
	Open-cast	Underground	Corporate	Total
Thermal Export ¹	4,667	10,927	–	15,594
Industrial and Domestic	2,709	289	–	2,998
Total revenue	7,376	11,216	–	18,592

¹Export revenue includes revenue generated from sales to Anglo American Marketing Limited. Refer to Note 28.

Rand million				2018
	Open-cast	Underground	Corporate	Total
Thermal Export ¹	5,222	15,154	–	20,376
Industrial and Domestic	3,639	306	224	4,169
Total revenue	8,861	15,460	224	24,545

¹ Export revenue includes revenue generated from sales to Anglo American Marketing Limited. Refer to Note 28.

Notes to the Combined Carve-out Historical Financial Information *continued*

Revenue by customer type

All revenue and operating profit of SA Thermal Coal Operations is derived from operations based in South Africa.

SA Thermal Coal Operations' revenue by customer type can be analysed as follows:

Rand million	2020	2019	2018
Domestic sales	3,763	2,998	4,168
Export sales to Parent entities – Anglo American Marketing Limited	14,491	15,594	20,377
Total revenue	18,254	18,592	24,545

6. HEADLINE (LOSS)/EARNINGS

Headline earnings has been calculated and disclosed in accordance with the JSE Listings Requirements, and in terms of circular 1/2019 issued by SAICA. Disclosure of headline earnings is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa that is more closely aligned to the operating activities of the entity. The items excluded from the calculation of headline earnings meet the definition of separately identifiable remeasurements as defined in circular 1/2019. The table below reconciles the (loss)/profit for the financial year to headline (loss)/earnings:

Rand million	2020	2019	2018
Reconciliation of headline (loss)/earnings			
(Loss)/profit attributable to the Parent entities	(4,413)	(7,700)	4,461
Adjusted for:			
Impairment of property, plant and equipment	1,999	7,422	–
Impairment of intangible assets	123	–	–
Impairment reversals of property, plant and equipment	–	(664)	–
Impairment of goodwill	38	309	–
Remeasurement gain on acquisition of subsidiary	–	(126)	–
Profit on disposal of operations	–	–	(998)
Loss/(profit) on disposal of property, plant and equipment	1	1	(509)
Tax effects of above items:			
Impairment of property, plant and equipment	(117)	–	–
Profit on disposal of operations	–	–	255
Loss/(profit) on disposal of property, plant and equipment	–	–	142
Non-controlling interest effects of adjustments:			
Impairment of property, plant and equipment	(166)	–	–
Profit on disposal of operations	–	–	269
Loss/(profit) on disposal of property, plant and equipment	–	–	138
Headline (loss)/earnings¹	(2,535)	(758)	3,758

¹ Headline earnings per share is not disclosed as this set of historical financial information has been prepared on a combined carve-out basis such that share capital is not disclosed, hence per share disclosures are not considered meaningful metrics.

7. NET FINANCE COSTS

Overview

Rand million	2020	2019	2018
Investment income			
Interest income from cash and cash equivalents	7	22	17
Growth on environmental rehabilitation trust	160	195	90
Investment income	167	217	107
Finance cost			
Interest and other finance expense	(86)	(36)	(14)
Net interest costs on defined benefit arrangements	(46)	(40)	(36)
Unwinding of discount rates relating to provisions and other liabilities	(435)	(341)	(360)
Finance cost	(567)	(417)	(410)
Other net financing (losses)/gains			
Net foreign exchange (losses)/gains	(10)	32	(105)
Other net financing (losses)/gains	(10)	32	(105)
Net finance costs	(410)	(168)	(408)

Notes to the Combined Carve-out Historical Financial Information continued

8. INCOME TAX CREDIT/(EXPENSE)

A. Analysis of charge for the year

Rand million	2020	2019	2018
Current tax expense			
Current year	(20)	(13)	(1,296)
Adjustments in respect of prior years	(3)	(16)	(23)
Total current tax expense	(23)	(29)	(1,319)
Deferred tax credit/(expense) (see note 18)	144	144	(500)
Total income tax credit/(expense) for the year	121	115	(1,819)

B. Factors affecting charge for the year

The tax charge for the year can be reconciled to the (loss)/profit per the statement of profit or loss as follows:

Rand million	2020	2019	2018
(Loss)/profit before tax	(4,824)	(7,777)	7,007
Applicable tax rate (South African corporation tax rate) of 28%	1,351	2,178	(1,962)
Tax effects of:			
Items non-deductible for tax purposes			
Depreciation of mineral rights	(9)	(117)	(7)
Legal and professional fees	(2)	(4)	–
Non-mining expenses	–	–	(55)
Penalties and interest	(14)	–	–
Loss on disposal of assets	–	(7)	–
Capitalised pre-feasibility costs reclassified	–	(6)	–
Preference shares interest expense	–	(1)	–
Items non-taxable for tax purposes			
Non-mining income	7	2	–
Profit on disposal of assets	7	–	162
Fair value uplift on acquisition of subsidiary	–	35	–
Interest received	3	15	–
Rehabilitation contribution	1	–	–
Provision for legal fees	–	–	2
Unrecognised deferred tax asset	(1,246)	(1,979)	–
Prior year adjustments to current tax	(3)	(16)	(23)
Prior year adjustments to deferred tax	26	15	64
Total income tax credit/(expense)	121	115	(1,819)

The effective tax rate for the year 2.5% (2019: 1.5%; 2018: 26.0%) is lower (2019: lower; 2018: lower) than the applicable weighted statutory rate of corporation tax in South Africa of 28% (2019: 28%; 2018: 28%).

The prior year tax adjustment relates to adjustments required to align with the final tax return as submitted to the South African Revenue Services for the prior year.

C. Tax amounts included in total comprehensive income

An analysis of tax by individual item presented in the statement of comprehensive income is presented below:

Rand million	2020	2019	2018
Tax (charge)/ credit on items recognised directly in equity that will not be reclassified to the statement of profit or loss			
Remeasurement of net retirement benefit obligation	(15)	9	6
(Gain)/loss on fair value of equity investments	(2)	35	80
Total tax (charge)/ credit recognised to other comprehensive income	(17)	44	86

Notes to the Combined Carve-out Historical Financial Information *continued*

D. Income tax paid

Rand million	2020	2019	2018
Balance at the beginning of the year – asset/(liability)	41	(663)	(845)
Income tax – current tax charge	(23)	(29)	(1,319)
Income tax – charge to invested equity ¹	–	–	191
Other	(1)	15	(1)
Balance at the end of the year – (asset)/liability	(87)	(41)	663
Income tax paid	(70)	(718)	(1,311)

¹ This amount represents the net tax impact arising from the classification of net related party payable balances included in contributions from Parent in invested equity, as part of the intercompany debt reorganisation plan. In 2020 and 2019 the tax impact was recognised in the deferred tax balance. Refer to the basis of preparation for further detail.

Current tax charge for 2018 includes current tax on gain on disposal of operations. The balance at the reporting date includes the current tax asset balance of R103 million (2019: R102 million, 2018: Rnil).

9. DIVIDENDS

Rand million	2020	2019	2018
Dividends paid to Parent entities	–	10,100	6,500
Dividends paid to Non-controlling interests	–	185	–
Total¹	–	10,285	6,500

¹ Dividends per share will not be disclosed as this set of historical financial information has been prepared on a combined carve-out basis such that share capital is not disclosed, hence per share disclosures are not considered meaningful metrics.

10. IMPAIRMENTS, GAINS ON DISPOSAL, RESTRUCTURING COSTS AND REMEASUREMENTS OF OPERATIONS

Overview

These are items of financial performance that, due to their size and nature, the SA Thermal Coal Operations believes should be separately disclosed on the face of the statement of profit or loss.

- The items that are recognised within operating (loss)/profit are those that relate to the operating performance of the SA Thermal Coal Operations and include impairment charges, reversals of impairment charges, restructuring costs including restructuring related employee termination benefits.
- The items that are recognised after operating (loss)/profit are those that relate to changes in the SA Thermal Coal Operations' asset portfolio. This category principally includes profits and losses on disposal of operations and remeasurement gain on acquisition of subsidiaries.

Rand million	2020		
	Before tax	Tax	Net
Impairment losses	(2,160)	117	(2,043)
Restructuring costs and termination benefits (note 25)	(157)	–	(157)
Net impairment losses, restructuring costs and termination benefits recognised before operating loss	(2,317)	117	(2,200)

Net impairment losses

Impairments comprise the impairment of the individual CGUs of R2,160 million. Further information relating to impairments is provided in note 2, note 11 and note 12.

Restructuring costs and termination benefits

Restructuring costs and termination benefits comprise costs incurred in relation to the restructuring of operations. Further information relating to restructuring costs and termination benefits is provided in note 17 and note 25.

Notes to the Combined Carve-out Historical Financial Information *continued*

Rand million	2019		
	Before tax	Tax	Net
Impairment losses	(7,731)	–	(7,731)
Reversal of impairment loss	664	–	664
Restructuring costs and termination benefits (note 25)	(128)	–	(128)
Net impairment losses and termination benefits recognised before operating loss	(7,195)	–	(7,195)
Remeasurement gain on the acquisition of subsidiary (note 30)	126	–	126
Gains on remeasurement of operations	126	–	126
	7,069	–	7,069

Net impairment losses

Impairments comprise the impairment of the individual CGUs (excluding Isibonelo) of R7,731 million and an impairment reversal of R664 million in relation to the Isibonelo operation.

Further information relating to impairments and impairment reversals is provided in note 2, note 11 and note 12.

Remeasurement gain on acquisition of subsidiary relates to the remeasurement of the pre-existing interest in Butsanani Energy. Further information relating to the acquisition of the subsidiary is provided in note 30.

Restructuring costs and termination benefits

Restructuring costs and termination benefits comprise costs incurred in relation to the restructuring of operations. Further information relating to restructuring costs and termination benefits is provided in note 17 and note 25.

Rand million	2018		
	Before tax	Tax	Net
Restructuring costs and termination benefits (note 25)	(40)	–	(40)
Termination benefits recognised before operating profit	(40)	–	(40)
Disposal of operations	998	(255)	743
Total gains on disposal of operations recognised after operating profit	998	(255)	743
	958	(255)	703

Disposal of operations

On 1 March 2018, the SA Thermal Coal Operations completed the sale of the Eskom-tied domestic coal operations to a wholly owned subsidiary of Seriti Resources Holdings Proprietary Limited. Termination benefits related to restructuring comprise costs incurred in relation to the restructuring when the operations were disposed. Further information relating to restructuring costs is provided in note 17 and note 25.

Furthermore, consideration receivable for the Eskom-tied domestic coal operations as at 1 March 2018 was R2.3 billion. A gain on disposal of R998 million was recorded.

Tax associated with disposal of operations

Total tax relating to gains on disposal of operations amounts to a charge of R255 million, of which R51 million relates to a current tax charge and R204 million relates to a deferred tax charge.

Notes to the Combined Carve-out Historical Financial Information *continued*

11. INTANGIBLE ASSETS

Rand million	Goodwill	Other	Capital work in progress	Total
2020				
Cost				
At 1 January 2020	356	41	95	492
Additions	-	-	163	163
Reclassifications ¹	-	258	(258)	-
At 31 December 2020	356	299	-	655
Accumulated amortisation and impairment losses				
At 1 January 2020	(309)	(12)	-	(321)
Amortisation charge	-	(15)	-	(15)
Impairment losses	(38)	(123)	-	(161)
At 31 December 2020	(347)	(150)	-	(497)
Carrying amount				
At 1 January 2020	47	29	95	171
At 31 December 2020	9	149	-	158

¹ Reclassifications from capital work in progress relates to the software under development that was completed during 2020.

Rand million	Goodwill	Other	Capital work in progress	Total
2019				
Cost				
At 1 January 2019	318	41	-	359
Acquired through business combination (note 30)	38	-	-	38
Additions	-	-	27	27
Reclassifications ²	-	-	68	68
At 31 December 2019	356	41	95	492
Accumulated amortisation and impairment losses				
At 1 January 2019	-	(10)	-	(10)
Amortisation charge	-	(2)	-	(2)
Impairment losses	(309)	-	-	(309)
At 31 December 2019	(309)	(12)	-	(321)
Carrying amount				
At 1 January 2019	318	31	-	349
At 31 December 2019	47	29	95	171

² Reclassified from property, plant and equipment as it relates to software under development. Refer to Note 12.

Notes to the Combined Carve-out Historical Financial Information *continued*

Rand million	Goodwill	Other	Total
2018			
Cost			
At 1 January 2018	521	41	562
Disposal of operations (note 10)	(203)	–	(203)
At 31 December 2018	318	41	359
Accumulated amortisation and impairment losses			
At 1 January 2018	–	(8)	(8)
Amortisation charge	–	(2)	(2)
At 31 December 2018	–	(10)	(10)
Carrying amount			
At 1 January 2018	521	33	554
At 31 December 2018	318	31	349

The other intangibles consist of a servitude related to the Zibulo mine and software implemented in 2020. The capital work in progress intangibles relate to the software that was under development in the financial year 2019.

The detailed allocation of Goodwill to the individual mines is provided below. Each operating mine is identified as a CGU.

Goodwill acquired through business combination relates to the acquisition of the Butsanani Energy operations in 2019. The goodwill is attributable to the deferred tax recognised on the fair value adjustment as part of the purchase price allocation related to the Butsanani Energy operation.

Goodwill impairment testing

Goodwill is tested at least annually for impairment by assessing the recoverable amount of the related CGUs. The recoverable amounts have been determined based on their fair value less costs of disposal using discounted cash flow projections. The recoverable amounts of goodwill and the related CGU's is determined on the same basis as CGU's where an indicator of impairment has been identified as set out below.

Assessing impairment indicators for CGU's without goodwill

Export mines

The mining operations carried out at Goedeheop, Khwezela, Greenside, Mafube and Zibulo represent the export operations of the SA Thermal Coal Operations. Lower spot Market Price and forecast short and medium term prices served as an impairment indicator in 2019 and 2020. Goodwill related to Greenside is also tested for impairment annually.

In addition, in 2020 Life of Mine production estimates were changed at Goedeheop and Khwezela with the closure of the South section at Goedeheop in 2019, and accelerated care and maintenance announced at the Bokgoni section at Khwezela effective from the first quarter of 2021.

Domestic mines

The mining operations carried out by Isibonelo and Rietvlei represent the domestic operations of the SA Thermal Coal Operations. These operations sell to domestic customers under long term offtake agreements. Contractual prices are escalated annually with reference to various input cost indexes. Changes in Market Price therefore do not impact the Life of Mine revenue assumptions at these operations.

In 2019, the Isibonelo coal off-take agreement was renegotiated with improved prices to support the long term sustainability of the operation. The increased Life of Mine prices resulted in an improved recoverable amount which supported the impairment reversal in 2019. However, production difficulties and resulting increased unit costs resulted in a revised recoverable amount assessment in 2020 and which was considered to be an impairment indicator. Goodwill related to Rietvlei is tested for impairment annually.

Capital projects

The viability of ongoing capital projects is assessed when there are indicators that the projects might not be recoverable. A project can be deemed as not viable due to a variety of reasons, e.g. a decision to adopt different technology, a decrease in the recoverable amount of the mines the projects were intended for or indicators that the project did not achieve the initially deemed probable outcomes. When deemed not viable the project is impaired.

Determining recoverable amounts

Recoverable amounts are determined on a fair value less costs of disposal basis with reference to the Life of Mine forecasted cash flows and where relevant a valuation of in situ resources beyond the current Life of Mine plan.

Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Mineral Resources and production volumes, together with economic factors such as coal prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Where discounted cash flow models based on management assumptions are used, the resulting fair value measurements are at level 3 in the fair value hierarchy as defined in IFRS 13: *Fair Value Measurement* ("IFRS 13"), as they depend to a significant extent on unobservable valuation inputs.

Notes to the Combined Carve-out Historical Financial Information *continued*

Fair values are classified by reference to the inputs to the valuation technique used to derive them. Further information relating to the detailed description of the fair value hierarchy is provided in note 23. Where in situ resources beyond the Life of Mine plan are included in the cash flow projections, an appropriate risk adjustment is made, or alternatively, the fair value is determined on comparable transaction basis and added to the recoverable amount.

Cash flow projections are based on financial budgets and Life of Mine Plans incorporating key assumptions as detailed below:

(a) Commodity and product prices

Coal prices are based on the latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. The forecast realised price for export operations is calculated using the quoted Market Prices, with adjustments to reflect the quality and location of the product. The export base prices (real terms) used in the estimation of cash inflows range from \$61/tonne to \$73/tonne (2019: \$67/tonne to \$92/tonne).

In estimating the forecast cash flows, management also considers the expected realised price from existing contractual arrangements for the domestic operations where relevant.

(b) Foreign exchange rates

Foreign exchange rates are based on latest internal forecasts, benchmarked with external sources of information. Foreign exchange rates are estimated for an initial period of two years and thereafter forecasted based on AA plc communicated assumptions. The exchange rates used in the estimation of cash inflows range from USD/ZAR 15.01 to 17.11 (2019: USD/ZAR 16.50 to 19.00). Operations supplying solely into the domestic market are not exposed to fluctuations in the foreign exchange rate.

(c) Discount rate

Cash flow projections used in the impairment models are discounted based on a real post-tax discount rate, assessed annually, of 9.5% (2019: 7.0%; 2018: 7.0%). Adjustments to the cash flows are made for any risks that are not reflected in the underlying cash flows, including the risk profile of the CGU.

(d) Operating costs, capital expenditure and other operating factors

Operating costs and capital expenditure are based on financial budgets covering a five-year period. Cash flow projections beyond five years are based on approved Life of Mine Plans and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith (for example, the grade of Ore Reserves varying significantly over time and unforeseen operational issues). Underlying input cost assumptions are consistent with related output price assumptions.

(e) Climate Change

Management has carefully considered the potential impact of climate related risks in the estimation of the recoverable amounts. The risks considered include the global trends of decreasing demand for coal, impact on cost of capital, impact to market prices and increased cost of adhering to applicable regulatory requirements in addition to physical risks caused by climate change.

The Life of Mine models are based on the assumption that there will still be a market for thermal coal over the expected mine lives after assessing local and global demand forecasts. The prices and other key assumptions represent management's best estimate and do not reflect a specific climate-related scenario. The cost of capital of comparable producers was considered in determining the discount rate at an Anglo American level.

The cost of carbon related emissions has been considered and incorporated into the cash flow projections, based on enacted legislation and expectations for carbon prices based on latest internal forecasts benchmarked with external sources.

The Department of Environmental Affairs and Forestry ("DEFF") declaration of greenhouse gases as priority air pollutants in 2017 has been followed by the imposition of a regulatory framework for greenhouse gas emission reporting, which forms the basis and input for the imposition of the carbon tax which commenced on 1 June 2019. The Carbon Tax Act No. 15 of 2019 ("**Carbon Tax Act**"), which took effect on 1 June 2019, introduces a carbon tax on identified affected sectors on the basis of their greenhouse gas emission concentrations as a controlled climate change mitigation measure.

The relevant regulations include:

- The Carbon Tax Act. The South African government introduced a carbon tax under the Carbon Tax Act with effect from 1 June 2019. The first phase of the Carbon Tax Act applies to scope 1 or direct emissions from 1 June 2019 to 31 December 2022. Under the first phase, the introduction of the carbon tax is not expected to have an immediate impact on the price of electricity. To date since implementation of the Carbon Tax Act, the SA Thermal Coal Operations has expensed a total of R8 million in relation to carbon emissions in line with the act.
- Declaration of Greenhouse Gases as Priority Pollutants under the National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004).
- National Pollution Prevention Plans Regulations (GN. 712 in GG 40996 of 2019).
- Simultaneously with the introduction of the carbon tax under the Carbon Tax Act, a carbon fuel levy was introduced under the Customs and Excise Act 91 of 1964, as part of the current South African fuel levy regime. The carbon fuel levy now includes a carbon levy, which applies to stationary and non-stationary mobile emissions resulting from the use of liquid fuels, mostly petrol and diesel. The carbon fuel levy on diesel and petrol, which came into effect on 5 June 2019, is 10c per litre and 9c per litre, respectively. In addition, a notice published in the South African Government Gazette on 31 May 2019 provided that, the carbon fuel levy was excluded from the diesel refund regime. As such, a person who becomes liable for the carbon fuels levy will not be able to claim a refund on the 8c per litre of diesel paid in respect of the carbon fuel levy on diesel.

Notes to the Combined Carve-out Historical Financial Information *continued*

(f) Impact of COVID-19 on the forecasts used for impairment testing

The SA Thermal Coal Operations has considered the impact of COVID-19 on each of its significant accounting judgements and estimates. The SA Thermal Coal Operations' principal source of estimation uncertainty continues to be in relation to assumptions used to determine the recoverable amounts. No further significant estimates have been identified as a result of COVID-19, although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts.

The price and foreign exchange rate assumptions used to forecast future cash flows for impairment assessment purposes have been updated to consider production implications and both the short-term observable impact of COVID-19 and the forecast medium and longer-term impact on the world economy and commodity prices. Production assumptions are based on the latest budgets and Life of Mine plans. These plans assume that the mines will continue to operate with appropriate safety measures in place.

Impairment losses/(reversal)

Export mines

The mining operations carried out at Goedeheop, Khwezela, Greenside, Mafube and Zibulo represent the export operations of the SA Thermal Coal Operations. These CGUs do supply the domestic market as well, but to a lesser extent, and domestic sales are not the key value contributor to the CGUs. Following lower forecast short and medium-term thermal coal prices during 2020 and 2019, and resultant negative cash flows for certain CGUs, a total impairment charge of R1,367 million (2019: R5,492 million) has been recognised by Goedeheop and Khwezela.

Goedeheop and Khwezela have historically been high cost operations based on the accessibility of the reserves. The South section of Goedeheop was closed effective from December 2019, and the Bokgoni section of Khwezela has been placed on care and maintenance effective from the first quarter of 2021, which further increases the cost burden on the remaining sections of these operations. This coupled with the sustained low price environment experienced over the 2019 and 2020 years has led to significant impairment losses being recognised related to these CGUs. At Goedeheop and Khwezela, impairment losses of R285 million (2019: R1,637 million), and R1,082 million (2019: R3,855 million) have been recognised respectively.

Greenside, Mafube and Zibulo are export operations, however the fall in forecasted market prices did not result in net negative cash flows as a result of higher quality reserves, longer remaining Life of Mine and lower cost bases at these operations. As a result, the recoverable amounts of these CGUs are estimated to be higher than the carrying amounts of the non-current assets.

The table below provides an analysis of the carrying amounts of the CGUs that are not impaired.

Rand million	Reporting segment	Goodwill	Carrying amounts other than goodwill ¹
2020			
Greenside	Underground	9	2,025
Mafube	Open-cast	-	1,682
Zibulo	Underground	-	4,770
Total		9	8,477

¹ Carrying amounts other than goodwill comprise other intangible assets and property, plant and equipment

Rand million	Reporting segment	Goodwill	Carrying amounts other than goodwill ¹
2019			
Greenside	Underground	9	1,885
Mafube	Open-cast	-	1,594
Zibulo	Underground	-	3,589
Total		9	7,068

¹ Carrying amounts other than goodwill comprise other intangible assets and property, plant and equipment

Sensitivities

The valuations, based on discounted cash flows, are sensitive to changes in input assumptions, particularly in relation to future thermal coal prices and Rand foreign exchange rates over the period 2020 to 2028. In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in key assumptions. The most significant inputs to the valuation are the short to medium-term price for thermal coal used to calculate the forecast long-term realised price and the discount rates applied.

Notes to the Combined Carve-out Historical Financial Information *continued*

The following table shows the impact on the estimated recoverable amounts, of the CGUs that are not impaired, for reasonably possible changes to the key assumptions used, keeping other assumptions constant.

Rand million	2020		2019	
	5% decrease in prices	0.5% ¹ increase in discount rates	5% decrease in prices	2.5% ¹ increase in discount rates
Greenside	(835)	(33)	(1,392)	(789)
Mafube	(559)	(53)	(732)	(475)
Zibulo	(1,354)	(85)	(1,476)	(550)
Total	(2,748)	(171)	(3,600)	(2,225)

¹ The 2019 Sensitivity is at 2.5% to show the impact of the discount rate as if it was the same as the current year's 9.5%. If the same sensitivity was applied in 2020 it would still not result in an impairment.

None of these sensitivities would result in an impairment.

No sensitivities are prepared for Goedehoop and Khwezela as no reasonable change in assumptions would result in an impairment reversal of the impairment recognised.

Domestic mines

The mining operations carried out by the Isibonelo and Rietvlei CGUs represent the domestic operations of the SA Thermal Coal Operations.

The mining operations carried out by the Rietvlei CGU reached commercial production in October 2019 and the ramp up of production to meet the existing coal supply agreement occurred after this date. While prices are contractually agreed and subject to escalation, during 2020 the operation experienced an increase in production costs in excess of the anticipated life of mine increases. This resulted in an impairment of property, plant and equipment of R419 million (2019: Rnil).

Isibonelo's sales are made under a long term off-take agreement with committed production per year. Prices are contractually agreed and impacted by mining inflation and other inputs. In 2020, the operations experienced an increase in production costs in excess of the anticipated Life of Mine increases, and decrease in saleable tons produced, which impacted the overall profitability of the contract in place. This resulted in an impairment loss of R87 million (2019: reversal of impairment of R664 million).

The impairment reversal realised at Isibonelo in 2019 was as a result of a reassessment of the future profitability of the CGU at the time, based on an amendment to the coal off-take agreement in place.

Sensitivities

As domestic sales prices are largely fixed with annual input cost inflation adjustments, recoverable amounts are most sensitive to production volumes and cost increases not catered for in the annual sales price adjustment. If all other inputs are left unchanged then the following reflect sensitivities for changes in production and unit costs. The recoverable amount approximates the carrying amount. Any movements in the sensitivities will indicate an impairment.

Rand million	2020		2019	
	5% increase in operating expenditure	5% decrease in saleable production	5% increase in operating expenditure	5% decrease in saleable production
Rietvlei	(136)	(146)	-	-
Isibonelo	(315)	(392)	(317)	(408)
Total	(415)	(538)	(317)	(408)

Capital projects

An impairment loss of R287 million (2019: R 2,240 million) has been recognised related to capital projects assets due to the lower forecast short and medium-term thermal coal prices in 2020 and 2019. These assets are used in various mining operations. The recoverable amounts are estimated to be lower than the carrying amounts of R542 million (2019: R 2,240 million), based on an allocation of these projects across the CGUs where appropriate.

The full impairment losses are recognised within operating (loss)/profit within the statement of profit or loss is below:

Rand million	2020	2019
Goodwill	(38)	(309)
Property, plant and equipment	(1,999)	(7,422)
Other intangible assets	(123)	-
Gross impairment losses	(2,160)	(7,731)
Reversals of impairment loss:		
Property, plant and equipment	-	664
Net impairment losses	(2,160)	(7,067)

Notes to the Combined Carve-out Historical Financial Information continued

12. PROPERTY, PLANT AND EQUIPMENT

Overview

Property, plant and equipment comprises tangible assets that make up the SA Thermal Coal Operations' operations. These include acquired mineral rights, capitalised waste stripping and mine development costs, processing plant and infrastructure, vehicles and other equipment and right-of-use ('ROU') assets.

Rand million	Mining properties - Owned	Land and buildings	Land and buildings (ROU asset)	Plant and equipment- Owned	Plant and equipment (ROU asset)	Capital work in progress¹	Total
2020							
Cost							
At 1 January 2020	7,254	1,515	16	21,677	-	5,545	36,007
Additions	-	-	39	-	107	2,937	3,083
Disposals	-	-	-	(76)	-	-	(76)
Capital work in progress transfers	(26)	16	-	2,257	-	(2,247)	-
Reclassifications	328	(156)	-	(326)	-	24	(130)
Decommissioning asset movement	-	-	-	118	-	-	118
At 31 December 2020	7,556	1,375	55	23,650	107	6,259	39,002
Accumulated depreciation and impairment losses							
At 1 January 2020	(5,066)	(816)	-	(16,302)	-	(3,790)	(25,974)
Depreciation charge	(229)	(22)	(2)	(793)	(12)	-	(1,058)
Impairment losses	(83)	(26)	(23)	(1,842)	(24)	(1)	(1,999)
Disposals	-	-	-	27	-	-	27
Reclassifications	(37)	7	-	152	-	-	122
At 31 December 2020	(5,415)	(857)	(25)	(18,758)	(36)	(3,791)	(28,882)
Carrying amount							
At 1 January 2020	2,188	699	16	5,375	-	1,755	10,033
At 31 December 2020	2,141	518	30	4,892	71	2,468	10,120

¹ Included in reclassifications in Capital work in progress is a reclassification of lease payments amounting to R8 million to the lease liability made before the lease commencement date. Refer to note 13.

Notes to the Combined Carve-out Historical Financial Information continued

Rand million	Mining properties - Owned	Land and buildings	Land and buildings (ROU asset)	Plant and equipment- Owned	Capital work in progress	Total
2019						
Cost						
At 1 January 2019	6,793	1,540	-	21,777	2,491	32,601
Acquired through business combinations	113	-	-	-	474	587
Additions	-	-	16	29	3,834	3,879
Disposals	(7)	(36)	-	(1,035)	(27)	(1,105)
Capital work in progress transfers	355	11	-	981	(1,347)	-
Reclassifications ¹	-	-	-	(67)	(1)	(68)
Capitalisation of environmental restoration	-	-	-	-	121	121
Decommissioning asset movement	-	-	-	(8)	-	(8)
At 31 December 2019	7,254	1,515	16	21,677	5,545	36,007
Accumulated depreciation and impairment losses						
At 1 January 2019	(4,814)	(485)	-	(13,158)	(596)	(19,053)
Depreciation charge	(206)	(34)	- ²	(1,000)	-	(1,240)
Impairment losses	(232)	(356)	-	(3,523)	(3,311)	(7,422)
Impairment losses reversed	178	23	-	346	117	664
Disposals	8	36	-	1,033	-	1,077
At 31 December 2019	(5,066)	(816)	-	(16,302)	(3,790)	(25,974)
Carrying amount						
At 1 January 2019	1,979	1,055	-	8,619	1,895	13,548
At 31 December 2019	2,188	699	16	5,375	1,755	10,033

¹ Reclassified to Capital work in progress intangibles as it relates to the software system. Refer to Note 11.

² The depreciation charge for the year was less than R1 million.

Rand million	Mining properties- Owned	Land and buildings	Plant and equipment - Owned	Capital work in progress	Total
2018					
Cost					
At 1 January 2018	6,431	1,648	20,638	3,287	32,004
Additions	-	-	26	2,789	2,815
Disposals	-	(2)	-	-	(2)
Disposal of operations	(491)	(309)	(1,432)	(51)	(2,283)
Capital work in progress transfers	686	203	2,645	(3,534)	-
Exchange of mineral rights ¹	167	-	-	-	167
Decommissioning asset movement	-	-	(100)	-	(100)
At 31 December 2018	6,793	1,540	21,777	2,491	32,601
Accumulated depreciation and impairment losses					
At 1 January 2018	(4,812)	(571)	(12,598)	(596)	(18,577)
Depreciation charge	(304)	(36)	(1,317)	-	(1,657)
Disposals	-	1	-	-	1
Disposal of operations	302	121	757	-	1,180
At 31 December 2018	(4,814)	(485)	(13,158)	(596)	(19,053)
Carrying amount					
At 1 January 2018	1,619	1,077	8,040	2,691	13,427
At 31 December 2018	1,979	1,055	8,619	1,895	13,548

¹ Relates to the exchange of the Nooitgedacht mining right.

Notes to the Combined Carve-out Historical Financial Information *continued*

Accounting judgements

Impairment testing

For the purposes of impairment testing, the recoverable amount of each of the CGUs has been determined based on a fair value less costs of disposal basis. The key assumptions used in determining fair value less costs of disposal are set out in note 2.

Refer to notes 10 and 11 for the detailed disclosure of the impairment losses and reversals of impairment losses recognised.

13. LEASES

IFRS 16 has been adopted from 1 January 2019 in line with the Anglo American accounting policy. On the date of initial application of IFRS 16, the SA Thermal Coal Operations did not recognise any ROU assets or lease liabilities as the lease payments on identified leases were at that date all variable based on usage. Lease payments on these agreements are expensed as incurred.

Lessee arrangements

At the reporting date, the SA Thermal Coal Operations is a lessee in the following lease agreements:

2020:

- Through its investment in Butsanani Energy, a contract related to the build and usage of a processing plant at Rietvlei for a period of 5 years; and
- Through TOPL, a contract for the exclusive use of the leased premises located at 25 on Bath, Rosebank for a period of 5 years.

2019:

- Through its investment in Butsanani Energy, a contract related to the usage of the farm for mining purposes at Rietvlei for a period of 20 years.

The statement of financial position shows the following lease liabilities:

Rand million	Contractual undiscounted cash flows 2020	Contractual undiscounted cash flows 2019
Maturity analysis		
Within 1 year	35	1
Between 2 and 5 years	134	5
Over 5 years	50	48
Total undiscounted lease liabilities at 31 December	219	54
Less effect of discounting	(68)	(38)
Total discounted lease liabilities	151	16
At 31 December	2020	2019
Current liabilities	24	1
Non-current liabilities	127	15

Analysis of the lease liability

The movement in the lease liability is as follows:

Rand million	2020	2019
At 1 January	16	–
Additions	146	16
Interest capitalised	7	1
Reclassifications ¹	(8)	–
Repayment – Interest	(7)	(1)
Repayment – Capital	(3)	–
At 31 December	151	16

¹ Reclassification from property, plant and equipment. Refer to note 12.

The lease liability was calculated by discounting contractually escalated lease payments over the lease term at the incremental borrowing rate derived from a market related borrowing rate at the date of inception. The range of incremental borrowing rates used is 8.6% to 9.0% (2019: 9.89%).

Notes to the Combined Carve-out Historical Financial Information *continued*

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss:

Rand million	2020	2019	2018
Interest expense on lease liabilities	7	1	–
Expenses relating to variable leases	16	23	41
Depreciation	14	–	–
Impairment loss	47	–	–

Amounts recognised in statement of cash flows

Rand million	2020	2019	2018
Lease liability – Capital repayment	3	–	–
Lease liability – Interest repayment	7	1	–
Variable rental payments (included in profit before tax)	16	23	41
Total cash outflow for leases	26	24	41

The SA Thermal Coal Operations is exposed to a total future cash outflow of R151 million (2019: R57 million; 2018: R68 million) related to variable lease payments related to mining and other equipment.

14. OTHER NON-CURRENT ASSETS

Overview

Other non-current assets represent biological assets and other assets relating to employee benefits.

Rand million	2020	2019	2018
Biological assets	86	60	58
Other employee benefits	25	24	24
At 31 December	111	84	82

Biological assets

The biological assets include different species such as Buffalo and Sable within the Waterberg and Limpopo estates of the SA Thermal Coal Operations that are actively managed and bred.

Reconciliation of carrying amount of biological assets

Rand million	2020	2019	2018
At 1 January	60	58	57
Change in fair value less costs to sell	26	2	1
At 31 December	86	60	58

Measurement of fair value

The fair value of the biological assets is measured based on auction prices (level 1 in the fair value hierarchy) obtained at the end of each financial year. Changes in the fair value of the biological assets are recognised in the statement of profit or loss.

15. INVESTMENT IN ASSOCIATE

Overview

Rand million	2020	2019	2018
At 1 January	105	120	105
Additional investment in associate	1	–	–
Net (repayment)/advance of loans	(17)	(15)	15
At 31 December	89	105	120

Further information

The SA Thermal Coal Operations holds a 23.2% (2019: 23.2%; 2018: 23.2%) ownership interest in Richards Bay Coal Terminal Proprietary Limited ("RBCT"), which is incorporated in South Africa. The principal business activity of RBCT is the export of goods and it operates on a breakeven basis, hence no profit or loss is recognised under the equity method of accounting. The SA Thermal Coal Operations' total investment in associate include loans of R68 million (2019: R86 million; 2018: R101 million) which in substance form part of SA Thermal Coal Operations' net investment.

Notes to the Combined Carve-out Historical Financial Information *continued*

16. FINANCIAL ASSET INVESTMENTS

Overview

Financial asset investments include three main categories. Financial assets at amortised cost principally comprise loans and other receivables. Assets classified as fair value through profit or loss and other comprehensive income comprise investments in equities of other companies, as well as in investment accounts related to ongoing rehabilitation requirements at Butsanani Energy.

Rand million				2020
	At amortised cost	At fair value through profit & loss	At fair value through OCI	Total
At 1 January 2020	72	1	276	349
Additions	–	2	73	75
Net repayments	(1)	–	–	(1)
Fair value adjustments	–	–	10	10
Disposals	–	–	(72)	(72)
At 31 December 2020	71	3	287	361

Rand million				2019
	At amortised cost	At fair value through profit & loss	At fair value through OCI	Total
At 1 January 2019	109	–	496	605
Additions	–	1	79	80
Net repayments	(25)	–	–	(25)
Fair value adjustments	–	–	(164)	(164)
Disposals	–	–	(135)	(135)
Reclassification ¹	(12)	–	–	(12)
At 31 December 2019	72	1	276	349

¹ This is a reclassification on consolidation of Butsanani Energy.

Rand million				2018
	At amortised cost	At fair value through profit loss	At fair value through OCI	Total
At 1 January 2018	93	9	576	678
Additions	–	–	69	69
Net payments ¹	16	–	–	16
Reclassifications	–	(9)	9	–
Fair value adjustments	–	–	(3)	(3)
Disposals	–	–	(155)	(155)
At 31 December 2018	109	–	496	605

¹ This includes proceeds of loans granted of R9 million net against the advance of loans of R25 million.

The investments in equities of other companies primarily relate to the shares acquired in Anglo American relating to the share-based payment arrangement (refer to note 25). The cost of the shares purchased are reimbursed through the recharges arrangement between the Parent entities and the SA Thermal Coal Operations. The reason for the disposals is to honour the vesting of the awards. The average fair value of the investments at the date of the disposal is R223.60 per share (2019: R119.11 per share; 2018: R172.63 per share).

All of SA Thermal Coal Operations' financial asset investments are classified as non-current.

Notes to the Combined Carve-out Historical Financial Information *continued*

17. PROVISIONS AND CONTINGENT LIABILITIES

Rand million	Environmental restoration	Decommissioning	Restructuring	Other	Total
At 1 January 2020	(4,444)	(662)	(129)	(110)	(5,345)
Charged to the statement of profit or loss	(1,072)	–	(79)	(126)	(1,277)
Capitalised	–	(118)	–	–	(118)
Unwinding of discount	(376)	(59)	–	–	(435)
Amounts applied	279	2	–	3	284
At 31 December 2020	(5,613)	(837)	(208)	(233)	(6,891)
Current liabilities	(690)	(84)	(208)	(192)	(1,174)
Non-current liabilities	(4,923)	(753)	–	(41)	(5,717)

Rand million	Environmental restoration	Decommissioning	Restructuring	Other	Total
At 1 January 2019	(4,140)	(620)	–	(71)	(4,831)
Charged to the statement of profit or loss	(27)	–	(128)	(47)	(202)
Capitalised	(121)	8	–	–	(113)
Unwinding of discount	(287)	(51)	–	(3)	(341)
Amounts applied	131	1	(1)	11	142
At 31 December 2019	(4,444)	(662)	(129)	(110)	(5,345)
Current liabilities	(250)	(18)	(129)	(10)	(407)
Non-current liabilities	(4,194)	(644)	–	(100)	(4,938)

Rand million	Environmental restoration	Decommissioning	Other	Total
At 1 January 2018	(6,419)	(894)	(79)	(7,392)
Credited to the statement of profit or loss	16	–	–	16
Capitalised ¹	(24)	96	–	72
Unwinding of discount	(298)	(60)	(2)	(360)
Disposal of operations	2,532	238	–	2,770
Amounts applied	53	–	10	63
At 31 December 2018	(4,140)	(620)	(71)	(4,831)
Current liabilities	(12)	(58)	(11)	(81)
Non-current liabilities	(4,128)	(562)	(60)	(4,750)

¹ Amounts capitalised includes R28 million which relates to the obligation that Eskom is required to rehabilitate part of the Eskom-tied mines. This is included as part of trade debtors and realised on the sale of the Eskom-tied mines.

Further information

Environmental restoration and decommissioning provision

The SA Thermal Coal Operations has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations incurred. It is anticipated that the majority of these costs will be incurred over a period of up to 20 years with water treatment cost incurred up to 50 years post closure of the mines. Provision is made for the present value of costs relating to the decommissioning of plant or other site restoration work. It is anticipated that the majority of these costs will be incurred over a period of up to 20 years.

Environmental rehabilitation trusts

Environmental rehabilitation trust assets comprise the following investments:

Rand million	2020	2019	2018
Investments in unit trusts	2,902	2,742	2,547

Notes to the Combined Carve-out Historical Financial Information continued

The movement in the total investments held by the environmental rehabilitation trusts is as follows:

Rand million	2020	2019	2018
At 1 January	2,742	2,547	3,260
Contributions during the year	–	–	7
Disposal of operations during the year	–	–	(810)
Growth on assets	160	195	90
At 31 December	2,902	2,742	2,547

The trusts aim to achieve its objectives by investing in a diversified portfolio of equity and debt securities of predominantly South African listed companies as well as South African sovereign and corporate debt through unit trust investments. Each mine's portfolio is managed separately according to each individual mine's risk and life-of-mine profile.

The movement in the environmental trust includes fair value movements as well as dividend and interest income, where applicable. This movement is recognised in Net finance gains/(losses). Refer to note 7.

Investments in the unit trusts are recorded at fair value through profit or loss.

These funds are not available for the general purposes of the SA Thermal Coal Operations and can only be accessed once a closure certificate has been received for the respective operation. All income from these assets is reinvested to meet specific environmental obligations. These obligations are included within the provisions as disclosed above. For these reasons, guarantees are held to increase the value included in the trust to cover the expected liability.

The SA Thermal Coal Operations' exposure related to the environmental restoration obligation is analysed below:

Rand million	2020	2019	2018
Environmental restoration and decommissioning provision	(6,450)	(5,106)	(4,760)
Environmental rehabilitation trust	2,902	2,742	2,547
Guarantees	3,189	2,974	3,749
	6,091	5,716	6,296
Real pre-tax risk-free discount rate	4.3% – 4.9%	4%	4%

The SA Thermal Coal Operations is required to provide guarantees in respect of environmental restoration and decommissioning obligations to cover the difference between the potential closure costs in real cash flow terms and amounts held in environmental rehabilitation trusts. The guarantees are primarily in place to meet any immediate closure obligations under existing DMRE requirements. At 31 December 2020 these guarantees amounted to R3,189 million (2019: 2,974 million, 2018: 3,749 million). These guarantees were underwritten by Anglo American South Africa Limited ("AASA"), where the SA Thermal Coal Operations acts as the primary obligor of these guarantees. If the NEMA regulations come into effect as currently drafted in June 2021, it is likely that the level of guarantees required to be held for closure liabilities will be increased.

Sensitivity analysis on environmental restoration obligations

Management has determined that the expected cash flows and the discount rates used to value current closure costs have a significant impact on the amounts recognised in the statement of financial position and statement of profit and loss. The SA Thermal Coal Operations has assumed that an expected 5% change in cash flows and 1% change in discount rates would have the following impact:

	2020	2019	2018
	Environmental obligation	Environmental obligation	Environmental obligation
5% increase in expected cash flows	306	300	206
1% increase in discount rates	(499)	(299)	(295)

Restructuring

The restructuring provision relates to the restructuring of the SA Thermal Coal Operations in each of the years presented as follows:

- In 2020, due to the sustained low-price environment and following in depth consultation, the decision was taken to place the Bokgoni section of the Khwezela operation on care and maintenance effective from the first quarter of 2021. A formal restructuring plan has been communicated to affected employees, and consultations are ongoing at year end.
- In 2019 due to the sustained low price environment as well as the remaining life of the assets, a decision was taken to close the Goedehoop South section of the Goedehoop mine. Restructuring costs consists of employee costs related to packages for those affected by the restructure. The restructure was completed in the first quarter of 2020. Refer note 25.
- In 2018 these costs were related to the restructure of the business as a result of the sale of the Eskom-tied operations. The restructure was completed in the first quarter of 2018.

A provision has been raised in line with the requirements of IAS 37: *Provisions, contingent liabilities and contingent assets* ("IAS 37") to reflect the best estimate of costs to be incurred as part of the restructuring of the business as a result of various restructuring activities identified.

Notes to the Combined Carve-out Historical Financial Information *continued*

Other

The balances primarily relate to a provision raised for contractual obligations in for all years presented, the Zibulo servitude and dividends payable to the BEE participants of AAIC. In 2020, the increase in the provision relates to the lower than expected performance against contractually committed production.

Contingent liabilities

The SA Thermal Coal Operations is subject to various claims which arise in the ordinary course of business. Additionally, the SA Thermal Coal Operations has provided indemnities against certain liabilities as part of agreements for the sale or other disposal of business operations. Having taken appropriate legal advice, the SA Thermal Coal Operations believes that a material liability arising from the indemnities provided is remote.

Total financial guarantees amounting to R3,244 million (2019: R3,143 million, 2018: R4,208 million) have been issued in favour of the SA Thermal Coal Operations, including the amount identified for rehabilitation purposes noted above.

No contingent liabilities were secured on the assets of the SA Thermal Coal Operations at 31 December 2020, 31 December 2019 or 31 December 2018.

18. DEFERRED TAX

Overview

The movement in the deferred tax liabilities during the year is as follows:

Rand million	2020	2019	2018
At 1 January	(1,474)	(1,536)	(1,677)
Credited/(charged) to the statement of profit or loss	144	144	(500)
(Charged)/credited to the statement of comprehensive income	(17)	44	86
Charged related to a business combination (note 30)	-	(126)	-
Disposal of operations	-	-	555
Other	(3)	-	-
At 31 December	(1,350)	(1,474)	(1,536)

Deferred tax credited/(charged) to the statement of profit or loss includes R117 million (2019: Rnil; 2018: Rnil) relating to deferred tax on impairments and Rnil (2019: Rnil; 2018: R204 million) relating to gains on disposal of operations.

Further information

The amount of deferred tax recognised in the statement of financial position is set out in the table below. Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset):

Rand million	2020	2019	2018
Net deferred tax			
Provisions	1,937	1,643	1,649
Tax losses	107	323	303
Other temporary differences	9	(9)	(17)
Retirement benefit obligations	8	72	46
Capital allowances in excess of depreciation	(2,571)	(2,586)	(2,883)
Environmental rehabilitation trust	(813)	(767)	(713)
Fair value adjustments	(16)	(141)	80
Share-based payments	(11)	(9)	(1)
At 31 December	(1,350)	(1,474)	(1,536)

Deferred tax assets of R1,588 million (2019: R13 million; 2018: Rnil) have not been recognised in respect of unused tax losses and depreciation and impairments in excess of capital allowances, because, it is not probable that future taxable profits will be available against which the SA Thermal Coal Operations can use the benefits therefrom. All unused tax losses may be carried forward indefinitely.

The amount of deferred tax credited/(charged) to the statement of profit or loss is as follows:

Rand million	2020	2019	2018
Capital allowances in excess of depreciation	(101)	166	(146)
Provisions	293	(6)	(981)
Other temporary differences	(165)	(16)	831
Impairments and gains on disposal of operations	117	-	(204)
Deferred tax credit/(charge) (note 8)	144	144	(500)

Notes to the Combined Carve-out Historical Financial Information *continued*

19. INVENTORIES

Overview

Inventories represent consumables to be used in the production process and finished products comprising processed coal stockpiled at the mine or awaiting export at the Richards Bay Coal Terminal prior to shipment.

Rand million	2020	2019	2018
Consumables	505	457	459
Finished products	706	860	664
	1,211	1,317	1,123

Further information

The cost of inventories recognised as an expense and included in operating costs amounted to R14,235 million (2019: R14,271 million; 2018: R15,496 million).

The write-down of inventories to NRV recognised throughout the year amounted to R729 million (2019: R1,071 million; 2018: R501 million). NRV is determined on a monthly basis, using the average realised price for that month for a particular grade of coal, and deducting costs to sell including transport costs from the mine to the Richards Bay Coal Terminal where relevant. Any write down to NRV is recognised in profit and loss in the month incurred.

ROM stockpiles are not included in the inventory valuation until the coal has been processed into finished products.

Accounting judgement

Accounting for inventory involves the use of judgements and estimates within the production process. Estimation of volumes, and measurement of production costs are calculated by engineers using available industry, engineering and scientific data based on three months average costs in line with the production period. NRVs are estimated using realised prices for the month. Estimates used are periodically reassessed by the SA Thermal Coal Operations considering technical analysis and historical performance.

20. TRADE AND OTHER RECEIVABLES

Overview

Trade receivables are amounts due from the SA Thermal Coal Operations' customers for the sale of coal. Trade and other receivables also include amounts receivable for VAT and other indirect taxes, prepaid expenses and amounts receivable from others for non-sale transactions.

Rand million	2020	2019	2018
Current assets			
Trade receivables	2,363	1,939	2,646
Other tax receivables ¹	729	1,202	650
Prepayments and accrued income	120	115	131
Other receivables	264	112	26
Total trade and other receivables included within current assets	3,476	3,368	3,453
Non-current assets			
Other receivables	44	36	38
Total other receivables included within non-current assets	44	36	38

¹ Other tax receivables include VAT and diesel rebates. In 2020, a provision of R200 million was raised against diesel rebates outstanding from the SARS based on letters of demand received in connection with ongoing audits.

Further information

The SA Thermal Coal Operations applies the simplified expected credit loss model to its trade receivables measured at amortised cost as permitted by IFRS 9. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for future observable data. Trade receivables include R1,693 million (2019: R1,560 million; 2018: R2,440 million) due from Anglo American Marketing Limited ("**AAML**"). As per the contractual terms with AAML, all trade balances should be settled within 15 days of invoicing. The historical level of default experience has been minimal; hence it is assessed the credit risk of AAML is low.

Given the nature of the domestic counterparties, the amounts due from those customers are considered recoverable. The historical level of customer default is minimal and as a result the credit quality of year end trade receivables is considered to be high.

Trade receivables do not incur any interest, are principally short term in nature and are measured at their nominal value, net of appropriate provision for expected credit losses.

Notes to the Combined Carve-out Historical Financial Information *continued*

On that basis, the expected credit loss allowance was determined as follows for trade receivables:

Rand million	Current	Past due				Total
		Less than 1 month	Between 1-2 months	Between 2-3 months	Greater than 3 months	
Expected loss rate	0.2%	2%	8%	0%	56%	4%
Gross carrying amount – trade receivables	1,752	254	353	–	95	2,454
Loss allowance 31 December 2020	(4)	(6)	(28)	–	(53)	(91)

Rand million	Current	Past due				Total
		Less than 1 month	Between 1-2 months	Between 2-3 months	Greater than 3 months	
Expected loss rate	0.5%	2%	14%	20%	100%	8%
Gross carrying amount – trade receivables	1,641	279	21	19	144	2,104
Loss allowance 31 December 2019	(8)	(6)	(3)	(4)	(144)	(165)

Rand million	Current	Past due				Total
		Less than 1 month	Between 1-2 months	Between 2-3 months	Greater than 3 months	
Expected loss rate	0%	0%	35%	60%	99%	5%
Gross carrying amount – trade receivables	2,572	49	36	1	129	2,787
Loss allowance 31 December 2018	–	–	(13)	(1)	(127)	(141)

Expected credit loss allowance

The movement in the expected credit loss allowance is as follows:

Rand million	2020	2019	2018
At 1 January	(165)	(141)	(68)
Decrease/(increase) in loss allowance	48	(28)	(73)
Amounts written off during the year	26	4	–
At 31 December	(91)	(165)	(141)

21. TRADE AND OTHER PAYABLES

Overview

Trade and other payables include amounts owed to suppliers, tax authorities and other parties that are typically due to be settled within 12 months. The total also includes contract liabilities included within other payables of R27 million (2019: R29 million, 2018: R23 million), which represents monies received from customers but for which management has not yet satisfied the associated performance obligation. These amounts are recognised as revenue when the performance obligation is satisfied.

Rand million	2020	2019	2018
Current liabilities			
Trade payables	(2,377)	(1,946)	(1,467)
Accruals	(1,215)	(1,173)	(1,781)
Other tax and employee related payables	(752)	(770)	(638)
Other payables	(169)	(268)	(114)
Total trade and other payables	(4,513)	(4,157)	(4,000)

Further information

Trade payables are non-interest bearing and are measured at their nominal value until settled.

Notes to the Combined Carve-out Historical Financial Information *continued*

22. LOANS AND BORROWINGS

The movement of the short-term loans and borrowings as at 31 December each year is as follows:

Rand million	2020	2019	2018
At 1 January	(203)	–	–
Acquired through business combination	–	(76)	–
Advance of loans and borrowings	–	(114)	–
Interest capitalised	(18)	(13)	–
At 31 December	(221)	(203)	–

The short-term loans and borrowings have no fixed terms of repayment and attract interest at prime plus 1% to 2%.

23. FINANCIAL INSTRUMENTS

Overview

For financial assets and liabilities which are traded on an active market, such as listed investments, fair value is determined by reference to market value. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, and based on observable market data where available (for example forward exchange rate, interest rate or commodity price curve), unless carrying value is considered to approximate fair value.

Where discounted cash flow models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13, as they depend to a significant extent on unobservable valuation inputs.

Rand million	Financial assets			Financial liabilities	2020
	At amortised cost	At fair value through profit & loss	At fair value through other comprehensive income	At amortised cost	Total
Financial assets					
Trade and other receivables	2,671	–	–	–	2,671
Cash and cash equivalents	394	–	–	–	394
Financial asset investments	71	3	287	–	361
Environmental rehabilitation trusts	–	2,902	–	–	2,902
	3,136	2,905	287	–	6,328
Financial liabilities					
Trade and other payables	–	–	–	(3,734)	(3,734)
Loans and borrowings	–	–	–	(221)	(221)
Lease liabilities	–	–	–	(151)	(151)
	–	–	–	(4,106)	(4,106)
Net financial assets/ (liabilities)	3,136	2,905	287	(4,106)	2,222

Notes to the Combined Carve-out Historical Financial Information *continued*

Rand million					2019
	Financial assets			Financial liabilities	
	At amortised cost	At fair value through profit & loss	At fair value through other comprehensive income	At amortised cost	Total
Financial assets					
Trade and other receivables	2,087	–	–	–	2,087
Cash and cash equivalents	104	–	–	–	104
Financial asset investments	72	1	276	–	349
Environmental rehabilitation trusts	–	2,742	–	–	2,742
	2,263	2,743	276	–	5,282
Financial liabilities					
Trade and other payables	–	–	–	(3,358)	(3,358)
Loans and borrowings	–	–	–	(203)	(203)
Lease liabilities	–	–	–	(16)	(16)
	–	–	–	(3,577)	(3,577)
Net financial assets/(liabilities)	2,263	2,743	276	(3,577)	1,705

Rand million					2018
	Financial assets			Financial liabilities	
	At amortised cost	At fair value through profit & loss	At fair value through other comprehensive income	At amortised cost	Total
Financial assets					
Trade and other receivables	2,710	–	–	–	2,710
Cash and cash equivalents	313	–	–	–	313
Financial asset investments	109	–	496	–	605
Environmental rehabilitation trusts	–	2,547	–	–	2,547
	3,132	2,547	496	–	6,175
Financial liabilities					
Trade and other payables	–	–	–	(3,339)	(3,339)
Net financial assets/(liabilities)	3,132	2,547	496	(3,339)	2,813

Trade and other receivables exclude prepayments and other tax receivables. Trade and other payables exclude tax, employee related payables and deferred income.

Fair value hierarchy

An analysis of financial assets and liabilities carried at fair value is set out below:

Rand million	2020			2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial asset investments	257	–	33	247	–	30	460	–	36
Environmental rehabilitation trusts	2,902	–	–	2,742	–	–	2,547	–	–
Net assets carried at fair value	3,159	–	33	2,989	–	30	3,007	–	36

Notes to the Combined Carve-out Historical Financial Information *continued*

Fair value hierarchy	Valuation technique
Level 1	Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares and quoted futures.
Level 2	Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.
Level 3	Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data.

Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input. This category includes unlisted equity investments.

Rand million	Assets		
	2020	2019	2018
At 1 January	30	36	8
Net gain/(loss) recorded in other comprehensive income	3	2	(1)
Additions	–	–	20
Disposals	–	(8)	–
Reclassification	–	–	9
At 31 December	33	30	36

For the level 3 financial assets, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly.

24. FINANCIAL RISK MANAGEMENT

The SARLT approves and monitors the risk management processes, including documented treasury policies, counterparty limits and reporting structures.

The types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the statement of financial position at 31 December is as follows:

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss to the SA Thermal Coal Operations by failing to pay its obligation.

The SA Thermal Coal Operations' principal financial assets are cash, trade and other receivables, and financial asset investments. The SA Thermal Coal Operations' maximum exposure to credit risk primarily arises from these financial assets and is as follows:

Rand million	2020	2019	2018
Cash and cash equivalents	394	104	313
Trade and other receivables	2,671	2,087	2,710
Financial asset investments	71	72	109
Environmental rehabilitation trusts	2,902	2,742	2,547
At 31 December	6,038	5,005	5,679

The Environmental rehabilitation trust assets are managed by a reputable fund manager under an agreed mandate. The mandate is formulated consistent with the SA Thermal Coal Operations' risk management policies; and hence investments are only made in high quality instruments and adequate diversity is maintained.

The SA Thermal Coal Operations does not have significant concentration of credit risk in respect of domestic trade receivables. Details of concentration of revenue and trade receivables related to AAML are included in note 5 and note 20 respectively. A provision for expected credit losses of trade receivables is based on the simplified expected credit loss model for its trade receivables measured at amortised cost as permitted by IFRS 9. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for future observable data. Details of the credit quality of trade receivables and the associated provision for expected credit losses are disclosed in note 20.

The classification of trade and other receivables exclude prepayments and other tax receivables.

Liquidity risk

Liquidity risk is the risk that the SA Thermal Coal Operations will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The SA Thermal Coal Operations' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the SA Thermal Coal Operations' reputation.

Notes to the Combined Carve-out Historical Financial Information *continued*

The SARLT review the cash flow forecasts of the SA Thermal Coal Operations on a regular basis. The impact of COVID-19 was considered in the forecasted cash flows and the SARLT believe that the SA Thermal Coal Operations has adequate financial resources to continue in operation for the ensuing twelve-month period.

The ultimate responsibility for liquidity risk management rests with the SARLT and going forward will rest with the Board of Directors of the Company, which has built an appropriate liquidity risk management framework for the management of the SA Thermal Coal Operations' short, medium and long-term liquidity management requirements.

The SA Thermal Coal Operations manages liquidity risk by monitoring forecast cash flows on a regular basis. The SA Thermal Coal Operations received support from Anglo American over the historical period and no external borrowings were required.

Exposure to liquidity risk

The liquidity risk exposure of the SA Thermal Coal Operations relates to financial liabilities including trade and other payables, loans and borrowings and lease liabilities.

All trade and other payables are due within one year. The remaining contractual cash outflows is the same as the carrying amount at the reporting date.

All loans and borrowings are due within one year and relate to the Butsanani Energy operations. The carrying amount of R221 million (2019: R203 million, 2018: Rnil) at the reporting date reflects the remaining contractual cash outflows.

The detailed maturity analysis, the carrying amount and undiscounted cash outflows related to lease liabilities are provided in note 13.

Commodity risk

The SA Thermal Coal Operations does not have any hedging arrangements to manage its exposure to commodity risk arising mainly from export sales. The export prices are impacted by coal market prices and discounts as determined by AAML.

Foreign exchange risk

The SA Thermal Coal Operations is principally exposed to fluctuations in the USD: Rand exchange rate as a result of revenues and to a lesser extent, capital expenditure that are not denominated in Rand. The SA Thermal Coal Operations' policy is generally not to hedge such exposures.

The summary quantitative data about the SA Thermal Coal Operations' exposure to foreign currency risk is as follows.

USD million	2020	2019	2018
Trade receivables	118	114	172
Trade and other payables	(6)	(2)	(4)
Net statement of financial position exposure	112	112	168

Sensitivity analysis

The following analysis is intended to illustrate the sensitivity of the SA Thermal Coal Operations' financial instruments at 31 December to changes in foreign currencies. Financial instruments affected by foreign currency risk include trade receivables and trade payables.

Rand million	2020	2019	2018
	Invested equity/ income	Invested equity/ income	Invested equity/ income
Foreign currency sensitivities			
+10% (weakening) Rand to US Dollar	164	157	242
-10% (strengthening) Rand to US Dollar	(164)	(157)	(242)

In calculating the sensitivity analysis, all statement of profit or loss sensitivities are assumed to also impact invested equity.

The above sensitivities are calculated with reference to a single moment in time and are subject to change due to a number of factors including fluctuating trade receivable and trade payable balances.

Set-off of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There were no material amounts offset in the statement of financial position or associated with enforceable master netting agreements.

Other market price risk and sensitivity analysis

The majority of the investment in equity instruments represents investments held in Anglo American for the purposes of the share-based payments (see note 25 for details). A 10% increase in the Anglo American share price at the reporting date would have increased invested equity by R20 million (2019: R19 million; 2018: R36 million) after tax. An equal change in the opposite direction would have decreased invested equity by the same amount. The remainder of fair value through OCI investments are unlisted and are not exposed to market risk.

Notes to the Combined Carve-out Historical Financial Information *continued*

Capital management

As stated in the basis of preparation, the SA Thermal Coal Operations were managed as a part of the Anglo American Group over the historical period. The Anglo American Group's investment in the SA Thermal Coal Operations is presented as invested equity attributable to Parent entities in the statement of financial position.

Following the completion of the Internal Restructuring, the capital structure of the SA Thermal Coal Operations will reflect the capital structure of the Company. On the date of Admissions, the Company's issued share capital is expected to comprise 136,311,808 shares. As part of the Internal Restructure undertaken by Anglo American in order to form the SA Thermal Coal Operations as a stand-alone business, Anglo American will capitalise the SA Thermal Coal Operations in the amount of R2,500 million. The details of the agreement is provided in note 29.

In addition, as part of the Demerger arrangements, Anglo American (through ASA) has agreed that if there are adverse global market conditions, as determined by thermal coal prices falling below a certain threshold, ASA will provide capital support to the SA Thermal Coal Operations until 31 December 2022. The details of the capital support arrangement is provided in note 29. The SA Thermal Coal Operations policy is to maintain a strong capital base. The future plans of the SA Thermal Coal Operations have been considered, and it has been assessed that sufficient funding will be available for future operations following the Demerger.

25. EMPLOYEE COSTS

This section contains information about the SA Thermal Coal Operations' current and former employees as well as the associated cost of employment and post-employment benefits incurred by the SA Thermal Coal Operations.

Rand million	2020	2019	2018
Wages and salaries	(3,990)	(3,942)	(3,776)
Social security costs	(65)	(75)	(71)
Post-employment benefits	(335)	(374)	(340)
Share-based payments	(42)	(47)	(73)
Termination benefits	72	(128)	(40)
Total payroll costs	(4,360)	(4,566)	(4,300)
Reconciliation:			
Less: employee costs capitalised	53	67	46
Less: termination benefits included in restructuring	(72)	128	40
Employee costs included in operating costs (note 4)	(4,379)	(4,371)	(4,214)

Post-employment benefits include contributions to defined contribution pension and medical aid plans, current and past service costs related to medical aid plans and other benefits provided to certain employees during retirement (see note 26).

Share-based payment arrangements

Anglo American issues share-based payments to its employees within the Anglo American Group. The employees of the SA Thermal Coal Operations are entitled to Long Term Incentive Plan ("LTIP") and Bonus Share Plan ("BSP") share schemes. Both of these share schemes are equity settled by award of ordinary shares of Anglo American. For both of these share schemes, Anglo American has the obligation to settle the awards and the SA Thermal Coal Operations acts as the entity that receives the service of the employees entitled to the two schemes. These are accounted for as equity settled share-based payment schemes.

Both of the awards are conditional upon employment. LTIPs granted since 2017 vest in accordance with the achievement of relative Total Shareholder Return ("TSR") targets and a balanced scorecard of measures including Anglo American's return on capital employed ("ROCE") target, an attributable free cash flow target and environmental, social and governance targets. The LTIP awards are contingent on pre-established performance criteria being met. As per the terms of the schemes, the shares of Anglo American are awarded for no consideration. The BSP scheme shares are forfeitable and do not carry any performance conditions. Both awards vest three years after the grant thereof.

The movements in the number of shares for both of the share-based payment schemes of the SA Thermal Coal Operations are as follows:

Number of shares	2020	2019	2018
Outstanding at 1 January	614,995	1,429,962	2,221,073
Granted in the year	238,223	189,286	253,596
Vested in the year	(268,004)	(962,964)	(782,713)
Forfeited in the year	(61,845)	(41,289)	(261,994)
Outstanding at 31 December	523,369	614,995	1,429,962

The early vesting of share awards is permitted at the discretion of Anglo American upon, *inter alia*, termination of employment, ill health or death.

Notes to the Combined Carve-out Historical Financial Information *continued*

The fair value of the LTIP and BSP plans has been measured using a Monte Carlo simulation taking into account the TSR performance conditions for the LTIP awards. The inputs used in the measurement of the fair values at grant date of both the equity settled share-based payment plans were as follows:

	2020	2019	2018
Grant date	06/05/2020	08/03/2019	09/03/2018
Fair value at grant date	£13.70	£19.87	£17.52
Share price at grant date	£18.33	£20.24	£17.79
Expected volatility	35%	35%	35%
Expected life	3 years	3 years	3 years
Expected dividends	3.5%	1.8%	2.2%
Risk-free interest rate	0.05%	0.8%	0.9%

Expected volatility is based on historic volatilities over a period of time commensurate with the expected life of the LTIP and BSP awards.

26. RETIREMENT BENEFIT OBLIGATIONS

Overview

The SA Thermal Coal Operations operates several defined contribution pension and medical aid plans, including defined benefit medical aid plans. It also operates post-employment medical aid plans. The post-employment medical aid plans provide health benefits to retired employees and certain dependants.

Defined contribution arrangements

The defined contribution pension and medical costs represents the actual contributions payable by the SA Thermal Coal Operations to the various plans.

The charge for the year for defined contribution pension plans (net of amounts capitalised) was R210 million (2019: R233 million; 2018: R213 million) and for defined contribution medical aid plans (net of amounts capitalised) was R125 million (2019: R142 million; 2018: R127 million). Defined contribution plans are governed by the South African Pension Fund Act.

Defined benefit medical aid plans and post-employment medical aid plans

The assets of these plans are held separately from those of the SA Thermal Coal Operations, in independently administered funds, in accordance with statutory requirements. The responsibility for the governance of the funded medical aid plans, including investment and funding decisions, lies with the Trustees of each scheme.

Contributions

Employer contributions are made in accordance with the terms of each plan and may vary from year to year. R24 million (2019: R23 million; 2018: R20 million) of benefits were paid in relation to post employment medical aid plans. The SA Thermal Coal Operations expects to contribute R32 million to its post-employment medical aid plans in 2021.

Statement of profit or loss

The amounts recognised in the statement of profit or loss in relation to the schemes are included within the following categories:

Rand million	2020			2019			2018		
	Pension plans	Post-employment medical plans	Total	Pension plans	Post-employment medical plans	Total	Pension plans	Post-employment medical plans	Total
Charge to operating costs	(210)	(125)	(335)	(233)	(142)	(375)	(213)	(127)	(340)
Net finance costs	-	(46)	(46)	-	(40)	(40)	-	(36)	(36)
Total	(210)	(171)	(381)	(233)	(182)	(415)	(213)	(163)	(376)

Statement of comprehensive income

The pre-tax amounts recognised in the statement of comprehensive income relating to post-employment medical plans are as follows:

Rand million	2020	2019	2018
Actuarial gains/(losses) on plan liabilities	54	(33)	(21)
Remeasurement of net defined benefit obligations	54	(33)	(21)

Actuarial gains/(losses) on plan liabilities comprise gains/(losses) from changes in financial and demographic assumptions as well as experience on plan liabilities. The tax amounts arising on remeasurement of net defined benefit obligations are disclosed in note 8.

Notes to the Combined Carve-out Historical Financial Information *continued*

Statement of financial position

A summary of the movements in the medical aid plans on the statement of financial position is as follows:

Rand million	2020	2019	2018
Present value of obligations			
Liability recognised at 1 January	(482)	(427)	(562)
Actuarial gains/(losses) from changes in assumptions	54	(33)	(21)
Current service costs	(5)	(5)	(5)
Benefits paid	24	23	20
Disposal of operations	-	-	179
Interest cost	(46)	(40)	(36)
Other	-	-	(2)
Liability recognised at 31 December	(455)	(482)	(427)
Amounts recognised as:			
Retirement benefit obligations	(455)	(482)	(427)
	(455)	(482)	(427)

Further information

Medical aid plan liabilities

The split of the present value of unfunded obligations in defined benefit medical aid plans at 31 December is as follows:

Rand million	2020	2019	2018
Active members	(107)	(129)	(124)
Pensioners	(348)	(353)	(303)
Present value of unfunded obligations	(455)	(482)	(427)

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations are detailed below (shown as weighted averages):

%	2020	2019	2018
Post-employment medical aid plans			
Average discount rate for plan liabilities	9.8	9.9	9.8
Average rate of inflation	5.2	5.6	6.3
Expected average increase in healthcare costs	7.4	7.9	8.3

The weighted average duration of the plans is 11 years (2019: 13 years; 2018: 12 years). This represents the average period over which future benefit payments are expected to be made.

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In South Africa, the PA90 tables are used. The mortality tables used imply that a male or female aged 60 at the reporting date has the following future life expectancy (shown as weighted averages):

Years	Male			Female		
	2020	2019	2018	2020	2019	2018
South Africa	18.7	18.7	18.8	23.4	23.4	23.4

The expected life expectancy from the age of 60 for a male or female aged 45 at the reporting date. When viewed together with the respective life expectancy at age 60 this remains unchanged with the above table.

Risk of plans

The defined benefit plans are exposed to risks such as longevity, investment risk, inflation risk and interest rate risk.

Employer contributions are made in accordance with the terms of each plan and vary each year. The defined benefit medical aid plans are closed to new members and future benefit accrual.

The SA Thermal Coal Operations' provision of anti-retroviral therapy to HIV positive staff does not significantly impact the post-employment medical aid plan liability.

Notes to the Combined Carve-out Historical Financial Information *continued*

Sensitivity analysis

Significant actuarial assumptions for the determination of medical aid plan liabilities are the discount rate, inflation rate and mortality. The sensitivity analysis below has been provided by local actuaries on an approximate basis based on changes in the assumptions occurring at the end of the year, assuming that all other assumptions are held constant and the effect of all interrelationships is excluded. The effect on plan liabilities is as follows:

Rand million	2020	2019	2018
Discount rate – 0.5% decrease	(24)	(27)	(24)
Inflation rate – 0.5% increase	(26)	(26)	(16)
Life expectancy – increase by 1 year	(17)	(17)	(15)

Independent qualified actuaries carry out full valuations at least every three years using the projected unit credit method. The actuaries have updated the valuations to 31 December 2020. Assumptions are set after consultation with the qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the SA Thermal Coal Operations' statement of other comprehensive income.

27. COMMITMENTS

Details of the SA Thermal Coal Operations' commitments as at the end of the financial years presented are as follows:

	2020				
	Due within 1 year	Greater than 1 year, less than 2 years	Between 2 and 5 years	Greater than 5 years	Total
Contracted for but not provided	609	–	–	–	609
Rail commitments	2,749	2,885	3,823	–	9,457
Total commitments	3,358	2,885	3,823	–	10,066
	2019				
	Due within 1 year	Greater than 1 year, less than 2 years	Between 2 and 5 years	Greater than 5 years	Total
Contracted for but not provided	358	–	–	–	358
Rail commitments	2,533	2,663	9,606	–	14,802
Total commitments	2,891	2,663	9,606	–	15,160
	2018				
	Due within 1 year	Greater than 1 year, less than 2 years	Between 2 and 5 years	Greater than 5 years	Total
Contracted for but not provided	46	–	–	–	46
Rail commitments	2,510	2,642	8,796	810	14,758
Total commitments	2,556	2,642	8,796	810	14,804

Rail commitments

This is related to the rail agreement with Transnet Freight Rail ("TFR"), where the SA Thermal Coal Operations has committed to a minimum annual quantity of tons railed. Budgeted railed volumes are in excess of committed volumes.

28. RELATED PARTY TRANSACTIONS

As set out in the basis of combination, transactions and balances between the SA Thermal Coal Operations and Parent entities have been treated as related party transactions.

Details of transactions between the SA Thermal Coal Operations, Parent entities and other related parties are disclosed below. All transactions with related parties are entered into in the normal course of business.

No expense has been recognised in the year for impairment of amounts owed to the SA Thermal Coal Operations by related parties.

Notes to the Combined Carve-out Historical Financial Information *continued*

Transactions and balances with Parent entities

The tables below provide the trading balances and loans recognised by the SA Thermal Coal Operations with the Parent entity:

Rand million	2020	2019	2018
Loans to Parent entities¹			
Anglo American Zimele Loan Fund Proprietary Limited	29	25	25
Total loans to Parent entities²	29	25	25

¹Parent entities are defined as Anglo American Group entities which are not part of the transaction.

²Included in the balance financial asset investments

Rand million	2020	2019	2018
Trade and other receivables from Parent entities	1,850	1,696	2,478
Trade and other payables to Parent entities	(238)	(43)	(127)

The table below provides income and expenses recognised by the SA Thermal Coal Operations from its transactions with Parent entities:

Rand million	2020	2019	2018
Revenue	14,491	15,594	20,376
Recharges (see note 4)	(802)	(722)	(746)
Share-based payment expense	(42)	(47)	(73)

The revenue generated from the transactions with the parent entities represents export sales to AAML under an off-take agreement. All grades of coal were sold to AAML at a market-based price. A margin is charged against the market prices as a marketing fee by AAML.

Transactions and balances with other related parties

As at the reporting date, Butsanani Energy had an outstanding loan balance of R221 million (2019: R203 million) from the non-controlling shareholders in Rietvlei Mining Company Proprietary Limited ("**RMC**") and Butsanani Energy. The loans have no fixed terms of repayment and bear interest at the prime rate plus 1 to 2%.

Transactions with post-employment benefit schemes

Details of transactions with post-employment benefit schemes are provided in note 26.

Remuneration of and transactions with key management personnel

Key management personnel have been identified as members of the SARTL as they have been responsible for the key decision-making activities of the business over the historical period.

Key management personnel compensation comprised the following:

Rand million	2020	2019	2018
Basic employment cost	26	23	19
Short term employee benefits	2	1	16
Post-employment benefits	4	3	3
Short-term incentives	11	8	24
Share-based payments	37	43	8
Total key management personnel compensation	80	78	70

29. EVENTS AFTER THE REPORTING PERIOD

As part of the Internal Restructuring of the SA Thermal Coal Operations, on 5 January 2021, the Company was created as a public company to facilitate the listing of the SA Thermal Coal Operations. On 5 March 2021, ASA and the Company entered into Share Purchase Agreement and Subscription Agreement under which ASA will sell all of its Shares in, and claims against, SACO, for a subscription price that will be settled by way of (i) issuance of the Company's ordinary shares to ASA for a value equal to the market value of the shares in SACO, (ii) settlement of the intercompany loan balance outstanding as at the closing date defined in the Subscription Agreement, and (iii) the balance by way of a cash payment of R2,500 million. The agreements are conditional on the Demerger being approved and are likely to be effective in June 2021.

To ensure that coal exports continue uninterrupted and to continue to use AAML's experience and expertise as an export trader, on 6 March 2021 the SA Thermal Coal Operations and AAML entered into a new off-take agreement. The SA Thermal Coal Operations agrees to continue to sell all grades of coal to AAML at a market-based price as specified in the agreement. A margin is charged against the prices as a marketing fee. The contract is conditional on the Demerger being approved, and is likely to be effective from the date of listing for a period of three years with an additional six months transitional period thereafter.

Notes to the Combined Carve-out Historical Financial Information *continued*

As part of Anglo American's commitment to provide financial assistance to the SA Thermal Coal Operations, over the post demerger period, on 6 March 2021 the SA Thermal Coal Operations and ASA entered into a Capital Support Agreement. It is arranged as a free-standing contract to provide financial assistance by way of minimum price support for all export sales made to AAML from the date of Admissions to the end of December 2022. The contract is a derivative contract that will be recognised at fair value with gains and losses recognised in profit and loss. The agreement is conditional on the Demerger being approved.

As part of the Demerger, the LTIP and BSP share awards will vest to the SA Thermal Coal Operations employees on the date of Demerger. BSP awards will vest in full on the Demerger and are to be settled from the existing investments held in Anglo American shares and the LTIP share awards will pro rate vest on the Demerger and are to be settled from Anglo American shares purchased subsequent to the reporting date. In addition, the Company introduced a new Share Plan that entitles certain employees of the SA Thermal Coal Operations to receive Shares in the Company, subject to certain conditions. No awards have been granted under the Share Plan to date.

As part of the further empowerment of the employees and communities, an Employee Partnership Plan ("**EPP**") and Community Partnership Plan ("**CPP**") were introduced. The EPP will be accounted for as a long-term employee benefit obligation and a provision will be recognised for the constructive obligation in respect of the distribution of the CPP Entitlement to the beneficiaries of the CPP. The agreements are conditional on the Demerger being approved.

In order to meet the requirements of the DMRE, the SA Thermal Coal Operations is in the process of entering into facility agreements in terms of which financial institutions will issue third party guarantees to be lodged with the DMRE, to replace the existing guarantees disclosed in note 17. A part of the premium contributions made under these policies are invested into an Experience Account and held as collateral against the financial guarantees to the DMRE. The initial investment in the Experience Account and the first annual guarantee fee will be paid prior to the Date of the Demerger and that amount stated above will form part of the intercompany loan balance to be settled as part of the Subscription Agreement stated above.

The SARLT took a decision that all employees and contractors will be tested for COVID-19 prior to their return to work in January 2021. This was in response to the growing number of positive COVID-19 cases in South Africa and as a result of employees travelling to various parts of the country during the December holiday period. Within the first two weeks of January around 50% of employees had been tested and there were circa 740 positive cases which was approximately 10% of the work force including contractors. As a result of the testing strategy the start-up at the operations have been slow and resulted in saleable production being 300kt lower than budget for the month of January 2021. This has resulted in a slower ramp-up in the month of February 2021 where saleable production was approximately 350kt lower than budget.

In accordance with IAS 10: *Events after the Reporting Period* ("**IAS 10**"), all the events detailed above, are considered non-adjusting events.

There have been no other material events subsequent to 31 December 2020, not otherwise dealt with in the Combined Carve-out Historical Financial Information.

30. ACQUISITIONS

Acquisition of subsidiary

On 1 March 2019, Butsanani Energy became a subsidiary of the SA Thermal Coal Operations through an amendment of Butsanani Energy's memorandum of incorporation ("**MOI**"). The MOI previously required the approval of the holders of 80% of the shares for key financial and operating decisions. The MOI was amended to remove this requirement. The amendments to the MOI resulted in the 66.7% ownership interest held by the SA Thermal Coal Operations being a controlling interest in Butsanani Energy. RMC owns the Rietvlei mining operation and it is a 51% subsidiary of Butsanani Energy. The SA Thermal Coal Operations therefore holds an effective 34% legal interest and 30% economic interest in RMC. The effective NCI in RMC is 70% based on the economic ownership.

For the 10 months ended 31 December 2019, Butsanani Energy contributed revenue of R179 million and a profit of R5 million to the SA Thermal Coal Operations' results. As Butsanani Energy reached commercial production in October 2019, the revenue and profit for the 12 months period is not materially different from the revenue and profit reported for the 10 month period.

Consideration transferred

No consideration was transferred at the date of acquisition of controlling interest in Butsanani Energy.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition of Butsanani Energy.

Rand million	Note	2019
Property, plant and equipment	12	587
Trade and other receivables		2
Cash and cash equivalents		17
Trade and other payables		(17)
Loans and borrowings	22	(76)
Other non-current liabilities ¹		(75)
Deferred tax liability	18	(126)
Total identifiable net assets acquired		312

¹ The other non-current liabilities include intra-group balances that were eliminated as part of consolidation procedures.

Measurement of fair values

Property plant and equipment was fair valued applying the discounted cash flow ("**DCF**") approach. The DCF approach considers cash flows expected to be generated over a period of 5 years using real cash flows and a real discount rate. The future revenue cash flows are estimated based on the existing coal supply agreements at a constant real price over the contract period and the operating costs are estimated based on the forecasted operating costs. The expected reserves remaining outside of the contract period have been valued using a resource multiple and added to the results of the DCF to determine the fair value of the identifiable net assets acquired. The estimated future cash flows are discounted to their present value using an average discount rate of 15%.

Notes to the Combined Carve-out Historical Financial Information *continued*

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

Rand million	2019
Consideration transferred	–
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	219
Fair value of the existing interest	131
Fair value of identifiable net assets	(312)
Goodwill	38

The remeasurement to the fair value of the SA Thermal Coal Operations' existing 66.7% in Butsanani Energy resulted in a gain of R126 million (R131 million less the R5 million carrying amount of the investment at the date of acquisition). This amount has been included within profit or loss. The goodwill is attributable to the deferred tax recognised on the fair value adjustment as part of the purchase price allocation related to the Butsanani Energy operation.

31. NON-CONTROLLING INTERESTS

Overview

The following table provides the summarised financial information of the subsidiaries that have material non-controlling interests, before any intra-group eliminations.

Rand million	2020			2019			2018
	AAIC	Butsanani Energy	Total	AAIC	Butsanani Energy	Total	AAIC
Profit/(loss) attributable to non-controlling interests	6	(296)	(290)	80	(26)	54	727
Dividends paid to non-controlling interests	–	–	–	(185)	–	(185)	–
Statement of financial position information:							
Equity attributable to non-controlling interests	1,444	103	1,547	1,689	193	1,882	1,803

Further information

Summarised financial information on a 100% basis and before intercompany eliminations for AAIC and Butsanani Energy is as follows:

Rand million	2020			2019			2018
	AAIC	Butsanani Energy	Total	AAIC	Butsanani Energy	Total	AAIC
Non-current assets	8,496	304	8,800	8,356	290	8,646	8,341
Current assets	1,411	214	1,625	863	124	987	932
Current liabilities	(1,488)	(354)	(1,842)	(923)	(314)	(1,237)	(762)
Non-current liabilities	(9,852)	(268)	(10,120)	(9,811)	(120)	(9,931)	(11,334)
Net (liabilities)/assets	(1,433)	(104)	(1,537)	(1,515)	(20)	(1,535)	(2,823)

Rand million	2020			2019			2018
	AAIC	Butsanani Energy	Total	AAIC	Butsanani Energy	Total	AAIC
Revenue	3,750	1,049	4,799	4,032	178	4,210	6,423
(Loss)/profit for the financial year	(207)	(469)	(621)	1,517	(9)	1,508	6,290
Total comprehensive (loss)/income	(207) ¹	(469) ¹	(621)	1,505	(9)	1,496	6,296
Net cash inflow from operating activities	164	62	226	568	2	570	3,764

¹ NCI share of OCI is less than R1 million

Notes to the Combined Carve-out Historical Financial Information *continued*

Change in ownership interests in subsidiaries

In 2020 there were no significant changes in ownership interests in subsidiaries.

In 2019 Butsanani Energy became a subsidiary of the SA Thermal Coal Operations through an amendment of Butsanani Energy's MOI. Refer to note 30.

In 2018, there have been no material changes in ownership interests in subsidiaries.

32. FIRST TIME ADOPTION OF IFRS

These financial statements are the first set of Combined Carve-out Historical Financial Information prepared by the SA Thermal Coal Operations in accordance with IFRS and have been prepared by applying IFRS 1 with a date of transition of 1 January 2018.

In applying IFRS 1, management have taken advantage of the exemption afforded by IFRS 1 to measure the carrying amounts of the SA Thermal Coal Operations' assets and liabilities at the carrying amounts at which they were included in Anglo American's consolidated financial statements based on its date of transition (without adjustment for consolidation procedures or the effects of the business combinations in which Anglo American acquired the respective subsidiaries). The consolidated audited financial statements of Anglo American were prepared as below, for the relevant periods, (which is consistent with IFRS issued by the IASB) and no material adjustments were required.

- For the years ended 31 December 2018 and 31 December 2019: prepared in accordance with IFRS as adopted for use by the European Union ("EU-IFRS").
- For the year ended 31 December 2020: and in accordance with International Accounting Standards in conformity with the requirements of the UK Companies Act 2006, IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and those parts of the UK Companies Act 2006 applicable to companies reporting on the date of transition, no material differences were identified between IFRS as endorsed by European Union and IFRS as issued by IASB in relation to the SA Thermal Coal Operations.

These financial statements have been prepared by applying accounting policies consistent with those applied by Anglo American in respect of each of the years ended 31 December 2018, 31 December 2019 and 31 December 2020.

No reconciliation to previous generally accepted accounting practice ("GAAP") has been presented on the basis that the SA Thermal Coal Operations has not previously prepared any Combined Carve-out Historical Financial Information.

33. BUSINESSES INCLUDED IN THE COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION

The Businesses listed below form part of the transaction:

Legal entity name	Business/mine	Shareholding
Principal subsidiaries		
Thungela Operations Proprietary Limited	Isibonelo Goedehoop Greenside Khwezela New Denmark ¹ New Vaal ¹ New Largo Colliery ¹ Springfield Colliery ² AOL Marketing Domestic Marketing RSA Marketing Bank ² TOPL head office and shared services	100%
South Africa Coal Operations Proprietary Limited	SACO Ingagane ²	100%
Anglo American Inyosi Coal Proprietary Limited	Zibulo Kriel ¹ AIC Corporate Office	73%
Butsanani Energy Investment Holdings Proprietary Limited	Butsanani Energy	66.7%
Rietvlei Mining Company Proprietary Limited ³	Rietvlei	51%
Joint Operations		
Mafube Coal Mining Proprietary Limited	Mafube	50%
Phola Coal Processing Plant Proprietary Limited	Phola	50%
Associates		
Richards Bay Coal Terminal Proprietary Limited	Richards Bay Coal Terminal	23.2%

¹ Sold as part of Eskom-tied mines in 2018. Refer to note 10.

² Dormant entities

³ Butsanani Energy Investment Holdings Proprietary Limited legally own 51% in Rietvlei Mining Company Proprietary Limited. However, Butsanani Energy Investment Holdings Proprietary Limited economically own 45% in Rietvlei Mining Company Proprietary Limited.

Non-controlling interests that are material to the SA Thermal Coal Operations are disclosed in Note 31.

Notes to the Combined Carve-out Historical Financial Information *continued*

34. ALTERNATIVE PERFORMANCE MEASURES

Introduction

When assessing and discussing the SA Thermal Coal Operations' reported financial performance, financial position and cash flows, management may make reference to APMs of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS.

These financial measures are usually derived from the financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the financial statements as they contain additional information, such as financial information from earlier periods or profit estimates or projections. The accounting policies applied when calculating APMs are the same as those applied in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

Purpose

The SA Thermal Coal Operations uses APMs to improve the comparability of information between reporting periods and business units, either by adjusting for uncontrollable factors or items such as impairments and gain/loss on disposal of operations which impact upon IFRS measures or, by aggregating measures, to aid the user of the Combined Carve-out Historical Financial Information in understanding the activity taking place across the SA Thermal Coal Operations' portfolio.

Their use is driven by characteristics particularly visible in the mining sector:

- Earnings volatility: The SA Thermal Coal Operations mines and markets coal. The sector is characterised by significant volatility in earnings driven by movements in macroeconomic factors, primarily price and foreign exchange. This volatility is outside the control of management and can mask underlying changes in performance. As such, when comparing year-on-year performance, management excludes certain items (such as impairments, restructuring costs, and gains on disposal of operations) to aid comparability and then quantifies and isolates uncontrollable factors in order to improve understanding of the controllable portion of variances.

Consequently, APMs are used by the SARLT and management for planning and reporting. A subset is also used by management in setting director and management remuneration.

The financial APMs used by the SA Thermal Coal Operations are as follows:

APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Statement of Profit and Loss			
Adjusted EBITDA	(Loss)/profit before net financial income/(costs), tax, impairment losses, restructuring costs and termination benefits and depreciation and amortisation	<ul style="list-style-type: none"> – Depreciation and amortisation (note a) – Impairment of goodwill and PPE (note a) – Restructuring costs and termination benefits (note a) 	– Exclude the effect of non-recurring special items to aid comparability
Statement of financial position			
Net debt	Borrowings less cash	– None	– None
Capital employed	Net assets excluding net debt and financial asset investments	– None	– None
Cash Flow			
Capital Expenditure (" Capex ")	Capex is defined as cash expenditure on property, plant and equipment, including capital creditors	– Capital creditor (note 5 – Capital expenditure by segment)	– To reflect the net attributable cost of capital expenditure.

Reconciliation of APM's to primary statements

Note a – adjusted EBITDA

Rand million	2020	2019	2018
Operating (loss)/profit per statement of profit and loss	(4,414)	(7,735)	6,417
Add – Depreciation (Note 4)	1,058	1,240	1,657
Add – Amortisation (Note 4)	15	2	2
Add – Net impairment loss (Note 4)	2,160	7,067	–
Add – Restructuring cost (Note 4)	229	–	–
Add – Termination benefits (Note 25)	(72)	128	40
Adjusted EBITDA (Note 5)	(1,024)	702	8,116

Note b – Net debt

Rand million	2020	2019	2018
Loans and borrowings	221	203	–
Less – Cash and cash equivalents (per statement of financial position)	(394)	(104)	(313)
Net debt	(173)	99	(313)

INDEPENDENT REPORTING ACCOUNTANT'S AUDIT REPORT ON THE COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2020 INCLUDED FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

To: the Directors of Thungela Resources Limited

Our opinion

Thungela Resources Limited (the "**Company**") is issuing a combined pre-listing statement and prospectus (the "**Document**") regarding the proposed listing of its ordinary shares as a primary listing on the stock exchange operated by JSE Limited ("**JSE**") and a simultaneous listing on the standard segment of the Official List of the FCA and admission to trade on the main market of the London Stock Exchange (the "**LSE**"). The Company is the vehicle used to facilitate Anglo American plc's ("**Anglo American**") internal restructure of its South African thermal coal business (the "**SA Thermal Coal Operations**") and subsequent divestment (the "**Demerger**") to be separately listed simultaneously on the JSE and the LSE.

In our opinion, the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as set out in "*Annexe 2A—Basis of compilation and reporting on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations*", "*Annexe 2 Section B—Background scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations*" and "*Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations*" (together, the "**Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations**") presents fairly, in all material respects, the financial position of the SA Thermal Coal Operations as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRS**") and the JSE Limited Listings Requirements.

What we have audited

At your request and solely for the purpose of the Document to be dated on or about 8 April 2021, we have audited the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, which comprises:

- the Combined Carve-out statement of financial position as at 31 December 2020;
- the Combined Carve-out statement of profit and loss and statement of comprehensive income for the year then ended;
- the Combined Carve-out statement of changes in invested equity for the year then ended;
- the Combined Carve-out statement of cash flows for the year then ended; and
- the notes to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, which includes a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the reporting accountant's responsibilities for the audit of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and Anglo American in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors ("**IRBA Code**") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Emphasis of Matter: Basis of Preparation

We draw attention to the fact that, as described in Part 2(a) of "*Annexe 2 Section B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations*". SA Thermal Coal Operations has not operated as a separate entity. These Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations are, therefore, not necessarily indicative of results that would have occurred if SA Thermal Coal Operations had been a separate stand-alone entity during the year presented or of future results of SA Thermal Coal Operations. The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations are prepared by the management of the Company for the purpose of the Document. As a result, the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Purpose of this report

This report has been prepared for the purpose of the Document and for no other purpose.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020. These matters were addressed in the context of our audit of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Impairment of long-lived assets (Refer notes 2,11 and 12 to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations)

International Financial Reporting Standards ("IFRS") require the SA Thermal Coal Operations to assess long-lived assets for impairment when there are indicators of impairment and for goodwill on an annual basis. For the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations the long-lived assets are: Plant, Property and Equipment ("PPE") and Intangible Assets.

Management identified the decline in market conditions as an indicator of impairment for the export cash generating units ("CGUs") and the operational challenges for Isibonelo. An annual impairment test was performed for Rietvlei and Greenside CGUs due to the goodwill of these CGUs.

Management performed impairment assessments to determine the recoverable amount of the various CGUs. The recoverable amount was based on fair value less costs of disposal (FVLCD) using a combination of discounted cash flow models and valuation of mineral resources beyond approved mine plans.

The impairment of long-lived assets was considered a matter of most significance to our current year audit due to the significant judgement involved in the valuation of those CGUs, as well as the value of the impairment recognised in the current year. The assumptions (inputs) which were used for cash flow forecasts and valuations of mineral resources beyond approved mine plans are based on forecasted results and expected market and economic conditions. The most significant inputs in these forecasts and valuations are: production volumes, costs of production, capital expenditure, forecasts for coal prices, exchange rates and the discount rate.

Management recognised a total impairment of R2,160 million, which consists of R1,999 million in PPE (refer to Note 12) and R 161 million in Intangible Assets (refer to Note 11).

We assessed the SA Thermal Coal Operations' financial results, paying particular attention to factors that have negatively impacted the SA Thermal Coal Operations' operations. In line with management's assessment, we identified impairment indicators regarding the Isibonelo, Goedehoop and Khwezela CGUs. An annual impairment test was performed for Rietvlei and Greenside CGUs due to the goodwill in these CGUs.

We gained an understanding through discussions with management and inspection of accounting papers provided as to how impairments were considered by management across long-lived assets, as well as the methodologies and models used.

For purposes of the impairment assessment, management has valued the CGUs using future life of mine cash flows and/or mineral resources beyond approved mine plan valuations. We assessed these models against generally accepted methodologies and noted no inconsistencies.

In assessing the future cash flows, our audit procedures included:

1. Testing the accuracy of the model used by management by performing an independent recalculation and comparing the results of management's model with our independent recalculation; and
2. Testing the assumptions used by management in their impairment assessment:
 - We tested the reasonableness of the thermal coal price forecasts (Richards Bay API4 and thermal coal domestic sale prices) by using our internal valuations expertise to benchmark the price and exchange rates against analysts' forecasts. Based on the work performed, we found management's assumption to be within an acceptable range of possible prices.
 - We agreed the prices for long-term coal supply agreements that were used in the fair value less costs to sell models to the underlying agreements without exceptions.
 - We utilised our internal valuation expertise to independently calculate the discount rates used in performing the impairment assessments. These calculations included relevant third-party sources and data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios and the beta of comparable companies. We found management's assumptions to be within an acceptable range.
 - Production volumes per the life of mine plan assumption were compared to reserves signed off and included in the SA Thermal Coal Operations' Competent Persons' Reports and to existing production volumes and approved budgets. We found management's assumptions to be within an acceptable range.
 - Life of mine plan operating, capital costs and unit costs were compared to budget and actual costs for reasonableness. We found management's assumptions to be within an acceptable range.

In order to assess the reasonability of management's recognised impairment charge, we compared the amount to our independently calculated impairment charge, which was based on the assumptions described above. Management's impairment charge recognised was within an acceptable range of our independently calculated impairment.

We evaluated the appropriateness of the disclosures relating to the impairment assessment in note 11 against the requirements of International Accounting Standard (IAS) 36: Impairment of assets.

Key audit matter**Environmental restoration and decommissioning provision (Refer to notes 2 and 17 to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations)**

As of 31 December 2020, the SA Thermal Coal Operations' environmental restoration and decommissioning provision amounted to R6,450 million. In determining the environmental restoration and decommissioning provision, management has applied significant judgement and assumptions to estimate the closure costs (estimated future costs) and discount rates. We considered the environmental restoration and decommissioning provision to be a matter of most significance to our current year audit due to the following:

- The significant judgement and estimates applied by management; and
- The significance of the balance to the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as a whole. On an annual basis, management uses internal and external experts to establish the current costs for the environmental restoration and decommissioning provision. Based on these estimates, the current costs for the provision are future valued to the life of mine use using long term inflation and discounted back using risk free rates.

How our audit addressed the key audit matter

Through discussions with management, we obtained an understanding of management's process for calculating the environmental restoration and decommissioning provision for the SA Thermal Coal Operations.

We made use of our sustainability and climate change expertise to perform the following procedures:

1. We assessed reasonableness of the process followed by management to determine the closure costs by comparing it to industry practice. Based on the results of our assessment we accepted the process followed by management to be reasonable.
2. Assessment of the objectivity, competence and experience of management experts by obtaining evidence relating to their qualifications and professional membership. In doing so, we evaluated their experience and considered whether the management experts, where applicable, were in good standing with the relevant professional bodies through inspection of relevant documentation such as membership records.
3. We assessed whether the closure costs used by management's experts considered the requirements of the relevant laws and regulations, such as water treatment costs, in order to identify potential environmental liabilities that were not provided for and process-related omissions on the closure costs estimation that could be of material significance.

We independently recalculated management's discount rates applied with reference to relevant third-party sources. Where discount rates determined by us differed from those used by management, the impact of the differences was assessed to be immaterial.

We tested the mathematical accuracy of the model used by management by performing an independent recalculation and comparing the results of our recalculation with management's calculations. We noted no material differences.

We evaluated the appropriateness of the disclosures relating to the environmental restoration and decommissioning provisions in Note 17 against the requirements of International Accounting Standards (IAS) 37: Provisions, contingent liabilities and contingent assets.

Key audit matter**Preparation of Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations**

In order to transfer the assets comprising the SA Thermal Coal Operations from Anglo American to the Company, an internal restructuring process was undertaken by Anglo American to separate the SA Thermal Coal Operations and non-thermal coal operations within the Anglo American Group, which included consolidating all of the SA Thermal Coal Operations into a single group of companies, being the Group. The SA Thermal Coal Operations are the subject of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations. As the Company was only incorporated on 5 January 2021 it did not historically constitute a legal group for reporting purposes. The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations has therefore been prepared by aggregating the historical financial information of the entities and joint operations which comprise the SA Thermal Coal Operations listed in Part 1 of Annexe 2B.

For the period covered by the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, the SA Thermal Coal Operations were under the common control of Anglo American. As these operations were ultimately controlled by Anglo American before the Demerger became effective, the Internal Restructure meets the definition of a common control transaction, which is excluded from the scope of IFRS 3—Business combinations. Accordingly, the Reporting Entity of the SA Thermal Coal Operations needed to apply judgement to develop an accounting policy and principles to account for the Demerger that provides reliable and relevant information in accordance with IAS 8—Accounting Policies, Changes in Accounting Estimates and Errors which were applied in preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

The preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations was considered to be a matter of most significance to our audit due to:

- the judgement applied in determining the principles to be applied to account for the Demerger;
- the identification of the businesses to be aggregated that form the SA Thermal Coal Operations;
- the application of the principles applied in preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

How our audit addressed the key audit matter

We assessed the appropriateness of the basis on which the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations was prepared by performing the following procedures:

- We obtained an understanding of the Demerger of the SA Thermal Coal Operations from Anglo American and listing of the Company by inspecting relevant agreements related to the Demerger.
- We made use of our accounting expertise to evaluate whether the principles applied in the preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations are appropriate and whether the information was prepared in accordance with IFRS requirements.
- We inspected the transactions steps in respect of the proposed transaction and relevant agreements for purposes of obtaining an understanding of the Demerger and identifying the businesses to be combined and evaluated whether these have been appropriately included in management's workings.
- We obtained management's workings for preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations and performed the following procedures:
 - For material operations within the SA Thermal Coal Operations, we agreed the workings to the audited results of such operations noting no voting material exceptions;
 - We assessed whether the accounting principles as set out in Part 1 of Annexe 2B have been appropriately applied by management in their workings and noted no aspects in this regard requiring further consideration; and
 - For the remaining insignificant operations, we performed analytical review procedures and did not note any aspect requiring further consideration.

By making use of our reporting accountant expertise, we assessed the compliance of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations against the applicable presentation requirements of the JSE Limited Listings Requirements.

Other Matter

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as at 31 December 2019 and 31 December 2018, and for the years then ended were not audited but subject to review. A review engagement is substantially less in scope than an audit. The review report dated 1 April 2021 expressed an unqualified conclusion.

Responsibilities of the directors of the Company for the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations

The directors of the Company are responsible for the preparation, contents and presentation of the Document and are responsible for ensuring that the Company complies with the requirements of the JSE Limited Listings Requirements.

The directors of the Company are responsible for the preparation and fair presentation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations in accordance with IFRS and the requirements of the JSE Limited Listings Requirements, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations that is free from material misstatement, whether due to fraud or error.

In preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, the directors of the Company are responsible for assessing the SA Thermal Coal Operations' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations

Our objectives are to obtain reasonable assurance about whether the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as a whole is free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SA Thermal Coal Operations' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SA Thermal Coal Operations' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountant's report. However, future events or conditions may cause the SA Thermal Coal Operations to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, including the disclosures, and whether the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the SA Thermal Coal Operations to express an opinion on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations. We are responsible for the direction, supervision and performance of the SA Thermal Coal Operations' audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided the directors of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors of the Company, we determine those matters that were of most significance in the audit of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Inc.
Director: A.J. Rossouw
Registered Auditor
Johannesburg
1 April 2021

INDEPENDENT REPORTING ACCOUNTANT'S REVIEW REPORT ON THE COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018 INCLUDED FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

To: the Directors Thungela Resources Limited

Introduction

Thungela Resources Limited (the "**Company**") is issuing a combined pre-listing statement and prospectus (the "**Document**") regarding the proposed listing of its ordinary shares as a primary listing on the stock exchange operated by JSE Limited ("**JSE**") and a simultaneous listing on the standard segment of the Official List of the FCA and admission to trade on the main market of the London Stock Exchange (the "**LSE**"). The Company is the vehicle used to facilitate Anglo American plc's ("**Anglo American**") divestment from its thermal coal operations and the accompanying reorganisation of the South African thermal coal business of Anglo American (the "**SA Thermal Coal Operations**") to be separately listed simultaneously on the JSE and the LSE.

At your request and for the purpose of the Document to be dated on or about 8 April 2021, we have reviewed the accompanying combined carve-out statement of financial position of the SA Thermal Coal Operations as at 31 December 2019 and 2018 and the related combined carve-out statements of profit and loss, comprehensive income, changes in invested equity and cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information (the "**Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations**"), as presented in "Annexe 2A—Basis of compilation and reporting on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations", "Annexe 2 Section B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" (together, the "**Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations**"), in compliance with the requirements of the JSE Limited Listings Requirements.

Directors' responsibility

The directors of the Company are responsible for the preparation, contents and presentation of the Document and are responsible for ensuring that the Company complies with the requirements of the JSE Limited Listings Requirements.

The directors of the Company are responsible for the preparation and fair presentation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations in accordance with International Financial Reporting Standards ("**IFRS**") and the requirements of the JSE Limited Listings Requirements and for such internal control as the directors of the Company determine is necessary to enable the preparation of Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, the directors of the Company are responsible for assessing the SA Thermal Coal Operations' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the SA Thermal Coal Operations or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("**ISRE 2410**"), which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the financial years ending 31 December 2019 and 31 December 2018.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations, does not present fairly, in all material respects, the financial position of the SA Thermal Coal Operations as at 31 December 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with IFRS and the requirements of the JSE Limited Listings Requirements.

Purpose of the report

This report has been prepared for the purpose of the Document and for no other purpose.

Emphasis of Matter: Basis of Preparation

We draw attention to the fact that, as described in Part 2(a) of "Annexe 2 Section B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations". SA Thermal Coal Operations has not operated as a separate entity. These carve-out financial statements are, therefore, not necessarily indicative of results that would have occurred if SA Thermal Coal Operations had been a separate stand-alone entity during the year presented, or of future results of SA Thermal Coal Operations.

The Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations are prepared by the management of the Company for the purpose of the Document. As a result, the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers Inc.
Director: A.J. Rossouw
Registered Auditor
Johannesburg
1 April 2021

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE COMBINED CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE SA THERMAL COAL OPERATIONS FOR THE THREE YEARS ENDED 31 DECEMBER 2020 INCLUDED FOR PURPOSES OF THE UK PROSPECTUS REGULATION RULES

The Directors
Thungela Resources Limited
25 Bath Avenue
Rosebank, 2196
South Africa

Date: 8 April 2021

Dear Ladies and Gentlemen

The SA Thermal Coal Operations

We report on the financial information for the three years ended 31 December 2020 set out in "Annexe 2A—Basis of compilation and reporting on the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations", "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" (together, the "**Historical Financial Information of the SA Thermal Coal Operations**"). The Historical Financial Information of the SA Thermal Coal Operations has been prepared for inclusion in the prospectus and pre-listing statement dated 8 April 2021 (the "**Prospectus**") of Thungela Resources Limited (the "**Company**") on the basis of the accounting policies set out in Note 1 to the Historical Financial Information of the SA Thermal Coal Operations. This report is required by item 18.3.1 of Annex 1 of the UK Prospectus Delegated Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information of the SA Thermal Coal Operations in accordance with International Financial Reporting Standards ("**IFRS**") and Interpretations of those standards, as issued by the International Accounting Standards Board ("**IASB**").

It is our responsibility to form an opinion as to whether the Historical Financial Information of the SA Thermal Coal Operations gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the UK Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 of the UK Prospectus Delegated Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the SA Thermal Coal Operations' circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information of the SA Thermal Coal Operations gives, for the purposes of the Prospectus dated 8 April 2021, a true and fair view of the state of affairs of the SA Thermal Coal Operations as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with IFRS and Interpretations of those standards, as issued by the IASB.

Declaration

For the purposes of UK Prospectus Regulation Rules 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and we declare that to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the UK Prospectus Delegated Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

BASIS OF COMPILATION AND REPORTING ON THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY AS AT INCORPORATION

The Historical Financial Information of the Company as at the date of incorporation included for purposes of the JSE Listings Requirements and the UK Prospectus Regulation Rules ("**Historical Financial Information of the Company**") is set out as follows:

1. Annexe 4A—Basis of compilation and reporting on the Historical Financial Information of the Company as at incorporation;
2. Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation as follows:
 - a. Part 1: Background to, scope, purpose of and principles applied in preparing the Historical Financial Information of the Company;
 - b. Part 2(a): Basis of preparation in respect of the Historical Financial Information of the Company for purposes of the JSE Listings Requirements;
 - c. Part 2(b): Directors' commentary in respect of the Historical Financial Information of the Company for purposes of the JSE Listings Requirements; and
 - d. Part 3: Basis of preparation in respect of the Historical Financial Information of the Company for purposes of the UK Prospectus Regulation Rules;
3. Annexe 4C—Historical Financial Information of the Company as at incorporation, including the accounting policies and notes thereto.

Parts 1, 2(a) and 2(b) of "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation" and "Annexe 4C—Historical Financial Information of the Company as at incorporation", together jointly form the Historical Financial Information of the Company as at incorporation, for purposes of the JSE Listings Requirements, which are the responsibility of the Directors and were approved by the Board on 31 March 2021.

Parts 1 and 3 of "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation" and "Annexe 4C—Historical Financial Information of the Company as at incorporation", together jointly form the Historical Financial Information of the Company as at incorporation, for purposes of the UK Prospectus Regulation Rules, which are the responsibility of the Directors and were approved by the Board on 31 March 2021 and 8 April 2021.

Although the independent reporting accountant's report, presented in "Annexe 5A—Independent Reporting Accountant's Audit Report on the Historical Financial Information of the Company as at incorporation included for purposes of the JSE Listings Requirements", and the basis of preparation of the Historical Financial Information of the Company for JSE Listings Requirements purposes, as detailed in Part 2(a) of "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation", is different to the independent reporting accountant's report, presented in "Annexe 5B—Independent Reporting Accountant's Report on the Historical Financial Information of the Company as at incorporation included for purposes of the UK Prospectus Regulation Rules", and the basis of preparation of the Historical Financial Information of the Company for purposes of the UK Prospectus Regulation Rules, as detailed in Part 3 of "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation", the background to, scope, purpose of and principles applied in preparing the Historical Financial Information of the Company as at incorporation, set out in Part 1 of "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation", and the Historical Financial Information of the Company as at incorporation, accounting policies and notes set out in "Annexe 4C—Historical Financial Information of the Company as at incorporation", is common to both regimes.

The reporting requirements under which the independent reporting accountant's reports are prepared for purposes of the JSE Listings Requirements and the UK Prospectus Regulation Rules are different, necessitating the issuance of the Independent Reporting Accountant's Audit Report by PricewaterhouseCoopers Inc. for purposes of the JSE Listings Requirements as set out in "Annexe 5A—Independent Reporting Accountant's Audit Report on the Historical Financial Information of the Company included for purposes of the JSE Listings Requirements as at incorporation" and the issuance of the Independent Reporting Accountant's Report by PricewaterhouseCoopers LLP for purposes of the UK Prospectus Regulation Rules as set out in "Annexe 5B—Independent Reporting Accountant's Report on the Historical Financial Information of the Company as at incorporation included for purposes of the UK Prospectus Regulation Rules".

The differences are as follows:

	JSE	LSE
Nature of opinion	– An audit opinion prepared in terms of International Standards on Auditing in respect of the at incorporation date historical financial information of the Company.	– An independent reporting accountant’s report prepared in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom, in respect of the at incorporation date historical financial information of the Company.
Basis of preparation	– The Historical Financial Information of the Company as at incorporation, as set out in “Annexe 4C—Historical Financial Information of the Company as at incorporation”, are prepared in accordance with IFRS and paragraphs 8.3 to 8.12 of the JSE Listings Requirements, to the extent applicable, as detailed in the basis of preparation set out in Part 1 and Part 2 of “Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation”.	– The Historical Financial Information of the Company as at incorporation, as set out in “Annexe 4C—Historical Financial Information of the Company as at incorporation”, are prepared in accordance with UK Prospectus Regulation Rules and also comply with item 18 of Annex 1 of the Prospectus Regulation Rules, as detailed in the basis of preparation set out in Part 1 and Part 3 of “Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation”.
Companies Act compliance	– This Historical Financial Information of the Company as at incorporation, set out in “Annexe 4C—Historical Financial Information of the Company as at incorporation” and prepared in accordance with the basis of preparation set out in Parts 1 and 2 of “Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation” does not constitute statutory accounts within the meaning of the South African Companies Act No. 71 of 2008.	– This Historical Financial Information of the Company as at incorporation, set out in “Annexe 4C—Historical Financial Information of the Company as at incorporation” and prepared in accordance with the basis of preparation set out in Parts 1 and 3 of “Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation” does not constitute statutory accounts within meaning of section 434 of the UK Companies Act.

The Independent Reporting Accountant’s reports for JSE purposes, issued by PricewaterhouseCoopers Inc., in respect of the Historical Financial Information of the Company as at incorporation and as set out in “Annexe 4C—Historical Financial Information of the Company as at incorporation” and which information was prepared in accordance with the basis of preparation set out in Part 1 and Part 2 of “Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation”, is set out in “Annexe 5A—Independent Reporting Accountant’s Audit Report on the Historical Financial Information of the Company as at incorporation included for purposes of the JSE Listings Requirements”.

PricewaterhouseCoopers LLP’s independent reporting accountant’s report, in respect of the Historical Financial Information of the Company as at incorporation and as set out in “Annexe 4C—Historical Financial Information of the Company as at incorporation” and which information was prepared in accordance with the basis of preparation set out in Part 1 and Part 3 of “Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation”, is set out in “Annexe 5B—Independent Reporting Accountant’s Report on the Historical Financial Information of the Company as at incorporation included for purposes of the UK Prospectus Regulation Rules”.

Capitalised terms used in “Annexe 4A—Basis of compilation and reporting on the Historical Financial Information of the Company as at incorporation”, Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation” and “Annexe 4C—Historical Financial Information of the Company as at incorporation”, shall unless otherwise defined therein have the meaning given thereto in “Annexe 17—Definitions, Glossary and Interpretation”.

BACKGROUND, SCOPE, PURPOSE AND THE BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY AS AT INCORPORATION

Part 1: Background to, scope, purpose of and principles applied in preparing the Historical Financial Information of the Company as at incorporation

As set out in this Document, the Company has applied for admission of all of the issued Shares to: (i) be listed and traded on the “Energy—Oil, Gas and Coal—Coal” sector of the JSE as a primary listing; and (ii) to the standard listing segment of the UK Official List and to the LSE for trading on the LSE’s main market for listed securities.

Background

On 7 May 2020, Anglo American announced that it was working towards an exit from its SA Thermal Coal Operations, with a preference for a stand-alone listing and demerger.

The Company was registered and incorporated as a private limited liability company in South Africa under the Companies Act on 5 January 2021, for the purpose of holding the SA Thermal Coal Operations. The Company was converted to a public company on 17 March 2021.

In order to transfer the assets comprising the SA Thermal Coal Operations from Anglo American to the Company, an internal restructuring process was undertaken by Anglo American to separate the SA Thermal Coal Operations. This was done through the transfer from ASA to SACO of the trading assets relating to the coal mining businesses held in TOPL, and from ASAC to SACO of the 50% interest in Mafube. The transfers of TOPL and Mafube to SACO are effective from 31 December 2020 and 31 March 2021, respectively.

The Directors have carried out the going concern assessment and concluded that the Company has an ability to operate as a going concern with or without the Demerger. The Historical Financial Information of the Company as at incorporation has therefore been prepared on a going concern basis. The Company will continue to operate in its present form if the Demerger does not take place. The financial statements have been prepared in accordance with the accounting policies to be adopted at the first year-end following the implementation of the Demerger.

Part 2 (a): Basis of preparation in respect of the Historical Financial Information of the Company as at incorporation for purposes of the JSE Listings Requirements

The Historical Financial Information of the Company as at incorporation has been prepared in compliance with IFRS and Interpretations of those standards, as issued by the IASB and effective at the time of preparing the Historical Financial Information of the Company as at incorporation the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements.

Part 2 (b): Directors’ commentary in respect of the Historical Financial Information of the Company as at incorporation for purposes of the JSE Listings Requirements

The Company is a newly incorporated company in South Africa under the Companies Act, and no significant operations have been carried out since its incorporation on 5 January 2021.

Post-balance sheet events are set out in note 3 of “Annexe 4C—Historical Financial Information of the Company as at incorporation —Events after the reporting date”.

Part 3: Basis of preparation in respect of the Historical Financial Information of the Company as at incorporation for purposes of the UK Prospectus Regulation Rules

The Historical Financial Information of the Company as at incorporation has been prepared in accordance with the IFRS and Interpretations of those standards, as issued by the IASB and effective as at the time of preparing the Historical Financial Information of the Company as at incorporation, in accordance with the requirements of the UK Prospectus Regulation Rules, together with the UK Prospectus Regulation and the requirements of the FCA and reflect the Historical Financial Information of the Company as at the date of incorporation.

HISTORICAL FINANCIAL INFORMATION OF THE COMPANY AS AT INCORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 5 JANUARY 2021

Rand	5 January 2021 (Audited)
Assets	
Cash and cash equivalents	-
Total current assets	-
Total assets	-
Liabilities	
Other liabilities	-
Total current liabilities	-
Equity	
Share capital	-
Total equity and liability	-

STATEMENT OF COMPREHENSIVE INCOME AT 5 JANUARY 2021

Rand	5 January 2021 (Audited)
Revenue	-
Operating costs	-
Net finance costs	-
Net financing gains/(losses)	-
Profit before tax	-
Income tax	-
Profit for the year	-

STATEMENT OF CHANGES IN EQUITY AT 5 JANUARY 2021

Rand	Notes	Share capital	Total equity
At 5 January 2021 (Audited)		-	-
Issue of ordinary shares	1	-	-
Closing balance at January 2021		-	-

CASH FLOW STATEMENT AT 5 JANUARY 2021

Rand	5 January 2021 (Audited)
Cash flows from financing activities	-
Proceeds from issue of ordinary shares	-
Net cash flows from financing activities	-
Net change in cash and cash equivalents	-
Cash and cash equivalents at the beginning	-
Cash and cash equivalents as at 5 January 2021	-

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY AS AT INCORPORATION

A. Reporting entity

The Company is registered and incorporated in South Africa. The registered address and head office of the Company is 25 Bath Avenue, Rosebank, Johannesburg, 2196. These are the Company's separate financial statements prepared as at the date of incorporation on 5 January 2021 and comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement, accounting policies and notes to the financial statements.

The Company will primarily function as an investment holding company to hold the SA Thermal Coal Operations following completion of the Internal Restructure and Demerger.

B. Functional and presentation currency

The Historical Financial Information of the Company is presented in South African Rand, which is the Company's functional currency. All amounts have been rounded to the nearest Rand unless otherwise stated.

C. Significant accounting policies:

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are initially recognised at cost and subsequently measured at cost less any impairment losses.

Share capital

Ordinary shares issued are recognised at the nominal value of the consideration received. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Investment income

Dividend income earned from the investing activities are recognised when the Company establishes the right to receive the dividend and are classified under other income. Interest income and expenses are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency

Transactions in foreign currencies are translated into the presentation currency at the exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate as at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Gains and losses arising on retranslation are included in the statement of comprehensive income for the relevant period and are classified in the statement of comprehensive income according to the nature of the monetary item giving rise to them.

Income tax

The tax expense includes the current tax and deferred tax charge recognised in the statement of comprehensive income.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

D. Notes to the financial statements:

1. Share Capital

The Company is authorised to issue ten billion ordinary shares with no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. At incorporation, the Company had no issued share capital. On 9 February 2021, ASA subscribed for, and the Company issued, 1,000 Shares at a subscription price of R100. Subject to the Demerger being approved, the Company is expected to issue an additional 136 million Shares following its incorporation on 5 January 2021. Refer to note 3 (*Events after the reporting date*) for further details.

2. Segmental reporting

No segmental information has been provided in accordance with IFRS 8: Operating Segments as historical financial information has been prepared in respect of the Company as at the date of incorporation.

3. Events after the reporting date

The Company was converted to a public company with effect from 17 March 2021.

The Company continues to take the necessary steps to implement the Demerger together with Anglo American. The Demerger is subject to several conditions, including:

- the transfer of SACO to the Company to be effective;
- the entire issued share capital of the Company to be transferred to Anglo American;
- the Demerger being approved by various stakeholders, including Anglo American Shareholders;
- the JSE to acknowledge that the Shares will be admitted to trading on the main board of the JSE; and
- the LSE to acknowledge that the application for Admission has been approved and the Shares will be admitted to trading on its main market.

Immediately prior to the Demerger, the Company shall implement the following agreements:

- On 5 March 2021, ASA and the Company entered into the SACO Share Purchase Agreement under which ASA will sell all of its shares in, and claims against, SACO for a purchase price based on the market value of SACO Shares, which purchase price will be left outstanding on loan account. The agreement is conditional on the Demerger being approved and is likely to be effective in June 2021.
- On 5 March 2021, ASA and the Company entered into a Subscription Agreement in terms of which the company will issue Shares to ASA for a subscription price based on the market value of the Shares, which subscription price will be settled through (i) set off against the purchase price under the SACO Share Purchase Agreement (ii) settlement of the intercompany loan balance outstanding as at the closing date (as defined in the Subscription Agreement); and (iii) the balance by way of a cash payment of R2,500 million as determined by Anglo American. The agreement is conditional upon the Demerger being approved and is likely to be effective in June 2021.
- On 5 March 2021, SACO and the Company entered into an intra-group loan agreement to advance an amount determined by Anglo American but of not less than R2,000 million to SACO as an interest free shareholder loan. This agreement is conditional upon the Demerger being approved and is likely to become effective in June 2021.
- The Company has introduced the Share Plan in order to attract, retain, incentivise and reward high-calibre employees. The Share Plan, on approval thereof by the sole Shareholder of the Company prior to the date of this Document and the JSE, entitles certain employees of the Group to receive Shares. The Share Plan consists of two types of awards: (i) Conditional Share Awards, the vesting of which is conditional upon the fulfilment of certain performance conditions and an employment condition (for a period to be determined by the Remuneration and Nominations Committee at the time of granting an Award, and intended to be three years for the initial awards); and (ii) Forfeitable Share Awards, where the vesting is conditional upon the fulfilment of an employment condition (for a period to be determined by the Remuneration and Nominations Committee at the time of granting an Award and intended to be three years for the initial awards). No awards have been issued in terms of the Share Plan.
- The Company and its subsidiaries are committed to enhancing their environmental, social and governance factors through a partnering agreement with employees and communities and have entered into various agreements to prepare for the implementation of the EPP and the CPP prior to the Demerger. For this purpose, an Employee Trust and a Community Trust are being formed and the Company wishes to transfer to each of these trusts ordinary shares held in SACO equivalent to 5% of the issued share capital of SACO. The agreements are conditional on the Demerger being approved and are likely to be effective in June 2021.

In accordance with IAS 10: Events after the Reporting Period, all the events details above are considered non-adjusting events.

There have been no other material events subsequent to 5 January 2021 which have not otherwise been dealt with in the Historical Financial Information of the Company.

INDEPENDENT REPORTING ACCOUNTANT'S AUDIT REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY AS AT INCORPORATION INCLUDED FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

To: the Directors of Thungela Resources Limited

Our opinion

Thungela Resources Limited (the "**Company**") is issuing a combined pre-listing statement and prospectus (the "**Document**") regarding the proposed listing of its ordinary shares as a primary listing on the stock exchange operated by JSE Limited ("**JSE**") and a simultaneous listing on the standard segment of the Official List of the FCA and admission to trade on the main market of the London Stock Exchange (the "**LSE**"). The Company is the vehicle used to facilitate Anglo American plc's ("**Anglo American**") divestment from its thermal coal operations and the accompanying reorganisation of the South African thermal coal business of Anglo American (the "**SA Thermal Coal Operations**") to be separately listed simultaneously on the JSE and the LSE.

In our opinion, the Historical Financial Information of the Company as set out in "*Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation*" presents fairly, in all material respects, the financial position of the Company as at 5 January 2021, and its financial performance and cash flows as at 5 January 2021 in accordance with International Financial Reporting Standards ("**IFRS**") and the JSE Limited Listings Requirements.

What we have audited

At your request and solely for the purpose of the Document to be dated on or about 8 April 2021, we have audited the Historical Financial Information, which comprises:

- the statement of financial position as at 5 January 2021;
- the statement of comprehensive income at that date;
- the statement of changes in equity at that date;
- the cash flow statement at that date; and
- the notes to the Historical Financial Information, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the *Reporting accountant's responsibilities for the audit of the Historical Financial Information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors ("**IRBA Code**") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Purpose of this report

This report has been prepared for the purpose of the Document and for no other purpose.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the directors of the Company for the Historical Financial Information

The directors of the Company are responsible for the preparation, contents and presentation of the Document and are responsible for ensuring that the Company complies with the requirements of the JSE Limited Listings Requirements.

The directors of the Company are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with IFRS and the requirements of the JSE Limited Listings Requirements, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Historical Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the Historical Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountant's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information, including the disclosures, and whether the Historical Financial Information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Historical Financial Information. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.
- Communicate with the directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the directors of the Company, we determine those matters that were of most significance in the audit of the Historical Financial Information for the year ended 31 December 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Inc.
Director: A.J. Rossouw
Registered Auditor
Johannesburg
1 April 2021

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY AS AT INCORPORATION INCLUDED FOR PURPOSES OF THE UK PROSPECTUS REGULATION RULES

The Directors
Thungela Resources Limited
25 Bath Avenue
Rosebank, 2196
South Africa

Date: 8 April 2021

Dear Ladies and Gentlemen

THUNGELA RESOURCES LIMITED

We report on the financial information as at 5 January 2021 set out in "Annexe 4B—Background, scope, purpose and the basis of preparation of the Historical Financial Information of the Company as at incorporation" (the "**Historical Financial Information of the Company**"). The Historical Financial Information of the Company has been prepared for inclusion in the prospectus and pre-listing statement dated 8 April 2021 (the "**Prospectus**") of Thungela Resources Limited (the "**Company**") on the basis of the accounting policies set out in note 1 to the Historical Financial Information of the Company. This report is required by item 18.3.1 of Annex 1 of the UK Prospectus Delegated Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information of the Company in accordance with International Financial Reporting Standards ("**IFRS**") and Interpretations of those standards, as issued by the International Accounting Standards Board ("**IASB**").

It is our responsibility to form an opinion as to whether the Historical Financial Information of the Company gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the UK Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 of the UK Prospectus Delegated Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation financial information of the Company and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information of the Company gives, for the purposes of the Prospectus dated 8 April 2021, a true and fair view of the state of affairs of the Company]as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with IFRS and Interpretations of those standards, as issued by the IASB.

Declaration

For the purposes of UK Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and we declare that to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the UK Prospectus Delegated Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

BASIS OF COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION OF THE GROUP INCLUDED FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

1. BASIS OF PREPARATION

The *Pro Forma* Financial Information is based on the Combined Carve-out Historical Financial Information for the year ended 31 December 2020, prepared in accordance with the basis of preparation as set out in Parts 1 and 2(a) of “Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations” for purposes of the JSE Listings Requirements, and assumes, unless otherwise indicated, that the Demerger and Post-Balance Sheet Transactions as defined in “Annexe 6B—*Pro Forma* Financial Information of the Group included for the purposes of the JSE Listings Requirements” below, were implemented and the consequential *pro forma* adjustments were processed with effect from 1 January 2020 for *pro forma* statement of comprehensive income purposes and as at 31 December 2020 for *pro forma* statement of financial position purposes.

The *Pro Forma* Financial Information has been prepared using the accounting policies that will be applied by the Group going forward, in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. Where the accounting policies of the Group used for the preparation of the Combined Carve-out Historical Financial Information have changed as a result of the implementation of the Post-Balance Sheet Transactions as defined in “Annexe 6B—*Pro forma* Financial Information of the Group included for purposes of the JSE Listings Requirements”, or where new accounting policies are required as a result of the Post-Balance Sheet Transactions, these are set out in “—Accounting Policies”.

The *Pro Forma* Financial Information has been prepared for illustrative purposes only and because of its nature may not fairly present the Group’s financial position, changes in equity, or results after the implementation of the Demerger and Post-Balance Sheet Transactions.

The *Pro Forma* Financial Information is the responsibility of the Board.

The *Pro Forma* Financial Information has been reported on by the independent reporting accountant, PricewaterhouseCoopers Inc. whose assurance report on the *Pro forma* Financial Information is set out in “Annexe 7A—Independent Reporting Accountant’s Assurance Report on the *Pro Forma* Financial Information of the Group for purposes of the JSE Listings Requirements”. This report is included solely to comply with the JSE Listings Requirements.

2. ACCOUNTING POLICIES

The new IFRS compliant accounting policies that have been applied by the Group as a consequence of certain of the Post-Balance Sheet Transactions and used for the purposes of the preparation of the *Pro forma* Financial Information, and which will be utilised by the Group for purposes of the preparation of the annual financial statements for the year ending 31 December 2021 are set out below:

2.1 Derivatives

The financial instruments include derivative instruments and they are classified as at fair value through profit or loss. The fair value gains and losses on subsequent measurement are recognised in profit or loss within other income and expenses.

All derivatives are held in the statement of financial position within ‘Derivative financial assets’ or ‘Derivative financial liabilities’. They are classified as current or non-current depending on the contractual maturity of the derivative.

In order to hedge its exposures to commodity price risk, the Group has entered into a Capital Support Agreement. This contract is fair valued using the Clewlow and Strickland pricing model for the valuation of average rate commodity options.

2.2 Share based payment schemes

The Group adopted a Share Plan that entitles certain employees of the Group to receive Shares in the Company. The Share Plan consists of two components: (i) the Award of Conditional Shares, the vesting of which is conditional upon the fulfilment of certain performance conditions and an employment condition (for a period to be determined by the Remuneration and Nominations Committee at the time of granting an Award, and intended to be three years for the initial awards); and (ii) the Award of Forfeitable Shares where the vesting which is conditional upon the fulfilment of an employment condition (for a period to be determined by the Remuneration and Nominations Committee at the time of granting an Award and intended to be three years for the initial awards). The Awards are accounted for as an equity settled share-based payment scheme and the grant date fair value of the awards are recognised as an expense, with a corresponding increase in equity, over the vesting period. The amounts recognised as expenses are adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met.

Employees participating in the Conditional Share Awards are also entitled to receive shares *in lieu* of dividends and they are forfeitable if the vesting conditions are not met. The forfeitable dividends are treated as dividend entitlements during the vesting period.

2.3 Other long-term employee benefits

The Group operates an EPP for certain employees of the Group. The participating employees are entitled to receive a fixed minimum payment over the first three years, a variable payment over the full term of the plan and a lumpsum payment at the end of the life of mine. The EPP is accounted for as other long-term employee benefits. The long-term employee benefits obligation is measured at the present value of the expected future benefit payments. The cost of benefits is recognised in profit or loss over the three-year period on a straight-line basis within employee costs. The unwinding of the discounting effect is included within net finance costs.

2.4 **Other provisions**

The CPP is formed as a trust for the benefit of host communities within the areas in which the Company operates. The beneficiaries of the CPP trust are groups or communities of persons who represent predominately HDSAs ordinarily resident in the areas where the Group operates. The CPP Entitlement will be a minimum of R6 million per annum commencing in 2021 and ending in 2024. The Group recognises a provision for the constructive obligation it has to the beneficiaries of the CPP in respect of the distribution of the CPP Entitlement each year.

2.5 **Insurance guarantees for environmental rehabilitation provisions**

In order to meet the requirements of the DMRE, SA Thermal Coal Operations enters into agreements with insurers to provide financial guarantees to the DMRE. A part of the premium contributions made under these policies are held as collateral against the financial guarantees to the DMRE. These contributions are invested in various instruments such as money market funds, equity investments and unit trusts and are classified as at fair value through profit or loss. On subsequent measurement, the fair value gains and losses, net of investment income, are recognised in profit or loss within net finance costs.

The investment in relation to the guarantees is recognised in the statement of financial position within "Financial Asset Investments".

PRO FORMA FINANCIAL INFORMATION OF THE GROUP INCLUDED FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

The *Pro Forma* Financial Information set out below has been prepared to illustrate the effect of the Demerger and Post-Balance Sheet Transactions (as defined below) and related agreements on the Group's financial position and results of operations:

- In terms of the SACO Share Purchase Agreement, the details of which are set out in "Annexe 15—Material Contracts", the Company will acquire 100% of the issued shares held by ASA in SACO pursuant to the SACO Sale, together with the associated SACO Sale Claims, for the SACO Sale Consideration and the face value of the SACO Sale Claims on or before 10:00 on the closing date as defined in the SACO Share Purchase Agreement, funded through an intercompany loan between ASA and the Company.

In terms of the Subscription Agreement, the intercompany loan between ASA and the Company arising from the SACO Share Purchase Agreement will be settled through the issuance by the Company of Shares to ASA.

The SACO Sale Consideration has been assumed to be the market value of the SACO Group of R8,257 million on 25 March 2021 and the face value of the SACO Sale Claims which are assumed to be Rnil (and, accordingly, the number of Shares to be issued to settle the SACO Sale Claims Consideration is referred to as the "**SACO Sale Claims Shares**" and is assumed to be Rnil).

In addition, the Subscription Agreement provides for the payment by Anglo American of the Further Subscription Consideration comprising of the Cash Consideration, and an amount equal to the Thermal Coal Loan, as at the last Business Day immediately preceding the closing date, which Further Subscription Consideration will be settled through the issuance of the Further Subscription Shares.

In order to illustrate the *pro forma* financial effects of the implementation of the Subscription Agreement:

- the amount of the SACO Sale Consideration has been assumed to be R8,257 million settled through the issuance of the SACO Sale Shares;
- the Cash Consideration has been assumed at R2,500 million based on the determination made by Anglo American as detailed in "Part XIX—Capitalisation and Indebtedness", settled through the issuance of 30 million Shares;
- the amount of the Original Thermal Coal Loan has been assumed to be R361 million based on the value of the Thermal Coal Loan on 31 December 2020, settled through the issuance of 4 million Shares;
- the Additional Thermal Coal Loan, as detailed in paragraphs 4 and 5 below, has been assumed to be R272 million settled through the issuance of 3 million Shares; and
- the Excess Shares Transfer detailed in paragraph 5 below has been assumed to be R56 million which reduces the number of Shares to be issued by 1 million.

Accordingly, the *pro forma* financial effect assumes a total Subscription Consideration of R11,334 million and total Subscription Shares of 136 million.

Additionally, salient details relating to the accounting treatment of the SACO Share Purchase Agreement and the Subscription Agreement are as follows:

- from a legal perspective, SACO will be a subsidiary of the Company with effect from the closing date;
- from an accounting perspective, the Company has followed the book value accounting (predecessor) approach whereby the acquisition of SACO has been treated as a group re-organisation on the basis that the investment in SACO has simply been moved from one part of the Anglo American Group to another;
- for purposes of this *Pro Forma* Financial Information, the book values of the assets and liabilities assumed by the Company, as extracted from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020, have been determined based on the book values extracted from the Anglo American consolidated financial statements;
- the book values of the assets and liabilities assumed by the Company are reflected collectively in the Combined Carve-out Historical Financial Information of the South African Thermal Coal Operations for the year ended 31 December 2020 as Invested Equity Attributable to the Parent amounting to R3,842 million, which amount includes the value of the Original Thermal Coal Loan at R361 million as at 31 December 2020 ("**Invested Equity Attributable to the Parent**");
- the difference between the assumed SACO Sale Consideration, settled through the issuance of the SACO Sale Shares, amounting to R8,257 million together with the assumed Original Thermal Coal Loan, settled through the issuance of 4 million Shares, for a value of R361 million, and the net book values of the SA Thermal Coal Operations of R3,842 million, is reflected as a debit to equity called a Merger Reserve amounting to (R4,776 million) ("**Merger Reserve**");
- the *pro forma* financial effects do not reflect any adjustment that may result from movements in the Original Thermal Coal Loan between 31 December 2020 and 1 June 2021 other than those relating to the Excess Share Transfer, detailed in paragraph 5 below and note 6 (d) to the Notes to the *Pro Forma* Statement of Financial Position and the Additional Thermal Coal Loan as detailed in paragraphs 4 and 5 below and notes 5 and 6 (b) to the Notes to the *Pro Forma* Statement of Financial Position. The balance of the Thermal Coal Loan as at 25 March 2021 amounted to a credit balance 1,657 million in the books of TOPL. As the total number of Shares to be issued in respect of the SACO Sale Shares, SACO Sale Claim Shares and the further Subscription Shares will be equal to the number of Shares to be demerged of 136 million (excluding the Thungela shares which will be acquired post the Admissions Date and held as treasury shares for accounting purposes, for purposes of settling the Milestone Shares as detailed in paragraph 6 below), any change to the value of the Thermal Coal Loan will not impact the *pro forma* number of shares in issue or the *pro forma* NAV per Share or *pro forma* NTAV per Share. Total *pro forma* equity per the *pro forma* statement of financial position will also remain unaffected due to the Thermal Coal Loan being classified within Invested Equity Attributable to the Parent, however, the stated capital value will change; and
- the *pro forma* adjustments detailed above are collectively referred to as the "**Acquisition of SACO Group**" and are reflected in column 2 of the *Pro Forma* Financial Information.

2. In terms of the Offtake Agreement, export coal mined and produced by the Group will be marketed and sold by Anglo American post the Demerger, as detailed in “Part VIII—Business Overview—Sales and Offtake Arrangements—Offtake Agreement” and “Annexe 15—Material Contracts—Offtake Agreement”. The *pro forma* adjustments arising due to the implementation of the Offtake Agreement are collectively referred to as the “**Marketing Adjustments**” and are reflected in Column 3 to the *Pro Forma* Financial Information;
3. In terms of the Capital Support Agreement, Anglo American has undertaken to provide capital support in the event of adverse coal prices, as detailed in “Annexe 15—Material Contracts—Capital Support Agreement”. The *pro forma* adjustments arising due to the implementation of the Capital Support Agreement are collectively referred to as the “**Capital Support Adjustments**” and are reflected in Column 4 to the *Pro Forma* Financial Information. While the *pro forma* statement of financial position reflects the *pro forma* adjustments as a consequence of the Capital Support Agreement namely the recognition of a derivative asset, the *pro forma* statement of profit and loss does not reflect any *pro forma* adjustments as a consequence of the Capital Support Adjustments namely, the fair value movement resulting from revaluing the derivative asset at each financial reporting period. No *pro forma* fair value adjustment has been recognised as any prospective movements in the fair value of the derivative asset recognised as a consequence of the Capital Support Agreement cannot be reliably estimated as at the Last Practicable Date and historical fair value movements are not indicative of prospective fair value movements;
4. The DMRE requires mining companies to ensure that funds are available to them to rehabilitate environmental disturbances caused by their activities at the point of closure. The funding is required to be held either in cash or other assets, or through guarantees issued by financial institutions to cover this cost. As detailed in “Part XV—Operating and Financial Review,” the SA Thermal Coal Operations currently has a significant value of guarantees held for this purpose, however, these are substantially backed by guarantees from Anglo American Group entities. The *Pro Forma* Financial Information is based on the signed term sheets with financial institutions (the Environmental Guarantees Agreements incorporating these terms will be signed in due course), which have the effect of putting in place replacement performance guarantees to cover the Group’s exposure related to environmental rehabilitation obligations. For purposes of the *Pro Forma* Financial Information, the investment contributions and the insurer guarantee fee have been assumed to be R188 million and R26 million, respectively. It has been assumed that the combined total of R214 million will increase the value of the Original Thermal Coal Loan and forms part of the Additional Thermal Coal Loan on the basis that it will be settled prior to the Demerger. The *pro forma* adjustments arising due to the implementation of the Environmental Guarantees Agreements are collectively referred to as the “**Environmental Guarantees Adjustments**” and are reflected in Column 5 to the *Pro Forma* Financial Information;
5. The value of conditional share awards and share options in terms of the Anglo American Share Plans is expected to be affected by the Demerger as detailed in “Part X—Management and Corporate Governance—Share Schemes”. Awards held by participants in the Anglo American Share Plans and who are moving to the SA Thermal Coal Operations, will vest on completion of the Demerger and be settled in Anglo American Shares which are either already consolidated by the Company and included as Financial Asset Investments on the statement of financial position or which will be purchased prior to the Demerger, as follows:
 - Awards under the Anglo American BSP will vest in full in accordance with their terms;
 - The Group currently consolidates a holding of certain Anglo American Shares held by a third party in relation to the Anglo American BSP awards pursuant to a nominated accounts process. The Group will transfer the nomination in respect of the third party holding to another entity within the Anglo American Group prior to the Demerger for Anglo American Shares that do not vest on the Demerger, for the Excess Share Transfer;
 - Prior to the Demerger, a third party will purchase sufficient Anglo American Shares to settle the Anglo American BSP awards granted in 2021 (relating to performance for the year ended 31 December 2020), to be funded by the Group. For purposes of the *Pro Forma* Financial Information the value of these awards has been estimated to be R58 million. It has been assumed that this purchase will increase the value of the Original Thermal Coal Loan by R58 million and forms part of the Additional Thermal Coal Loan;
 - Awards under the Anglo American LTIPs will vest as to a portion that reflects the time elapsed to the completion of the Demerger and an assessment, on a basis determined by the Anglo American remuneration committee, of the extent to which the performance conditions have or are likely to be met. The Company does not currently hold the Anglo American Shares necessary to settle the awards under the Anglo American LTIPs and will need to purchase them in the future.

The *pro forma* adjustments arising due to the vesting on completion of the Demerger of the above mentioned awards, the Additional Sale Claims Consideration and the Excess Share Transfer are collectively referred to as the “**Anglo American Share Plans Adjustments**” and are reflected in Column 6 below;
6. The CEO, CFO, Senior Management and other eligible employees of the Group will, following the Demerger, participate in a Conditional Share Award subject to performance and employment conditions (the “**Company 2021 LTIP**”). The CEO and CFO will participate in a Forfeitable Share Award pursuant to the Admissions to be awarded as Milestone Shares. The Conditional Share Awards and the Milestone Shares are both being made under the terms of the Company Share Plan, as detailed in “Annexe 10—Company Share Plan” and “Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group”. The CEO and CFO have also been granted retention awards by Anglo American to be settled in Shares that will vest on the Demerger (“**Anglo American Milestone Shares**”). The Milestone Shares and the Anglo American Milestone Shares together comprise the “**Milestone Awards**”. In addition, the Company has implemented two cash-based schemes to benefit Senior Management following the successful Demerger and Admissions (“**Cash-based Bonuses**”). The *pro forma* adjustments arising due to the Company 2021 LTIP and the Milestone Awards to the Executive Directors, and Cash-based Bonuses are collectively referred to as the “**Share Plan Adjustments**” and are reflected in Column 7 below. The *pro forma* financial effects do not present any other *pro forma* financial effects associated with the Company Share Plan on the basis that no such awards have been granted, and consequently cannot be quantified, as at the Last Practicable Date.

7. The CPP and the EPP are being established to give employees and key stakeholders a direct equity stake in the SACO Group, as detailed in "Part VIII—Business Overview—Employee Partnership Plan and Community Partnership Plan". Employee beneficiaries of the EPP will be entitled to a guaranteed dividend of no less than R4,000 per beneficiary per annum for 2021 to 2024. The CPP Entitlement will be a minimum of R6 million per annum commencing in 2021 and ending in 2024, unless extended by the Company. The *pro forma* adjustments arising due to the implementation of the EPP and the CPP are referred to as the "**EPP and CPP Adjustments**" and are reflected in Column 8 below;
8. The Company is responsible for certain costs relating to the Demerger and Admissions. These costs, including the costs directly attributable to the Admissions, have been expensed and are referred to as "**Transaction Costs**" and are reflected in Column 9 below; and
9. The steps outlined above are collectively referred to as the "**Post-Balance Sheet Transactions**".

The following agreements, summarised in "Annexe 15—Material Contracts", do not give rise to *pro forma* adjustments as they are not anticipated to result in material changes to income or expenditure at a Group level:

- Demerger Agreement;
- Indemnity Agreement;
- Intragroup Sale Agreement
- Option Agreement; and
- Management Services Agreement.

The following agreements provide for the continued provision of services that have historically been provided by Anglo American and the costs of which are already included in the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations:

- Transitional Services Agreement; and
- Group Transitional Services Agreement.

Pro forma statement of profit and loss of the Group for the 12 months ended 31 December 2020

Rand Million	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
	Before	Acquisition of SACO Group Adjustments	Marketing Adjustments	Capital Support Adjustments	Environmental Guarantees Adjustments	Anglo American Share Plans Adjustments	Share Plan Adjustments	EPP and CPP Adjustments	Transaction costs	Sheet Transactions
Revenue	18,254	-	334	-	-	-	-	-	-	18,588
Operating costs	(20,351)	-	(1)	-	-	(49)	(177)	(24)	(13)	(20,615)
Impairment loss	(2,160)	-	-	-	-	-	-	-	-	(2,160)
Restructuring costs	(157)	-	-	-	-	-	-	-	-	(157)
Operating (loss)/profit	(4,414)	-	333	-	-	(49)	(177)	(24)	(13)	(4,344)
Investment income	167	-	-	-	11	-	-	-	-	178
Finance costs	(567)	-	-	-	(4)	-	-	-	-	(571)
Other net financing gains/(losses)	(10)	-	-	-	-	-	-	-	-	(10)
Net finance costs	(410)	-	-	-	7	-	-	-	-	(403)
(Loss)/profit before tax	(4,824)	-	333	-	7	(49)	(177)	(24)	(13)	(4,747)
Income tax credit/(expense)	121	-	-	-	1	2	(1)	-	-	123
(Loss)/profit for the year	(4,703)	-	333	-	8	(47)	(178)	(24)	(13)	(4,624)
Attributable to:										
Parent entities	(4,413)	-	333	-	8	(47)	(178)	(24)	(13)	(4,334)
Non-controlling interests	(290)	-	-	-	-	-	-	-	-	(290)
(Loss)/profit for the year	(4,703)	-	333	-	8	(47)	(178)	(24)	(13)	(4,624)
Number of Shares in Issue (in millions)	-	134	-	-	2	-	(2)	-	-	134
Treasury Shares (in million)	-	-	-	-	-	-	2	-	-	2
Basic and diluted LPS per Share (cents)	-	-	-	-	-	-	-	-	-	(3,224.11)
Basic and diluted HLPS per share (cents)	-	-	-	-	-	-	-	-	-	(1,827.13)
Headline loss reconciliation										
(Loss)/profit attributable to the Parent entities	(4,413)	-	333	-	8	(47)	(178)	(24)	(13)	(4,334)
Adjusted for:										
Impairment of Property, Plant and Equipment	1,999	-	-	-	-	-	-	-	-	1,999
Impairment of intangible assets	123	-	-	-	-	-	-	-	-	123
Impairment of goodwill	38	-	-	-	-	-	-	-	-	38
Profit on disposal of operations	-	-	-	-	-	-	-	-	-	-
(Profit)/loss on disposal of Property, Plant and Equipment	1	-	-	-	-	-	-	-	-	1
Tax effects of the above items:	(117)	-	-	-	-	-	-	-	-	(117)
Impairment of Property, Plant and equipment										
Non-controlling interests' effects of adjustments:										
Impairment of Property, Plant and equipment	(166)	-	-	-	-	-	-	-	-	(166)
Headline loss	(2,535)	-	333	-	8	(47)	(178)	(24)	(13)	(2,456)

Notes to the pro forma statement of profit and loss of the Group for the 12 months ended 31 December 2020

1. Column 1 presents the historical financial information relating to the SA Thermal Coal Operations, which has been extracted, without adjustment, from the audited Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations for the year ended 31 December 2020 set out in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and prepared in accordance with the basis of preparation as set out in Parts 1 and 2(a) of "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" for JSE Listings Requirements purposes.
2. Column 2 presents the *pro forma* financial effects of the following issuances of Shares to Anglo American:
 - a. 100 million Shares in terms of the SACO Sale Shares;
 - b. 4 million Shares in terms of the Original Thermal Coal Loan; and
 - c. 30 million Shares in terms of the Cash Consideration.

The cash of R2,500 million to be received as consideration for the subscription of 30 million Further Subscription Shares is for working capital purposes and, therefore, no interest benefit on this amount has been calculated for the purposes of the *pro forma* statement of profit and loss. In addition, the Company's statement of profit and loss has been aggregated. The Company's statement of profit and loss has been extracted, without adjustment, from the audited Historical Financial Information of the Company as at incorporation and prepared in accordance with the basis of preparation as set out in "Annexe 4A—Basis of compilation and reporting on the Historical Financial Information of the Company as at incorporation" for JSE Listings Requirements purposes and presented in "Annexe 4C—Historical Financial Information of the Company as at incorporation".

The adjustments relating to the consolidation of the Company will have a continuing effect on the Group's statement of profit and loss. The adjustment relating to the issuance of the 134 million Shares will have a continuing effect on the Group's LPS and a HLPS;

3. Column 3 presents the *pro forma* financial effects of the Offtake Agreement which runs for a period of three years from the first day of the month in which the Admissions take place, with an additional six-month handover period thereafter. The reduction in the margin payable to AAML under the Offtake Agreement, compared to the actual margin on which the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020 is based on results in increased revenue of R334 million and increased operating costs due to higher royalty payments of R1 million in terms of the Offtake Agreement. No taxation adjustment has been determined as TOPL, as the party in the agreement, has sufficient unrecognised tax losses to offset the increase in revenue generated. These adjustments will have a continuing effect on the Group's statement of profit and loss during the effective period of the Offtake Agreement.
4. Column 4, Capital Support Agreement, the details of which are set out in "Annexe 15—Material Contracts—Capital Support Agreement", will result in the following prospective accounting treatment:
 - a. The agreed Capital Support Agreement between ASA and TOPL is a free-standing derivative to provide capital support to TOPL from the effective date, being the first day of the month in which the Admissions take place, assumed to be 1 June 2021, until 31 December 2022.
 - b. The derivative results in the initial recognition of a derivative asset at fair value on the effective date, being the first day of the month in which the Admissions take place, assumed to be 1 June 2021, with a corresponding increase in equity as a contribution from the parent entity.
 - c. At each reporting date subsequent to Admissions, the derivative will be fair valued through profit or loss in terms of IFRS 9.

The *pro forma* statement of profit and loss does not reflect any fair value adjustment that may result from movements in the fair value of the derivative asset as any prospective fair value movements cannot be reliably estimated as at the Last Practicable Date and historical fair value movements are not indicative of prospective fair value movements.

Prospective fair value movements will mainly be impacted by differences between the Market Price Forwards (R/Mt), assumed Market Price volatility and the ZAR Discount Factor assumed for purposes of determining the fair value of the derivative and realised Market Price prices in ZAR over the tenure of the Capital Support Agreement.

Assuming the derivative asset had been initially recognised on 1 January 2020 and revalued on 31 December 2020, the fair value adjustment for the period 1 January 2020 to 31 December 2020 would have been a loss of (R521 million), assuming settlement on a cumulative monthly basis which results in an illustrative price support in cash amounting to R1,561 million for the period. No taxation adjustment has been determined as TOPL, as the party in the agreement, has sufficient unrecognised tax losses to offset the increase in income generated through the capital support agreement. The following table illustrates the impact of recognising the fair value adjustment on *pro forma* LPS and *pro forma* HLPS.

	Pro forma after the Demerger and Post-Balance Sheet Transactions	Pro forma after the Demerger, Post- Balance Sheet Transactions and fair value adjustment	% Change
LPS	(3,224.11)	(3,611.66)	(12)
HLPS	(1,827.13)	(2,214.68)	(21)

The illustrative fair value adjustment and price support has been determined as follows:

Rand million	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020
Trigger Price per tonne of export coal	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Trigger Price Revenue (A) (R millions)	1,425	2,314	3,644	4,384	5,285	6,771	8,408	9,483	11,102	12,639	14,272	15,703
Spot Market Revenue scaled up for the new margin in terms of the Off Take Agreement (B) (R millions)	1,574	2,574	3,842	4,493	5,198	6,340	7,550	8,389	9,669	10,936	12,437	14,142
Difference (C) = (A) – (B) (R millions)	(149)	(260)	(198)	(109)	87	431	858	1,094	1,433	1,703	1,835	1,561
Capital support (R millions) (C)	-	-	-	-	-	-	-	-	-	-	-	1,561
Fair Value of the derivative at inception – 2 January 2020 (Note i) (R millions) (D)	2,403	-	-	-	-	-	-	-	-	-	-	-
Derivative closing balance (E) (R millions) (E) = (D) – (C)	-	-	-	-	-	-	-	-	-	-	-	842
Fair value of the derivative – 31 December 2020 (F) (Note ii) (R millions)	-	-	-	-	-	-	-	-	-	-	-	321
Fair value adjustment (F) = (F) – (E) (R millions)	-	-	-	-	-	-	-	-	-	-	-	521
(i) Inputs into the Clewlow and Strickland pricing model with an evaluation date of 2 January 2020 assuming capped support of R2,500 million over a full year period (year including 12 months) and R1,500 million in the subsequent reporting period to give effect to the overall 19 month duration of the Capital Support Agreement. It has been assumed for purposes of the Pro Forma Financial Information that the full cap of R2,500 million will be in place for the 12 months ended 31 December 2020 and that the cap of R1,500 million will be assumed for the last seven months of the Capital Support Agreement in the subsequent reporting period.												
Input												
Market Price Forwards (R/Mt)												1,028.73
Market Price Volatility												24%
R Discount Factor												0.9703
(ii) Inputs into the derivative Clewlow and Strickland pricing model with an evaluation date of 31 December 2020 assuming capped support of R2,500 million over a full year period (year including 12 months) and R1,500 million for the subsequent reporting period to give effect to the overall 19 month duration of the Capital Support Agreement. It has been assumed for purposes of the Pro Forma Financial Information that the full cap of R2,500 million will be in place for the 12 months ended 31 December 2020 and that the cap of R1,500 million will be assumed for the last seven months of the Capital Support Agreement in the subsequent reporting period. As at 31 December 2020, the remaining duration of the Capital Support Agreement is seven months:												
Input												
Market Price Forwards (R/Mt)												1,218.06
Market Price Volatility												24%
R Discount Factor												0.9640

Any fair value adjustments arising due to the fair valuing of the derivative will have a continuing effect on the Group's statement of profit and loss for the 19-month duration of the Capital Support Agreement.

5. Column 5 presents the *pro forma* financial effects of the Environmental Guarantees Agreements which will come into effect prior to the Admissions Date.
 - a. The assumed investment contributions, calculated at 5% and 6% of the assumed guarantee facilities of R1,753 million and R1,678 million, respectively (based on actual guarantees provided by the insurers), will accumulate in a financial asset account called an Environmental Investment Account and will earn investment income. The assumed upfront investment contribution will increase the value of the Thermal Coal Loan. Investment income has been adjusted for an amount of R11 million, calculated using an average assumed return on investment of 6% based on the assumption that assumed investment contributions are invested in money market funds. This adjustment results in an increased taxation expense amounting to R1 million in respect of AAIC and Mafube, calculated at the effective tax rate.
 - b. The issuer guarantee fee of R14 million, calculated as 0,8% of the assumed guarantee facility of R1,753 million and R12 million, calculated as 0,7% of the assumed guarantee facility of R1,678 million, respectively, has been charged to net finance costs, with the related reduction in the taxation expense of R1 million in respect of AAIC and Mafube, calculated at the effective tax rate. The assumed issuer guarantee fee will increase the value of the Thermal Coal Loan.
 - c. Historical issuer guarantee fees of R22 million recognised within net finance costs and the related tax impact, based on the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020, have been reversed.

These adjustments will have a continuing effect on the Group's statement of profit and loss. It has been assumed that the settlement of the assumed investment contributions and the guarantee fee will increase the value of the Thermal Coal Loan and consequently the numbers of Shares in issue are adjusted accordingly.

6. Column 6 presents the *pro forma* financial effects of the impact of the Demerger on awards held by participants in the Anglo American Share Plans and who are moving to the Company and which will vest on completion of the Demerger, as follows:

Anglo American Deferred Bonus Arrangement ("DBA")

Certain employees are entitled to an annual cash incentive linked to performance in a specific financial year. The cash incentive is determined after the financial year and, in certain instances, payment of a portion of the cash incentive is deferred for a year. Apart from the early settlement of the 2021 DBA awards (based on the performance for the 12 months ended 31 December 2020), no *pro forma* financial effects have been assumed for purposes of the *pro forma* statement of profit and loss on the basis that the new scheme under the Remuneration Policy, implemented post the Demerger, will have the same financial impact as the previous DBA. Refer to note 6 of the *pro forma* statement of financial position for the *pro forma* financial effects of the early settlement.

Anglo American BSP

Refer to "Part X—Management and Corporate Governance—Share Schemes" for details relating to the Anglo American BSP.

- a. Participants in the Anglo American Share Plans who are moving to the Group will be treated for the purposes of their Anglo American Share Plan awards as leaving employment as "good leavers" on completion of the Demerger. As such, awards under the Anglo American BSP will be accelerated and vest in full on completion of the Demerger. The accelerated portion of the 2019 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2018) amounting to R12 million, the accelerated portion of the 2020 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2019), amounting to R31 million, and the 2021 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2020), amounting to R58 million, will vest in full. The effect of the acceleration of the vesting period will result in a one-off charge to profit and loss amounting to R101 million (based on charges which would have ordinarily been expensed post the Demerger over the vesting period recognised within operating costs), together with the related taxation impact of R2 million in respect of AAIC.
- b. The number of Shares is adjusted to reflect the impact of the Additional Thermal Coal Loan and the Excess Shares Transfer as discussed in note 7 of the *pro forma* statement of financial position. The net effect on the number of Shares in issue is zero.
- c. Historical charges associated with the Anglo American BSP amounting to R37 million, based on the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020, have been reversed on the basis that the Anglo American BSP will fall away post Demerger and the CEO, CFO, Senior Management and other eligible employees of the Group will, following the Demerger, participate in the Company Share Plan and will receive Shares pursuant to the terms thereof. The tax impact is immaterial due to assessed losses in the Group.

Anglo American LTIP

Refer to "Part X—Management and Corporate Governance—Share Schemes" for details relating to the Anglo American LTIP.

- a. In respect of the early settlement of 2019 grants (based on the performance for the 12 months ended 31 December 2018) and 2020 grants (based on the performance for the 12 months ended 31 December 2019), no *pro forma* financial effects have been assumed, other than reversing historical charges (refer note b below), for purposes of the *pro forma* statement of profit and loss on the basis that the grants under the Anglo American LTIP will vest as to a portion that reflects the time elapsed from grant date to the completion of the Demerger (i.e. on a time pro-rated basis until Demerger, resulting in no accelerated vesting). Refer to note 6 of the *pro forma* statement of financial position for the *pro forma* financial effects of the early settlement.
- b. Historical charges associated with the Anglo American LTIP amounting to R15 million, based on the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020, have been reversed on the basis that the Anglo American LTIPs will fall away post Demerger and the CEO, CFO, Senior Management and other eligible employees of the Group will, following the Demerger, participate in the Company Share Plan and will receive awards pursuant to the terms thereof.

7. Column 7 presents the following *pro forma* adjustments in relation to certain awards under the Company Share Plan:

Milestone Awards

- a. Employee-related expenditure is adjusted for a share-based payment charge of R134 million, as follows:
- R54 million relating to the Executive Directors retention arrangements detailed in paragraph 5.3: *Remuneration of Directors*, and which have been granted by Anglo American ("**Anglo American Milestone Shares**"). These shares will vest immediately on the Demerger;
 - R80 million relating to the incentivisation and retention of the CEO and CFO as detailed in "*Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group*" which awards will be granted by the Company and based on the vesting period associated with the Milestone Shares under the Company Share Plan stipulated in "*Annexe 10—Company Share Plan*" and "*Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group*", calculated with reference to the grant date fair value of the awards. Half of the Milestone Shares awarded to the CEO and CFO will vest on the first anniversary of the Admissions Date, with the remaining half vesting on the second anniversary of the Admissions Date. The grant date fair value has been assumed to be the *pro forma* stated capital of the Company excluding the value of the Thermal Coal Loan on the Admissions of R10,757 million and assuming the grant date was 1 January 2020 ("**Assumed Grant Date Fair Value**").
- b. The significant assumptions used for purposes of the calculation of the *pro forma* financial effects are as follows:
- Assumed Grant Date Fair Value.
 - CEO allocation: Anglo American Milestone Shares amounting to 0.33% and Milestone Shares amounting to 0.66% of issued shares of the Company as at the Admissions Date.
 - CFO allocation: Anglo American Milestone Shares amounting to 0.17% and Milestone Shares amounting to 0.33% of issued shares of the Company as at the Admissions Date.

Company 2021 LTIP

- a. Employee-related expenditure is adjusted for a share-based payment charge of R9 million, based on the vesting period associated with the Company 2021 LTIP awards under the Company Share Plan stipulated in "*Annexe 10—Company Share Plan*" and "*Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group*" calculated with reference to the grant date fair value of the awards. The grant date fair value has been calculated using the Assumed Grant Date Fair Value. The assumptions used for purposes of the calculation of the *pro forma* financial effects are as follows:
- Assumed Grant Date Fair Value
 - Attrition: 5% per annum
 - Vesting probability: 55%

Cash-based Bonuses

Employee related expenditure has been adjusted for the *pro forma* effects of the following to Cash-based Bonuses schemes to benefit Senior Management following the successful Demerger and Admissions:

- Key project engagement—awarded to employees with key roles in the success of the project and will vest fully on the Admissions Date, calculated as R3 million. This is based on 40% of the identified recipients' annual salaries as at 1 May 2020; and
- Support project engagement—awarded to employees with supporting roles in the success of the project, and will vest one year after the Admissions Date calculated as R31 million. This is based on 50% of the identified recipients' annual salaries as at 1 May 2020.

Other awards in terms of the Company Share Plan

The *pro forma* financial effects do not present any other *pro forma* financial effects associated with the Company Share Plan on the basis that no such awards have been granted, and consequently cannot be quantified, as at the Last Practicable Date.

These adjustments will have a continuing effect on the Group's statement of profit and loss.

8. Column 8 presents the financial effects of the EPP and CPP, as follows:

- a. Operating costs have been increased to recognise a liability, at fair value, in respect of the EPP for the first year of the three-year vesting period, arising in terms of IAS 19: *Employee Benefits* amounting to R18 million on the assumption that the liability for the minimum guaranteed dividend of R4,000 per employee was recognised on 31 December 2020;

Inputs to the IAS 19: *Employee Benefits* valuation with an evaluation date of 31 December 2020.

Input	31 December 2020
SACO equity ownership	5%
Number of employees	4,500
Minimum guaranteed dividend (per employee)	R4,000

The adjustment in respect of the CPP Entitlement has been calculated as the minimum dividend of R6 million to be received by the CPP in 2021 and which will be distributed to beneficiaries of the CPP.

9. Column 9 presents assumed expenses relating to the Demerger borne by the Company amounting to approximately R13 million (being the incremental expenses not already accrued in the 12 months ended 31 December 2020), which have been included in the *pro forma* statement of profit and loss.

The above note should be read in conjunction with "*Part XX—Additional Information—Expenses*".

10. Column 10 presents the Group after the *pro forma* adjustments in columns 2 to 9 above.

Pro Forma statement of financial position of the Group as at 31 December 2020

Rand millions	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
	Before	Acquisition of SACO Group	Marketing Adjustments	Capital Support Adjustments	Environmental Guarantees Adjustments	Anglo American Share Plans Adjustments	Share Plan Adjustments	EPP and CPP Adjustments	Transaction costs	Pro forma after the Demerger and Post-Balance Sheet Transactions
Assets										
Non-current assets										
Intangible assets	158	-	-	-	-	-	-	-	-	158
Property, plant and equipment	10,120	-	-	-	-	-	-	-	-	10,120
Environmental rehabilitation trusts	2,902	-	-	-	-	-	-	-	-	2,902
Environmental investment account	-	-	-	-	188	-	-	-	-	188
Derivative Asset	-	-	-	644	-	-	-	-	-	644
Investments in associates	89	-	-	-	-	-	-	-	-	89
Financial assets investments	361	-	-	-	-	(222)	-	-	-	139
Other receivables	44	-	-	-	-	-	-	-	-	44
Other non-current assets	111	-	-	-	-	-	-	-	-	111
Total non-current assets	13,785	-	-	644	188	(222)	-	-	-	14,395
Current assets										
Inventories	1,211	-	-	-	-	-	-	-	-	1,211
Trade and other receivables	3,476	-	-	-	-	-	-	-	-	3,476
Prepayments	-	-	-	-	26	-	-	-	-	26
Current tax assets	103	-	-	-	-	-	-	-	-	103
Cash and cash equivalents	394	2,500	-	-	-	(82)	(111)	-	(13)	2,688
Total current assets	5,184	2,500	-	-	26	(82)	(111)	-	(13)	7,504
Total assets	18,969	2,500	-	644	214	(304)	(111)	-	(13)	21,889

Pro Forma statement of financial position of the Group as at 31 December 2020 continued

Rand millions	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
	Before	Acquisition of SACO Group	Marketing Adjustments	Capital Support Adjustments	Environmental Guarantees Adjustments	Anglo American Share Plans Adjustments	Share Plan Adjustments	EPP and CPP Adjustments	Transaction costs	Pro forma after the Demerger and Post-Balance Sheet Transactions
Equity										
Invested Equity attributable to the Parent entities	3,842	(3,842)	-	-	-	-	-	-	-	-
Stated capital	-	11,118	-	-	214	2	-	-	-	11,334
Treasury shares	-	-	-	-	-	-	(108)	-	-	(108)
Accumulated loss	-	-	-	-	-	(276)	(4)	(6)	(13)	(299)
Contribution by parent	-	-	-	644	-	-	-	-	-	644
Merger reserve	-	(4,776)	-	-	-	-	-	-	-	(4,776)
Non-controlling interests	1,530	-	-	-	-	-	-	-	-	1,530
Total equity	5,372	2,500	-	644	214	(274)	(112)	(6)	(13)	8,325
Liabilities										
Non-current liabilities										
Lease liabilities	127	-	-	-	-	-	-	-	-	127
Retirement benefit obligations	455	-	-	-	-	-	-	-	-	455
Provisions for liabilities and charges	5,717	-	-	-	-	-	-	-	-	5,717
Deferred tax liabilities	1,350	-	-	-	-	(2)	1	-	-	1,349
Total non-current liabilities	7,649	-	-	-	-	(2)	1	-	-	7,648
Current liabilities										
Trade and other payables	4,513	-	-	-	-	(28)	-	-	-	4,485
Loans and borrowings	221	-	-	-	-	-	-	-	-	221
Lease liabilities	24	-	-	-	-	-	-	-	-	24
Provisions for liabilities and charges	1,174	-	-	-	-	-	-	6	-	1,180
Current tax liabilities	16	-	-	-	-	-	-	-	-	16
Total current liabilities	5,948	-	-	-	-	(28)	-	6	-	5,926
Total liabilities	13,597	-	-	-	-	(30)	1	6	-	13,574
Total equity and liabilities	18,969	2,500	-	644	214	(304)	(111)	-	(13)	21,899
Number of Shares in issue (million)	-	134	-	-	2	-	(2)	-	-	134
Treasury shares for accounting purposes	-	-	-	-	-	-	2	-	-	2
NAV per share (cents)	-	-	-	-	-	-	-	-	-	5,055.48
NTAV per share (cents)	-	-	-	-	-	-	-	-	-	4,937.92

Notes to the pro forma statement of financial position of the Group as at 31 December 2020

- Column 1 presents the historical financial information relating to the SA Thermal Coal Operations, which has been extracted, without adjustment, from the audited Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations set out in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and prepared in accordance with the basis of preparation as set out in Parts 1 and 2(a) of "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" for JSE Listings Requirements purposes.
- Column 2 presents the accounting impact of the acquisition by Thungela of the SACO Group in terms of the SACO Share Purchase Agreement on the basis of a group reorganisation and the assumptions as detailed in this "Annexe 6B—Pro Forma Financial Information of the Group included for purposes of the JSE Listings Requirements" above, and the settlement of the SACO Sale Consideration and the Further subscription Consideration (excluding the Additional Thermal Coal Loan and the Excess Shares Transfer) as follows:
 - Reversal of the Invested Equity Attributable to the Parent of R3,842 million and the creation of a Merger Reserve resulting in a debit to equity of R4,776 million, being the difference between the assumed SACO Sale Consideration, settled through the issuance of Shares, amounting to R8,257 million together with the assumed Original Thermal Coal Loan, settled through the issuance of 4 million Shares, amounting to R361 million, and the Invested Equity Attributable to the Parent of R3,842 million. Prior to settlement it has been assumed that the Thermal Coal Loan will increase by R214 million in respect of the Environmental Guarantee Adjustments plus R58 million in respect of the purchase by a third party of the Anglo American Shares required to settle the 2021 Anglo American BSP awards and decrease by R56 million in respect of the shares that comprise the Excess Shares Transfer, resulting in a settlement value for the Thermal Coal Loan of R577 million.
 - Issuance of 100 million SACO Sale Shares in settlement of the SACO Sale Consideration amounting to R8,257 million.
 - Issuance of 4 million Shares in settlement of the opening balance of the Thermal Coal Loan of R361 million.
 - Issuance of 30 million Further Subscription Shares for a consideration of R2,500 million in terms of the Cash Consideration.

Column 2 also considers the aggregation of the Company's statement of financial position, which has been extracted, without adjustment, from the audited Historical Financial Information of the Company as at incorporation and prepared in accordance with the basis of preparation as set out in "Annexe 4A—Basis of compilation and reporting on the Historical Financial Information of the Company as at incorporation" and presented in "Annexe 4C—Historical Financial Information of the Company as at incorporation."

Set out below is a reconciliation of the Total Equity line:

	Shares	R'million
Invested Equity attributable to the Parent		3,842
Stated Capital – Issuance of SACO Sale Shares	100	8,257
Stated Capital – Issuance of Further Subscription Shares (excluding the Thermal Coal Loan)	30	2,500
Stated Capital – Issuance of Shares in respect of the Thermal Coal Loan	6	577
Original Thermal Coal Loan as at 31 December 2020	4	361
Less: Excess Share Transfer	(1)	(56)
Plus: Additional Thermal Coal Loan – rehabilitation guarantees	2	214
Plus: Additional Thermal Coal Loan – LTIP awards	1	58
Shares acquired to settle the Milestone Shares and deemed to be treasury shares for accounting purposes	(2)	(108)
Invested Equity attributable to the Parent – reversal		(3,842)
Merger reserve		(4,776)
Contribution by Parent		644
Accumulated loss – Share-based payments		(280)
Accumulated loss – CPP Entitlement		(6)
Transaction costs		(13)
Total equity	134	6,795
Non-controlling interests		1,530
Total equity attributable to the parent	134	8,325

- Column 3 reflects that there are no pro forma financial effects on the pro forma statement of financial position as a consequence of the Offtake Agreement on the basis that the statement of financial position of the Group has been prepared assuming the implementation of the Demerger and Post-Balance Sheet Transactions on 31 December 2020.
- Column 4 presents the pro forma financial effects of the Capital Support Agreement which will result in the recognition of a derivative asset the effective date, being the first day of the month in which the Admissions take place, assumed to be 1 June 2021, as set out in the accounting policies and as detailed in note 4 to the pro forma statement of profit and loss. For purposes of preparing the pro forma statement of financial position, the assumed fair value of the derivative asset at the 25 March 2021 amounting to R644 million has been disclosed as this is considered to be the most meaningful value as it represents the value of the derivative asset for a full 19-month period and utilises inputs based on current pricing trends as at 25 March 2021. Contribution by parent has been credited with a corresponding amount of R644 million.

Inputs into the derivative Clewlow and Strickland pricing model with an evaluation date as at the 25 March 2021 assuming capped support of R1,500 million over the first seven months of the Capital Support Agreement ending 31 December 2021 and R2,500 million over the remaining 12 month term, ending 31 December 2022, with a 19-month remaining duration are as follows:

Input	2021	2022
Market Price Forwards (R/Mt)	1,321.40	1,406.28
Market Price Volatility	23%	24%
ZAR Discount Factor	0.9754	0.9237

5. Column 5 presents the *pro forma* financial effects of the Environmental Guarantees Agreements that will come into effect on the Admissions Date.
- The Environmental Investment Account has been increased by the assumed annual upfront investment contribution amounting to R188 million, calculated at 5% and 6% of the assumed guarantee facilities of R1,753 million and R1,678 million, respectively (based on actual guarantees provided by the insurers). The assumed annual upfront investment contribution will increase the value of the Thermal Coal Loan; and
 - Prepayments and Stated Capital have been adjusted for the payment of the upfront issuer guarantee fees of R14 million, calculated as 0.8% of the assumed guarantee facility of R1,753 million plus R12 million, calculated as 0.7% of the assumed guarantee facility of R1,678 million, respectively. The assumed upfront issuer guarantee fees will increase the value of the Thermal Coal Loan.
- It has been assumed that the settlement of the assumed investment contributions and the guarantee fee will increase the value of the Thermal Coal Loan and consequently the numbers of Shares in issue are adjusted accordingly.
6. Column 6 presents the *pro forma* financial effects of the awards held by participants in the Anglo American Share Plans and who are moving to the Company and which will vest on completion of the Demerger, as follows:

Anglo American Deferred Bonus Arrangement (“DBA”)

Trade and other payables have been debited by an amount of R28 million, being a portion of the actual accrual relating to the DBA recognised in the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020 that will be early settled as a consequence of the Demerger. Cash and cash equivalents have been adjusted accordingly.

Anglo American BSP

Refer to “Part X—Management and Corporate Governance—Share Schemes” for details relating to the Anglo American BSP.

- Accumulated loss has been debited and Share based payment reserve, included in accumulated loss, has been credited by an amount of R101 million representing the once-off effect of the acceleration of the vesting period. This amount includes the 2021 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2020), amounting to R58 million. Refer to note 6 of the *pro forma* statement of profit and loss for the assumptions used for purposes of the calculation of the *pro forma* financial effects. There is no net impact on equity.
- A third party will purchase the Anglo American Shares required to settle the 2021 Anglo American BSP awards amounting to R58 million in advance of the Demerger, to be funded by the Group. The amount has increased the Thermal Coal Loan (stated capital) by R58 million. Accumulated loss has been adjusted by the same amount.
- Financial Asset Investments has been credited by an amount of R166 million to reflect the early settlement and vesting of awards under the Anglo American BSP as it relates to the delivery of Anglo American Shares to employees. Accumulated Loss has been adjusted accordingly. This adjustment assumes the settlement of 334,400 shares using the existing investment in Anglo American Shares at an estimated Anglo American share price of R496.60 per Anglo American Share on 31 December 2020.
- Financial Asset Investments has been credited and the Thermal Coal Loan (stated capital) debited with an amount of R56 million in respect of the transfer of 112,783 Anglo American Shares at an estimated Anglo American share price of R496.60 per Anglo American Share on 31 December 2020 in terms of the Excess Share Transfer. The number of Shares is adjusted to reflect the impact of the Excess Share Transfer. However, as discussed above, any change to the face value of the Thermal Coal Loan will not impact the *pro forma* number of Shares to be demerged of 136 million (excluding the Milestone Shares which will be acquired post the Admissions Date).
- Deferred tax and accumulated loss are adjusted to reflect the tax impact of the acceleration of the vesting period.

Anglo American LTIP

Cash and cash equivalents have been credited by an amount of R54 million, to reflect the early settlement of awards under the Anglo American LTIP as it relates to the delivery of Anglo American Shares to employees. Accumulated loss has been adjusted accordingly. This adjustment is based on the settlement of 97,400 shares (calculated as 296,900 share options, *pro rata* vested at 50% performance and adjusted for time lapsed since the grant date) in cash at an estimated Anglo American share price of R555.07 per Anglo American Share on 25 March 2021. There is no tax impact as the tax was already accounted for prior to the Demerger.

7. Column 7 presents the *pro forma* adjustments in relation to certain awards under the Company Share Plan:

Milestone Awards

- Share-based Payment Reserve has been credited by R54 million and accumulated loss has been debited by the same amount in respect of the Anglo American Milestone Shares resulting in a net nil impact on equity.
- The Company will acquire 2 million Shares, for a value of R108 million, based on *pro forma* stated capital as detailed in note 2 above excluding the face value of the Thermal Coal Loan, in respect of the Milestone Shares. Cash and cash equivalents and treasury shares are adjusted accordingly as these 2 million Shares constitute treasury shares for accounting purposes.

Cash-based Bonuses

Employee-related expenditure has been adjusted for the *pro forma* effects of the following to Cash-based Bonuses to benefit Senior Management following the successful Demerger and Admissions, as follows:

- Key project engagement—awarded to employees with key roles in the success of the project and will vest fully on the Admissions Date, calculated as R3 million. This is based on 40% of the identified recipients' annual salaries as at 1 May 2020; and
- Support project engagement—awarded to employees with supporting roles in the success of the project, and will vest one year after the Admissions Date calculated as R31 million. This is based on 50% of the identified recipients' annual salaries as at 1 May 2020. No *pro forma* effect has been shown for this award on the basis that the *pro forma* statement of financial position of the Group has been prepared assuming the implementation of the Post Balance Sheet on 31 December 2020 and consequently there are no anticipated cash flows.

Other awards in terms of the Company Share Plan

The *pro forma* financial effects do not present any other *pro forma* financial effects associated with the Company Share Plan on the basis that the *pro forma* statement of financial position of the Group has been prepared assuming the implementation of the Post-Balance Sheet Transactions on 31 December 2020.

8. Column 8 – does not present any *pro forma* financial effects associated with the EPP that on the basis that the *pro forma* statement of financial position of the Group has been prepared assuming the implementation of the Post-Balance Sheet Transactions on 31 December 2020. Provisions for liabilities and charges and accumulated loss have been adjusted for an amount of R6 million in respect of the CPP Entitlement, calculated as detailed in note 8 to the *pro forma* statement of profit and loss.
9. Column 9 presents assumed Expenses relating to the Demerger borne by the Company amounting to approximately R13 million (being the incremental expenses not already accrued for in the 12 months ended 31 December 2020), which has been included in the *pro forma* statement of profit and loss. Cash and cash equivalents and accumulated loss are adjusted accordingly.
The above note should be read in conjunction with “–Expenses”.
10. Column 10 presents the Group after the *pro forma* adjustments in columns 2 to 10 above.

BASIS OF COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP INCLUDED FOR PURPOSES OF THE UK PROSPECTUS REGULATION RULES

The Unaudited *Pro Forma* income statement for the year ended 31 December 2020 and the unaudited *Pro Forma* statement of net assets as at 31 December 2020 for the Group set out in “Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group, included for purposes of the UK Prospectus Regulation Rules” (together the “**Unaudited Pro Forma Financial Information**”) have been prepared on the basis of the notes set out in “Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group, included for purposes of the UK Prospectus Regulation Rules” to illustrate the effect of the proposed Demerger on the combined carve-out historical income statement of the Group as if it had occurred on 1 January 2020 and on the combined carve-out historical statement of net assets of the Group as if it had occurred on 31 December 2020.

The Unaudited *Pro Forma* Financial Information has been prepared in accordance with the accounting policies to be adopted by the Group in its 31 December 2021 financial statements and applied in preparing the Combined Carve-out Historical Financial Information included in Annexe 2C—*Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations*.

The Unaudited *Pro Forma* Financial Information of the Group has been prepared for illustrative purposes only and in accordance with Annex 20 of the UK Prospectus Delegated Regulation. Because of its nature, the Unaudited *Pro Forma* Financial Information of the Group addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Group. It may not, therefore give a true picture of the Group’s financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The Unaudited *Pro Forma* Financial Information does not constitute statutory accounts. Shareholders should read the whole of this Document and not rely solely on the summarised financial information contained in “Annexe 6D—Unaudited *Pro Forma* Financial Information of the Group, included for purposes of the UK Prospectus Regulation Rules”.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP INCLUDED FOR PURPOSES OF THE UK PROSPECTUS REGULATION RULES

Unaudited Pro Forma Income Statement of the Group for the 12 months ended 31 December 2020

Rand Million	Pro forma adjustments							Pro forma Group
	SA Thermal Coal Operations	Subscription Agreement	Capital Support Adjustments	Anglo American Share Plans Adjustments	Share Plan Adjustments	EPP Adjustments	Transaction costs	
Note	1	2	3	4	5	6	7	
Revenue	18,254	-	-	-	-	-	-	18,254
Operating costs	(20,351)	-	-	(49)	(168)	(24)	(13)	(20,605)
Impairment loss	(2,160)	-	-	-	-	-	-	(2,160)
Restructuring costs	(157)	-	-	-	-	-	-	(157)
Operating (loss)/profit	(4,414)	-	-	(49)	(168)	(24)	(13)	(4,668)
Investment income	167	-	-	-	-	-	-	167
Finance costs	(567)	-	-	-	-	-	-	(567)
Other net financing gains/(losses)	(10)	-	-	-	-	-	-	(10)
Net finance costs	(410)	-	-	-	-	-	-	(410)
(Loss)/profit before tax	(4,824)	-	-	(49)	(168)	(24)	(13)	(5,078)
Income tax credit/(expense)	121	-	-	2	(1)	-	-	122
(Loss)/profit for the year	(4,703)	-	-	(47)	(169)	(24)	(13)	(4,956)

Unaudited Pro forma statement of net assets of the Group as at 31 December 2020

Rand Million	Pro forma adjustments							Pro forma Group
	SA Thermal Coal Operations	Subscription Agreement	Capital Support Adjustments	Anglo American Share Plans Adjustments	Share Plan Adjustments	EPP Adjustments	Transaction costs	
Notes	1	2	3	4	5	6	7	
Assets								
Non-current assets								
Intangible assets	158	–	–	–	–	–	–	158
Property, plant and equipment	10,120	–	–	–	–	–	–	10,120
Environmental rehabilitation trusts	2,902	–	–	–	–	–	–	2,902
Derivative Asset	–	–	644	–	–	–	–	644
Investments in associates	89	–	–	–	–	–	–	89
Financial assets investments	361	–	–	(222)	–	–	–	139
Other receivables	44	–	–	–	–	–	–	44
Other non-current assets	111	–	–	–	–	–	–	111
Total non-current assets	13,785	–	644	(222)	–	–	–	14,207
Current assets								
Inventories	1,211	–	–	–	–	–	–	1,211
Trade and other receivables	3,476	–	–	–	–	–	–	3,476
Current tax assets	103	–	–	–	–	–	–	103
Cash and cash equivalents	394	2,500	–	(82)	(111)	–	(13)	2,688
Total current assets	5,184	2,500	–	(82)	(111)	–	(13)	7,478
Total assets	18,969	2,500	644	(304)	(111)	–	(13)	21,685
Liabilities								
Non-current liabilities								
Lease liabilities	127	–	–	–	–	–	–	127
Retirement benefit obligations	455	–	–	–	–	–	–	455
Provisions for liabilities and charges	5,717	–	–	–	–	–	–	5,717
Deferred tax liabilities	1,350	–	–	(2)	–	–	–	1,348
Total non-current liabilities	7,649	–	–	(2)	–	–	–	7,647
Current liabilities								
Trade and other payables	4,513	–	–	(28)	–	–	–	4,485
Loans and borrowings	221	–	–	–	–	–	–	221
Lease liabilities	24	–	–	–	–	–	–	24
Provisions for liabilities and charges	1,174	–	–	–	–	6	–	1,180
Current tax liabilities	16	–	–	–	–	–	–	16
Total current liabilities	5,948	–	–	(28)	–	6	–	5,926
Total liabilities	13,597	–	–	(30)	–	6	–	13,573
Net assets	5,372	2,500	644	(274)	(111)	(6)	(13)	8,112

Notes to the Unaudited Pro Forma Financial Information

- The historical financial information relating to the SA Thermal Coal Operations, has been extracted, without adjustment, from the audited Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations set out in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations" and prepared in accordance with the basis of preparation as set out in Part 3 of "Annexe 2B—Background, scope, purpose and the basis of preparation of the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations".
- Further Subscription Consideration (excluding the Thermal Coal Loan) has been assumed to be R2,500 million based on the determination made by Anglo American as detailed in "Part VI—Overview of the Demerger and formation of the Group—Internal restructure", settled through the issuance of 30 million Further Subscription Shares.
- Anglo American has undertaken to provide capital support in the event of adverse coal prices, as detailed in "Annexe 15—Material Contracts—Capital Support Agreement". The Capital Support Agreement is arranged as a free-standing contract to provide financial assistance by way of minimum price support for all export sales made to AAML from the date of Admission to the end of financial year 2022. The contract is a derivative contract that will result in the recognition of a derivative asset on the effective date, being the first day of the month in which Admission take place, assumed to be 1 June 2021, as set out in the accounting policies contained in "Annexe 2C—Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations". For purposes of preparing the unaudited Pro Forma statement of net assets, the assumed fair value of the derivative asset at 25 March 2021 amounting to R644 million has been disclosed as it represents the value of the derivative asset for the full 19-month period and utilises inputs based on forward prices as at 25 March 2021.

The unaudited *Pro Forma* income statement does not reflect any fair value adjustment that may result from movements in the fair value of the derivative asset as any prospective fair value movements cannot be reliably estimated as at the Last Practicable Date and historical fair value movements are not indicative of prospective fair value movements.

Prospective fair value movements will mainly be impacted by differences between the Market Price Forwards (R/Mt), assumed Market Price volatility and the ZAR Discount Factor assumed for purposes of determining the fair value of the derivative and realised Market Price prices in ZAR over the duration of the Capital Support Agreement.

An illustrative analysis of the potential impact on the unaudited *Pro forma* Income Statement is presented in note 9 below.

4. The financial effects of the awards held by participants in the Anglo American Share Plans who are moving to the Company and which will vest on completion of the Demerger, are as follows:

Anglo American Deferred Bonus Scheme (“DBA”)

- a. Trade and Other Payables have been debited by an amount of R28 million, being the actual accrual relating to the DBA based on the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020 to reflect the early settlement of awards under the DBA. Cash and cash equivalents have been adjusted accordingly.
- b. No *Pro Forma* financial effects have been assumed for purposes of the *Pro Forma* Income Statement on the basis that the new scheme under the Remuneration Policy, implemented post-Demerger, will have the same financial impact as the previous DBA.

Anglo American BSP

Refer to “Part X—Management and Corporate Governance—Share Schemes” for details relating to the Anglo American BSP.

- a. Participants in the Anglo American Share Plans who are moving to the Company will be treated for the purposes of their Anglo American Share Plan awards as leaving employment as “good leavers” on completion of the Demerger. As such, awards under the Anglo American BSP will be accelerated and vest in full on completion of the Demerger. The accelerated portion of the 2019 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2018), amounting to R12 million, the accelerated portion of the 2020 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2019), amounting to R31 million, and the 2021 Anglo American BSP awards (based on the performance for the 12 months ended 31 December 2020), amounting to R58 million, will vest in full. The effect of the acceleration of the vesting period will result in a one-off charge to profit and loss amounting to R101 million (based on charges which would have ordinarily been expensed post the Demerger over the vesting period recognised within operating costs), together with the related taxation impact of R2 million in respect of AAIC.
- b. Historical charges associated with the Anglo American BSP amounting to R37 million, based on the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020, have been reversed on the basis that the Anglo American BSP will fall away post-Demerger and the CEO, CFO, Senior Management and other eligible employees of the Group will, following the Demerger, participate in the Company Share Plan and will receive Shares pursuant to the terms thereof. The tax impact is immaterial due to assessed losses in the Group.
- c. Financial Asset Investments has been credited by an amount of R166 million to reflect the early settlement and vesting of awards under the Anglo American BSP as it relates to the delivery of Anglo American Shares to employees. This adjustment assumes the settlement of 334,400 shares using the existing investment in Anglo American Shares at an estimated Anglo American share price of R496.60 per share per Anglo American Share on 31 December 2020.
- d. Financial Asset Investments has been credited with an amount of R56 million in respect of the transfer of 112,783 Anglo American Shares at an estimated Anglo American share price of R496.60 per Anglo American Share on 31 December 2020 in terms of the Excess Share Transfer.
- e. Deferred tax has been adjusted to reflect the tax impact of the acceleration of the vesting period.

Anglo American LTIP

Refer to “Part X—Management and Corporate Governance—Share Schemes” for details relating to the Anglo American LTIP.

- a. Cash and cash equivalents have been credited by an amount of R54 million, to reflect the early settlement of awards under the Anglo American LTIP as it relates to the delivery of Anglo American Shares to employees. This adjustment is based on the settlement of 97,400 shares (calculated as 296,900 share options, pro rata vested at 50% performance and adjusted for time lapsed since the grant date) in cash at an estimated Anglo American share price of R555.07 per Anglo American Share on 25 March 2021. There is no tax impact as the tax was already accounted for prior to the Demerger.
 - b. Historical charges associated with the Anglo American LTIP amounting to R15 million, based on the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020, have been reversed on the basis that the Anglo American LTIPs will fall away post Demerger and the CEO, CFO, Senior Management and other eligible employees of the Group will, following the Demerger, participate in the Company Share Plan and will receive awards pursuant to the terms thereof.
5. Employee-related expenditure is adjusted for a share-based payment charge of R134 million, as follows:
- a. R54 million relating to the Executive Directors retention arrangements detailed in “Part X—Management and Corporate Governance—Remuneration of Directors”, and which have been granted by Anglo American (“**Anglo American Milestone Shares**”). These shares will vest immediately on the Demerger;
 - b. R80 million relating to the incentivisation and retention of the CEO and CFO as detailed in “Part X—Management and Corporate Governance—Remuneration policy of the Group” which awards will be granted by the Company and based on the vesting period associated with the Milestone Shares under the Company Share Plan stipulated in “Annexe 10—Company Share Plan” and “Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group”, calculated with reference to the grant date fair value of the awards. Half of the Milestone Shares awarded to the CEO and CFO will vest on the first anniversary of the Admissions Date, with the remaining half vesting on the second anniversary of the Admissions Date.

The significant assumptions used for purposes of the calculation of the *Pro Forma* financial effects are as follows:

- CEO allocation: Anglo American Milestone Shares amounting to 0.33% and Milestone Shares amounting to 0.66% of issued shares of the Company as at the Admissions Date
- CFO allocation: Anglo American Milestone Shares amounting to 0.17% and Milestone Shares amounting to 0.33% of issued shares of the Company as at the Admissions Date

The Company will acquire 2 million Shares for a value of R108 million in respect of the Anglo American Milestone Shares. Cash and cash equivalents are adjusted accordingly.

Employee-related expenditure has also been adjusted for the *pro forma* effects of the following 2 cash-based schemes to benefit Senior Management following the successful Demerger and Admissions, as follows:

- Key project engagement – awarded to employees with key roles in the success of the project, and will vest fully on the Admissions Dates, calculated as R3 million. This is based on 40% of the identified recipients annual salaries as at 1 May 2020. Cash and cash equivalents have been credited by the R3 million.
- Support project engagement – awarded to employees with supporting roles in the success of the project, and will vest one year after the Admissions Date calculated as R31 million. This is based on 50% of the identified recipient's annual salaries as at 1 May 2020. No *pro forma* effect has been shown for this award on the *pro forma* statement of net assets on the basis that the *pro forma* statement of net assets of the Group has been prepared assuming the implementation of the Post-Balance Sheet Transactions on 31 December 2020 and consequently there are no anticipated cash flows.

6. Operating costs have been increased to recognise a liability, at fair value, in respect of the EPP for the first year of the three-year vesting period, arising in terms of IAS 19: *Employee Benefits* amounting to R18 million on the assumption that the liability for the minimum guaranteed dividend of R4,000 per employee was incurred on 31 December 2020. No *pro forma* net asset adjustments are associated with the EPP that on the basis that the *pro forma* statement of financial position of the Group has been prepared assuming the implemented of the Post-Balance Sheet Transactions on 31 December 2020.

Inputs to the IAS 19: *Employee Benefits* valuation with an evaluation date of 31 December 2020:

Input	31 December 2020
SACO equity ownership	5%
Number of employees	4,500
Minimum guaranteed dividend (per employee)	R4,000

An adjustment in respect of the CPP Guaranteed Dividend has been calculated as the minimum dividend of R6 million received by the CPP in 2021 expected to be distributed to beneficiaries of the CPP. Provisions for liabilities and charges have been adjusted accordingly.

7. Expenses relating to the Demerger borne by the Company, which were not already accrued in the 12 months ended 31 December 2020, amount to approximately R13 million, and have been included in the unaudited *Pro Forma* Income Statement. Cash and cash equivalents is adjusted accordingly.

The above note should be read in conjunction with "Part XX—Additional Information—Expenses".

8. The following items associated with the Demerger have not been adjusted in the Unaudited *Pro Forma* Financial Information as they are not in accordance with the guidance for *Pro Forma* financial information in the UK as set out in Item 2.3 of Annex 20 of the UK Prospectus Delegated Regulation.

Offtake Agreement

Export thermal coal mined and produced by the Group will be marketed and sold by Anglo American post the Demerger, as detailed in "Part VIII—Business Overview—Sales and Offtake Arrangements—Offtake Agreement" and "Annexe 15—Material Contracts—Offtake Agreement".

The reduction in the margin payable to AAML compared to the actual margin on which the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020 is based on, will result in increased revenue of R334 million and increased operating costs due to higher royalty payments of R1 million in terms of the Offtake Agreement. No taxation adjustment has been determined as TOPL, as the party in the agreement, has sufficient unrecognised tax losses to offset the increase in profit generated. These adjustments will have an effect on the Group's Income Statement during the effective period of the Offtake Agreement which runs for a period of three years (plus an additional six months transitional period thereafter) from the first day of the month in which Admission takes place.

Environmental Guarantees Agreement

The DMRE requires mining companies to ensure that funds are available to them to rehabilitate environmental disturbances caused by their activities at the point of closure. The funding is required to be held either in cash or other assets, or through guarantees issued by financial institutions to cover this cost. As detailed in "Part XV—Operating and Financial Review", the SA Thermal Coal Operations currently has a significant value of guarantees held for this purpose, however, these are substantially backed by guarantees from Anglo American Group entities. The *Pro Forma* Financial Information is based on the signed term sheets with financial institutions (the Environmental Guarantees Agreements incorporating these terms will be signed in due course) and has the effect of putting in place replacement performance guarantees to cover the Group's exposure related to environmental rehabilitation obligations. The potential financial effects of the Environmental Guarantees Agreement that will come into effect on the Admissions Date are as follows:

- a. The assumed investment contributions, calculated at 5% and 6% of the assumed guarantee facility of R1,753 million and R1,678 million, respectively (based on actual guarantees provided by the insurers), will accumulate in a financial asset account called an Environmental Investment Account and will earn investment income. Using an average assumed return on investment of 6%, based on the assumption that assumed investment contributions are invested in money market funds, investment income of R11 million would be generated. At the effective tax rate, this would result in an increased taxation expense amounting to R1 million in respect of AAIL and Mafube.

- b. An issuer guarantee fee of R14 million, calculated as 0.8% of the assumed guarantee facility of R1,753 million and R12 million, calculated as 0.7% of the assumed guarantee facility of R1,678 million, respectively, would be charged to net finance costs, with a related reduction in the taxation expense of R1 million calculated at the effective tax rate.
- c. Historical issuer guarantee fees of R22 million recognised within net finance costs and the related tax impact, based on the Combined Carve-out Historical Financial Information for the SA Thermal Coal Operations for the year ended 31 December 2020, would be reversed.
- d. The Environmental Investment Account has been increased by the assumed annual upfront investment contribution amounting to R188 million, calculated at 5% and 6% of the assumed guarantee facilities of R1,753 million and R1,678 million, respectively (based on actual guarantees provided by the insurers). The assumed annual upfront investment contribution will increase the value of the Thermal Coal Loan; and
- e. Prepayments and Stated Capital have been adjusted for the payment of the upfront issuer guarantee fees of R14 million, calculated as 0.8% of the assumed guarantee facility of R1,753 million plus R12 million, calculated as 0.7% of the assumed guarantee facility of R1,678 million, respectively. The assumed upfront issuer guarantee fees will increase the value of the Thermal Coal Loan. It has been assumed that the settlement of the assumed investment contributions and the guarantee fee will increase the value of the Thermal Coal Loan and consequently the number of Shares in issue are adjusted accordingly.

Company 2021 LTIP

Employee-related expenditure will be subject to a share-based payment charge of R9 million, based on the vesting period associated with the Company 2021 LTIP awards under the Company Share Plan stipulated in “Annexe 10—Company Share Plan” and “Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors—Remuneration Policy of the Group” calculated with reference to the grant date fair value of the awards. The grant date fair value has been calculated using the estimated market capitalisation of the Company on Admissions Date. The assumptions used for purposes of the calculation of the *Pro Forma* financial effects are as follows:

- Attrition: 5% per annum
- Vesting probability: 55%

9. Illustrative analysis of the potential impact of fair value movements of the derivative asset in relation to the Capital Support Agreement.

Assuming the derivative asset had been initially recognised on 1 January 2020 and revalued on 31 December 2020, the fair value adjustment for the period 1 January 2020 to 31 December 2020 would have been a loss of (R521 million), assuming settlement on a cumulative monthly basis which results in an illustrative price support in cash amounting to R1,561 million for the period. No taxation adjustment has been assumed as TOPL, as the party in the agreement, has sufficient unrecognised tax losses to offset the increase in income generated through the capital support agreement.

The illustrative fair value adjustment and capital support has been determined as follows:

Rand million	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020
Trigger Price per tonne of export coal	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Trigger Price Revenue (A) (R millions)	1,425	2,314	3,644	4,384	5,285	6,771	8,408	9,483	11,102	12,639	14,272	15,703
Spot Market Revenue scaled up for the new margin in terms of the Off take Agreement (B) (R millions)	1,574	2,574	3,842	4,493	5,198	6,340	7,550	8,389	9,669	10,936	12,437	14,142
Difference (C) = (A) - (B) (R millions)	(149)	(260)	(199)	(109)	87	430	858	1,094	1,432	1,703	1,836	1,561
Capital support (R millions) (C)	-	-	-	-	-	-	-	-	-	-	-	1,561
Fair value of the derivative at inception - 2 January 2020 (Note i) (R millions) (D)	2,403	-	-	-	-	-	-	-	-	-	-	-
Derivative closing balance (E) (R millions) (E) = (D) - (C)	-	-	-	-	-	-	-	-	-	-	-	842
Fair value of the derivative - 31 December 2020 (F) (Note ii) (R millions)	-	-	-	-	-	-	-	-	-	-	-	321
Fair value adjustment (F) = (F) - (E) (R millions)	-	-	-	-	-	-	-	-	-	-	-	521

- i. Inputs into the Clewlow and Strickland pricing model with an evaluation date of 2 January 2020 assuming capped support of R2,500 million over a full year period (year including 12 months) and R1,500 million in the subsequent reporting period to give effect to the overall 19 month duration of the Capital Support Agreement. It has been assumed for the purposes of this illustrative price support calculation that the full cap of R2,500 million will be in place for the twelve months ended 31 December 2020 and that the cap of R1,500 million will be assumed for the last 7 months of the Capital Support Agreement in the subsequent reporting period.

Input	2020	2021
Market Price Forwards (R/Mt)	1,028.73	1,056.29
Market Price Volatility	24%	24%
ZAR Discount Factor	0.9703	0.9264

- ii. Inputs into the Clewlow and Strickland pricing model with an evaluation date of 31 December 2020 assuming capped support of R2,500 million over a full year period (year including 12 months) and R1,500 million for the subsequent reporting period to give effect to the overall 19 month duration of the Capital Support Agreement. It has been assumed for the purposes of this illustrative price support calculation that the full cap of R2,500 million will be in place for the twelve months ended 31 December 2020 and that the cap of R1,500 million will be assumed for the last seven months of the Capital Support Agreement in the subsequent period. As at 31 December 2020, the remaining duration of the Capital Support Agreement is seven months:

Input	2021
Market Price Forwards (R/Mt)	1,218.06
Market Price Volatility	24%
ZAR Discount Factor	0.9640

- iii. Inputs into the derivative Clewlow and Strickland pricing model with an evaluation date as at 25 March 2021 assuming capped support of R1,500 million over the first seven months of the Capital Support Agreement ending 31 December 2021 and R2,500 million over the remaining 12 month term ending 31 December 2022, with a 19-month remaining duration are as follows:

Input	2021	2022
Market Price Forwards (R/Mt)	1,321.40	1,306.28
Market Price Volatility	24%	24%
ZAR Discount Factor	0.9754	0.9237

Any fair value adjustments arising due to the fair valuing of the derivative will have an effect on the Group's Income Statement for the 19-month duration of the Capital Support Agreement.

10. In preparing the Unaudited *Pro Forma* Financial Information, no account has been taken of the trading or transactions of the Group since 31 December 2020.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF THE GROUP FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

To: the Directors of Thungela Resources Limited

Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information included in a Pre-listing Statement and Prospectus

Thungela Resources Limited (the "**Company**") is issuing a combined pre-listing statement and prospectus (the "**Document**") regarding the proposed listing of its ordinary shares as a primary listing on the stock exchange operated by JSE Limited ("**JSE**") and a simultaneous listing on the standard segment of the Official List of the FCA and admission to trade on the main market of the London Stock Exchange (the "**LSE**"). The Company is the vehicle used to facilitate Anglo American plc's ("**Anglo American**") divestment from its thermal coal operations and the accompanying reorganisation of the South African thermal coal business of Anglo American (the "**SA Thermal Coal Operations**") to be separately listed simultaneously on the JSE and the LSE.

We have completed our assurance engagement to report on the compilation of the *Pro Forma* financial information of the Company by the directors. The *pro forma* financial information, as set out in Annexe 6B of the Document, consists of the *pro forma* statement of financial position as at 31 December 2020, the *pro forma* statement of comprehensive income for the year ended 31 December 2020 and related notes (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Listings Requirements and described in Annexe 6A of the Document.

The *Pro forma* Financial Information has been compiled by the directors to illustrate the impact of Anglo American plc's divestment from its thermal coal operations and the accompanying reorganisation of the SA Thermal Coal Operations to be separately listed simultaneously on the JSE and the LSE (collectively the "**Demerger**"). As part of this process, information about: (i) the Company's financial position and financial performance has been extracted by the directors from the Company's historical financial information as at its incorporation date, 5 January 2021; and (ii) the SA Thermal Coal Operations' financial position and financial performance has been extracted by the directors from the SA Thermal Coal Operations Combined Carve-out Historical Financial Information for the year ended 31 December 2020 on which reporting accountant's reports have been issued.

Directors' responsibility

The directors of the Company are responsible for compiling the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in 6A of the Document.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexe 6A based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

The purpose of *Pro Forma* Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *Pro Forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexe 6A.

PricewaterhouseCoopers Inc.
Director: A.J. Rossouw
Registered Auditor
Johannesburg
1 April 2021

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF THE GROUP INCLUDED FOR PURPOSES OF THE UK PROSPECTUS REGULATION RULES

The Directors
Thungela Resources Limited
25 Bath Avenue
Rosebank, 2196
South Africa

Date: 8 April 2021

Dear Ladies and Gentlemen

THUNGELA RESOURCES LIMITED ("Company")

We report on the *pro forma* financial information (the "**Pro Forma Financial Information**") set out in "Annexe 6C—Basis of compilation of the unaudited Pro Forma Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules" of the Company's prospectus and pre-listing statement dated 8 April 2021 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Anglo American plc's divestment from its thermal coal operations and the accompanying reorganisation of the SA Thermal Coal Operations to be separately listed simultaneously on the JSE and the LSE (collectively the "**Transactions**") might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ended 31 December 2020. This report is required by section 3 of Annex 20 of the UK Prospectus Delegated Regulation and is given for the purpose of complying with that UK Prospectus Delegated Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with section 3 of Annex 20 of the UK Prospectus Delegated Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the UK Prospectus Delegated Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the UK Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 of the UK Prospectus Delegated Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of UK Prospectus Regulation Rule 5.3.2 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the UK Prospectus Delegated Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE NON-IFRS FINANCIAL MEASURES FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

To: the Directors Thungela Resources Limited

Report on the Assurance Engagement on the Compilation of the Non-IFRS Financial Measures

Thungela Resources Limited (the "**Company**") is issuing a combined pre-listing statement and prospectus (the "**Document**") regarding the proposed listing of its ordinary shares as a primary listing on the stock exchange operated by JSE Limited ("**JSE**") and a simultaneous listing on the standard segment of the Official List of the FCA and admission to trade on the main market of the London Stock Exchange (the "**LSE**"). The Company is the vehicle used to facilitate Anglo American plc's ("**Anglo American**") divestment from its thermal coal operations and the accompanying reorganisation of the South African thermal coal business of Anglo American (the "**SA Thermal Coal Operations**") to be separately listed simultaneously on the JSE and the LSE.

We have completed our assurance engagement to report on the compilation of the non-IFRS financial measures and alternative performance measures of the SA Thermal Coal Operations as set out in "*Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*" and "*Part XV—Operating and Financial Overview—Other APMs*" (together, the "**Non-IFRS Financial Measures and APMs**"). The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Listings Requirements and described in "*Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*".

The Non-IFRS Financial Measures and APMs have been compiled by the directors of the Company to illustrate Adjusted EBITDA, Adjusted EBITDA margin, Adjusted operating free cash flow and *pro forma* headline earnings per share. As part of this process, information about the SA Thermal Coal Operations' financial position and financial performance has been extracted by the directors of the Company from the Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations as at and for the three financial years ended 31 December 2020, 31 December 2019 and 31 December 2018 on which reporting accountant's reports have been issued.

Directors' responsibility

The directors of the Company are responsible for compiling the Non-IFRS Financial Measures and APMs on the basis of the applicable criteria specified in the JSE Listings Requirements and described in "*Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*".

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the Non-IFRS Financial Measures and APMs have been compiled, in all material respects, by the directors of the Company on the basis of the applicable criteria specified in the JSE Listings Requirements and described in "Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs" based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Non-IFRS Financial Measures and APMs have been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Non-IFRS Financial Measures and APMs, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Non-IFRS Financial Measures and APMs.

The purpose of Non-IFRS Financial Measures and APMs is solely to provide users with relevant information and measures used by the Company to assess performance and to illustrate the Adjusted EBITDA, Adjusted EBITDA margin, Adjusted operating free cash flow and *pro forma* headline earnings per share. Accordingly, we do not provide any assurance that the actual financial information would have been as presented.

A reasonable assurance engagement to report on whether the Non-IFRS Financial Measures and APMs have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Non-IFRS Financial Measures and APMs provide a reasonable basis for presenting the financial information on a *pro forma* basis and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the Non-IFRS Financial Measures and APMs reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Non-IFRS Financial Measures and APMs have been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Non-IFRS Financial Measures and APMs.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Non-IFRS Financial Measures and APMs have been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in "Part XIII—Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs".

PricewaterhouseCoopers Inc.

Director: A.J. Rossouw

Registered Auditor

Johannesburg

1 April 2021

PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Other Directorships and Partnerships held by the Directors and Senior Management

The names of all companies (other than the Company's subsidiaries) and partnerships of which the Directors, Company Secretary and Senior Management of the Company have been a director or partner at any time in the five years preceding the date of this Document are listed below:

Name	Directorships	Status
Sango Ntsaluba	Amabubesi Capital Travelling Proprietary Limited	Resigned
	Amabubesi Consulting Services Proprietary Limited	Active
	AP Lion Investments Proprietary Limited	Active
	AP Lion Residential Proprietary Limited	Active
	Aquarella Investments 109 Proprietary Limited	Resigned
	Ascendis Health Limited	Active
	Autopax Passenger Services SOC Limited	Resigned
	Barloworld Limited	Active
	Basil Read Holdings Limited	Resigned
	Clorlique 149 Proprietary Limited	Resigned
	Consolidated African Technologies Proprietary Limited	Resigned
	Cross Atlantic Properties 155 Proprietary Limited	Resigned
	Deal Commerce Capital Proprietary Limited	Resigned
	Delivax Proprietary Limited	Active
	Goldplat Recovery Proprietary Limited	Active
	Group Five AP Developments Proprietary Limited	Active
	Group Five AP Investments Proprietary Limited	Active
	JAS Property Investments Proprietary Limited	Active
	Kumba Iron Ore Limited	Active
	Liquid telecommunications South Africa Proprietary Limited	Resigned
	Melody Farm CC	Active
	Milowo Piggery Investment Proprietary Limited	Active
	National Housing Finance Corporation SOC Limited	Active
	Nexus Connection (SA) Proprietary Limited	Resigned
	Nexus OP Company Proprietary Limited	Resigned
	NMT Capital Proprietary Limited	Active
	Pioneer Food Group Proprietary Limited	Resigned
	Quick Leap Investment 429 Proprietary Limited	Resigned
	Stallion Holdings Proprietary Limited	Resigned
	Tsogo Sun Emonti Proprietary Limited	Active
	Wood South Africa Proprietary Limited	Active
	WZ Properties Proprietary Limited	Active
	July Ndlovu	Anglo American Emea Shared Services Limited
Anglo Platinum Management Services Proprietary Limited		Resigned
Birkenhead Beleggings Proprietary Limited		Active
Boikgantsho Platinum Mine Proprietary Limited		Resigned
Bokoni Platinum Holdings Proprietary Limited		Resigned
Bokoni Platinum Mines Proprietary Limited		Resigned
Ga-Phasha Platinum Mine Proprietary Limited		Resigned
Kwanda Platinum Mine Proprietary Limited		Resigned
Lebowa Platinum Mines Proprietary Limited		Resigned
Matthey Rustenburg Refiners Proprietary Limited		Resigned
Modikwa Platinum Mine Proprietary Limited		Resigned
Modikwa Mining Personnel Services Proprietary Limited		Resigned
Mogalakwena Platinum Mine Proprietary Limited		Resigned
Norbush Properties Proprietary Limited		Inactive
Precious Metals Refiners Proprietary Limited		Resigned
Rustenburg Base Metals Refiners Proprietary Limited		Resigned
Rustenburg Platinum Mines Proprietary Limited		Resigned

Name	Directorships	Status
Deon Smith	Anglo American Emea Shared Services Proprietary Limited Anglo American South Africa Investments Proprietary Limited Amity Enterprises Proprietary Limited Main Street 1756 (RF) Proprietary Limited 3b 2e Trading Proprietary Limited	Resigned Resigned Resigned Active Inactive
Ben Kodisang	ABSA Bank Botswana Limited ALT Capital Partners Proprietary Limited ALT Property Partners Proprietary Limited Bayakha Infrastructure Partners Proprietary Limited Fortress REIT Limited Khula Sizwe Property Holdings Limited LXG Invest Proprietary Limited Reimagine Convenience Retail Management Proprietary Limited Reimagine Convenience Retail Proprietary Limited Reimagine Housing Management Company Proprietary Limited Sanlam Africa Real Estate Advisor Proprietary Limited Saarsa Independent Assessors Forum SIAF NPO SPE Subsaharan Africa GP Proprietary Limited Sphere Holdings Proprietary Limited	Active Active Active Active Active Active Active Active Active Active Resigned Resigned Resigned Active
Kholeka Mzondeki	Aveng Limited Bauba Resources Limited Inova Pharmaceuticals Proprietary Limited Nampak Limited Reunert Limited Supasnaps Properties Proprietary Limited Telkom SA SOC Limited Unicorn Capital Partners Limited 3M Africolor South Africa Proprietary Limited	Resigned Resigned Resigned Active Resigned Resigned Active Resigned Resigned
Thero Setiloane	African Renaissance Aviation Corporation Proprietary Limited Armedinsure Proprietary Limited Business Unity South Africa NPC ETA Operations Proprietary Limited Gallagher Power Fernce (SA) Proprietary Limited Gauteng Growth and Development Agency SOC Limited IPGIP Proprietary Limited ISO Lika Nkulunkulu Proprietary Limited Kekkelbek Solutions Proprietary Limited Mine Vent Solutions Proprietary Limited Molehe Technologies and Associates Proprietary Limited Seventy Thirty JV Proprietary Limited Supplier Park Development Company Swisscham Southern Africa South Africa Chapter NPC TL Capital Proprietary Limited Umfiki Investment Corporation Proprietary Limited	Resigned Resigned Resigned Active Active Active Resigned Active Active Active Active Active Active Active Active Active
Seamus French	Kumba Iron Ore Limited Laing O'Rourke plc	Active Active

Other than as outlined above, none of the Directors, Company Secretary, directors of the Major Subsidiaries or Senior Management were partners in a partnership during the five years immediately prior to the date of this Document.

CONTRACTS RELATING TO DIRECTORS

The material terms of the service agreements with the Executive Directors and members of the Senior Management team are set out below. Summaries of these service agreements are available for inspection as set out in this Document. These agreements are generally in accordance with market standards and are terminable on notice. The Non-executive Directors have no fixed term of appointment, save for rotation of Directors as required by the Company MOI.

Name	Notice period (to terminate the agreement)	Restraint	Date concluded
Directors			
July Ndlovu	6 months	N/A	1 September 2020
Deon Smith	2 months	N/A	1 September 2020
Senior Management			
Johannes Petrus Dan Van Schalkwyk,	3 months	N/A	1 September 2020
Lesego Elias Mataboge	2 months	N/A	1 September 2020
Nompumelelo Sithole	2 months	N/A	1 September 2020
Leslie Martin	2 months	N/A	1 September 2020
Carina Venter	1 month	N/A	1 April 2020

No activities are performed by the Directors, directors of the Major Subsidiaries and/or the members of Senior Management outside the Group that are significant to the Group.

Each of the Executive Directors' and the Senior Management's service agreements terminate on the normal date of retirement as defined by the applicable retirement fund, being 60 years of age.

Other than statutory compensation to which a Director may be entitled and notice to terminate the Executive Directors' service agreements specified in the table above, the Directors are not entitled to receive any benefits (including, but not limited to, monetary compensation) from the Company or any other company in the Group for loss of office.

All other terms and conditions are governed by the applicable human resources policies and local governing employment law, including, but not limited to, in South Africa, certain provisions of the BCEA.

COMPANY SHARE PLAN

1. PURPOSE

The Company intends to adopt a long-term share incentive plan to attract, retain, incentivise and reward high-calibre employees (the “**Share Plan**”).

The Share Plan will have two components: (i) Conditional Share Awards; and (ii) Forfeitable Share Awards, as discussed and defined below.

The Share Plan aims to incentivise the Group’s eligible employees (the “**Participants**”) to meet strategic objectives that will help deliver value to Shareholders, achieve alignment between the Participants’ remuneration and the interests of the Shareholders and act as a retention mechanism.

The proposed salient features of the Share Plan are detailed below.

2. INSTRUMENT AND AWARDS

The Share Plan provides that eligible employees receive the following awards (the “**Awards**”):

- *Conditional Share Awards*: regular, annual awards of Shares in the Company, the vesting of which will be subject to the fulfilment of certain key performance conditions (the “**Performance Condition**”) over a set performance period (the “**Performance Period**”) and the Participant remaining employed by the Group (the “**Employment Condition**”) for a specified period (the “**Employment Period**”). The annual Award of Conditional Shares will be made as a percentage of a Participant’s guaranteed pay.
- *Forfeitable Share Awards*: annual or *ad hoc* awards of Shares in the Company, the vesting of which will be subject to the Participant fulfilling the Employment Condition over the Employment Period. The Forfeitable Shares will be held by an escrow agent (the “**Escrow Agent**”) on behalf of the Participant until they vest. The Forfeitable Shares may be awarded by the Company as any of the following:
 - Milestone shares – to reward milestones achieved up to and immediately preceding the Admissions and for retention purposes (the “**Milestone Shares**”);
 - Sign-on shares – to compensate new employees for value forfeited from their previous employers (the “**Sign-on Shares**”);
 - Retention shares – for key talent generally at lower levels (i.e. below executive committee level) (the “**Retention Shares**”); and/or
 - Deferred bonus shares – bonus Shares issued to make up a portion of a Participant’s deferred bonus (the “**Deferred Bonus Shares**”).

The Share Plan will focus on Conditional Share Awards to more senior employees and Forfeitable Share Awards (most commonly in the form of Deferred Bonus Shares) to the executives and a wider employee base, with Milestone Shares, Sign-on Shares and Retention Shares for specific achievements.

The Remuneration and Nominations Committee will set appropriate Performance Conditions, Performance Periods, Employment Conditions and Employment Periods, as relevant, on an annual basis, taking into account the business environment at the time of making the Awards, and where considered necessary, in consultation with Shareholders. Each of these details of the Award will be communicated to the Participants in terms of individual award letters.

Initially, upon the commencement of the Share Plan, both the Performance Period and the Employment Period will be three years. Executives who receive Conditional Shares will have a further two-year holding period during which time the Conditional Shares will have vested. Such Conditional Shares awarded to executives may not be encumbered.

3. PARTICIPANTS

Any person holding full-time salaried employment or office (including any executive director but excluding a non-executive director) with any member of the Group will be eligible to participate in the Share Plan (“**Share Plan Eligible Employee**”).

The Remuneration and Nominations Committee will consider participation on an annual basis. The relevant company of the Group employing the Share Plan Eligible Employee (“**Share Plan Employer Company**”) shall then notify any Share Plan Eligible Employees of their Awards in an award letter.

Participation in the Share Plan is not a condition of employment, and the Remuneration and Nominations Committee retains absolute discretion regarding the making of an Award to any Share Plan Eligible Employee.

A Participant will only be entitled to receive their Award once they have expressly accepted the terms and conditions of the (i) Share Plan rules, and (ii) Award letter, through the delivery of an acceptance notice.

4. RIGHTS OF PARTICIPANTS

4.1 Forfeitable Shares

Participants will become beneficial owners of the Forfeitable Shares from the date on which the Shares are settled ("**Settlement Date**"), which date is to occur shortly after the date on which the Awards are made ("**Award Date**"). Participants will, immediately after the Settlement Date, be entitled to dividends and will have voting rights in respect of the Forfeitable Shares. The Forfeitable Shares cannot be disposed of or encumbered by the Participant prior to the date on which the Forfeitable Shares vest in the Participant unconditionally ("**Vesting Date**") and will be subject to forfeiture and disposal restrictions until the Vesting Date.

4.2 Conditional Shares

Participants will not be entitled to any dividend or voting rights in the Conditional Shares before the Settlement Date of the relevant Conditional Shares. However, Participants will be entitled to dividend equivalents on the Settlement Date of the Conditional Shares to the extent that the underlying Award vests. Conditional Shares cannot be disposed of or encumbered by the Participant prior to the Vesting Date and will be subject to forfeiture and disposal restrictions until the Vesting Date.

5. BASIS OF AWARDS AND AWARD LEVELS

In line with the requirements of the King Code and industry best practice, regular, annual Awards consisting of a combination of Conditional Shares and/or Forfeitable Shares will be made on a consistent basis to ensure long-term Shareholder value creation. In addition, ad hoc Forfeitable Share Awards may be made at the discretion of the Remuneration and Nominations Committee to Share Plan Eligible Employees.

The number of annual Conditional Shares and/or Forfeitable Shares awarded to Participants will primarily be based on the Participant's annual salary, employment grade, performance, retention and attraction considerations, as well as market benchmarks.

Overall Award levels will be decided by the Remuneration and Nominations Committee each time new Awards are made, by taking into account the particular circumstances at that time, e.g. Company affordability, retention considerations, and Company performance. Annual allocations will be benchmarked and set to market-related levels of remuneration whilst considering the overall affordability thereof to the Group.

6. PERFORMANCE CONDITIONS AND VESTING

6.1 Conditional Share Awards

Conditional Share Awards will be made subject to financial and non-financial Performance Condition(s) measured over the Performance Period, as determined by the Remuneration and Nominations Committee for each specific award.

The performance conditions for the first award are intended to be:

- Shareholder returns (25%), including total shareholder return (TSR) relative to that of an appropriate comparator group and dividend yield. There will be no vesting below the median/index TSR;
- Financial measures (40%), including cash flow return on assets relative to the Company cost of equity and decrease in unit costs;
- Production sustainability (15%), including improved life of asset;
- Environmental measures (20%), including decrease in carbon emissions and increase in the percentage of water re-use.

Performance conditions for subsequent awards may be different, if so approved by the Remuneration and Nominations Committee, but are intended to be similarly stretching in the context of the prevailing business environment.

The measurement of performance in respect of safety is included in the short-term incentives, but is also considered in the application of malus and clawback to all Share Plan awards, especially in the case of fatalities.

Conditional Share Awards will generally have a three-year Performance Period over which the Performance Conditions applicable to that Award are measured, usually over the applicable Financial Years, and a three-year Employment Period of three calendar years following the Award Date. Executives who receive Conditional Shares will have a further two-year holding period during which time the Conditional Shares will have vested but may not be encumbered by the executive. The Conditional Shares will vest on a pro-rata basis depending on the extent to which, in the sole discretion of the Remuneration and Nominations Committee, the Performance Conditions have been satisfied. Conditional Shares that have vested will be settled to the Participant as set out in "*Manner of Settlement*".

In the event that Performance Conditions are met, the Remuneration and Nominations Committee shall remain entitled, in its sole discretion, to determine that a reduced number of Conditional Shares shall vest, notwithstanding the extent to which such Performance Conditions have been fulfilled. The Remuneration and Nominations Committee shall be entitled to exercise such discretion where it is deemed appropriate under the circumstances.

6.2 Forfeitable Share Awards

The Awards for Retention Shares and Deferred Bonus Shares will have a three-year vesting period over which the Employment Conditions will be measured. The Forfeitable Shares will vest at a rate of 33.33% per annum over a three-year period. The Awards for Retention Share and Deferred Bonus Share that have vested will be released to the Participant from the Escrow Agent.

The Employment Conditions in respect of Sign-on Shares will be measured over a period determined by the Remuneration and Nominations Committee, bearing in the mind the awards forfeited from the Participant's previous employer. Similarly, the vesting period of Sign-on Shares will be determined by the Remuneration and Nominations Committee taking into account the aforementioned factors.

Milestone Shares will vest, subject to fulfilment of the relevant Employment Conditions, as follows:

- 50% on the first anniversary of the Admissions; and
- 50% on the second anniversary of the Admissions.

7. **MANNER OF SETTLEMENT**

The rules of the Share Plan will be flexible in order to allow for settlement in any of the following manners (or a combination thereof):

- by way of a market purchase of Shares;
- use of Shares held as treasury shares by a company of the Group (other than the Company); or
- issue of Shares.

The specific method of settlement will be determined by the Remuneration and Nominations Committee, although the preference will be a market purchase of Shares, as this causes no dilution to Shareholders.

The Forfeitable Shares will be held by an Escrow Agent on behalf of the Participant until the Vesting Date thereof. Vested Conditional Shares of Executives that are subject to a further holding period will also be held by an Escrow Agent on behalf of those Participants.

8. **LIMITS AND ADJUSTMENTS**

8.1 **Company Limit**

The aggregate number of Shares which may at any one time be settled in terms of the Share Plan shall not exceed 6,815,590 Shares to all Participants, which equates to approximately 5% of the number of issued Shares as at the end of the day on which the Company lists (the "**Company Limit**"). This is in line with market best practice.

In calculating the Company Limit, new Shares allotted and issued by the Company or Shares held by a subsidiary in a treasury account which have been used by the Company for settlement of Awards, will be included in the Company Limit.

The Company Limit will be calculated to exclude Shares purchased in the market in settlement of Awards. It will also exclude Shares which do not subsequently vest as a result of forfeiture.

8.2 **Individual Limit**

The maximum number of Shares which may be allocated to an individual Participant in respect of all unvested Awards under the Share Plan may not exceed 1,363,118 Shares, which equates to approximately 1% of the number of issued Shares as at the end of the day on which the Company lists (the "**Individual Limit**"). The Individual Limit will be calculated to exclude Shares purchased in the market in settlement of Awards and/or those settled in cash. It will also exclude Shares which do not subsequently vest as a result of forfeiture.

8.3 **Adjustments**

The auditors, or other independent adviser acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis in accordance with the rules of the Share Plan, and must be reported on in the Company's financial statements in the year during which the adjustment is made.

Overall, any adjustments made in accordance with paragraph 14.3 of Schedule 14 to the JSE Listings Requirements must be reported on in the Company's annual financial statements in the year during which the adjustment is made.

The issue of Shares as consideration for an acquisition and the issue of Shares for cash or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the Company Limit or Individual Limit.

Awards under the Share Plan which do not subsequently vest in a Participant as a result of the forfeiture thereof, will revert back to the Share Plan for re-allocation.

9. **CONSIDERATION**

The Participant will give no consideration for the Award or settlement of Shares under the Share Plan.

10. **TERMINATION OF EMPLOYMENT**

10.1 **Fault Termination**

Participants terminating their employment with a member of the Group due to resignation, retirement before normal retirement age, or dismissal on grounds of misconduct (for example theft), dishonesty or fraudulent conduct or on the basis of abscondment), incapacity based on poor work performance or incompatibility, will be classified as a "fault termination" and forfeit all unvested Shares on the date of termination of employment, unless otherwise determined by the Remuneration and Nominations Committee.

An executive who retires and/or resigns as a Director on the basis that the executive is immediately re-elected in accordance with the memorandum of incorporation or other constitutional documents of that Share Plan Employer Company or any other member of the Group, shall be deemed not to have terminated employment with that Share Plan Employer Company. In this instance, all Awards made to such Participant shall remain in force on the same terms and conditions, and the new Share Plan Employer Company may assume a pro-rata portion of the first Share Plan Employer Company's obligations in respect of the relevant Shares in consideration for obtaining the Participant's services.

A Participant will not be treated as ceasing to be an employee of a Share Plan Employer Company if, on the same date on which they cease to be an employee of a Share Plan Employer Company, they are employed by another Share Plan Employer Company.

10.2 **No Fault Termination**

The termination of employment at a Share Plan Employer Company by a Participant due to death, ill-health, disability, injury, retrenchment, retirement at normal retirement age or, with the approval of the directors of the Share Plan Employer Company, prior to the normal retirement age (except to the extent that the termination constitutes a "fault termination" as set out above) or the sale of a subsidiary company shall be deemed a "no fault termination" and the Awards allocated to that Participant will vest early (unless the Remuneration and Nominations Committee in its absolute discretion determines otherwise) on a pro-rated basis as follows:

- in the case of Conditional Shares, a Participant shall receive such number of Shares as is proportional to the number of months served in the total Employment Period since the Award Date up to the date of termination of employment; and to reflect, in the sole discretion of the Remuneration and Nominations Committee, the extent to which Performance Conditions of the Participant have been satisfied. The remainder of the Award will lapse; and
- in the case of Forfeitable Shares, a Participant shall receive such number of Shares as is proportional to the number of months served in the total Employment Period since the Award Date up to the date of termination of employment. The remainder of the Award will lapse.

In the event that a Share Plan Employer Company ceases to form part of the Group, the provisions regarding no fault termination set out above will apply to the Participants employed by that Share Plan Employer Company.

10.3 **Remuneration and Nominations Committee Discretion**

The Remuneration and Nominations Committee may exercise its discretion to determine the fault or no fault status of Participants, including in the case of mutual separation agreements, and to permit Awards to be settled at the normal vesting date, without time pro-rating, but subject to applicable Performance Conditions, as if the Participant's employment was not terminated.

11. **REDUCTION AND FORFEITURE (MALUS) AND CLAWBACK**

The Remuneration and Nominations Committee may exercise its discretion to determine that an Award is subject to reduction or forfeiture (in whole or in part) if certain trigger events occur before the applicable vesting date or Settlement Date (as the case may be).

If the Remuneration and Nominations Committee does so determine that all or a portion of the Participant's Award shall be forfeited, that Award shall be forfeited with effect from the date of the determination.

The Remuneration and Nominations Committee may postpone the Vesting Date in respect of any Participant's Award if, at the Vesting Date, there is an ongoing investigation or other procedure being carried on to determine whether the reduction and forfeiture provisions apply in respect of a Participant or an Award.

The Remuneration and Nominations Committee may exercise its discretion to determine that the amount which has been settled to a participant (in whole or in part) must be repaid to the Company if certain trigger events occurred prior to the Vesting Date or Settlement Date, but were only discovered within three years of the Settlement Date.

A policy that specifies the trigger events for reduction and forfeiture and clawback of Awards, as well as the procedure to be followed by the Remuneration and Nominations Committee to ensure procedural and substantive fairness in the exercise of its discretion, will be adopted by the Board as soon as possible after the Admissions.

12. **CORPORATE EVENT**

A "**Corporate Event**" for purposes of the Share Plan is any circumstance which results in:

- the Company undertaking a conversion, redemption, subdivision or consolidation of its share capital; or
- a *pro rata* cash or *in specie* distribution in respect of the Shares by way of a return of capital or a special distribution (transfer of assets or cash); or
- a *pro rata* issue or distribution of Shares (or other distribution *in specie*) to shareholders by way of a bonus issue or capitalisation of any account in satisfaction of any dividend; or
- the Company entering into a scheme of arrangement affecting the structure of its share capital; or
- the Company's issued share capital being reduced and/or Shares being repurchased by the Company in excess of 10% of the issued share capital of the Company; or
- an offer being made to the shareholders of the Company, and/or shareholders of the Company dispose of some or all of their Shares; and/or a scheme of arrangement between the Company and the shareholders (or any class of them) is proposed; or
- the Company is subject to any merger, consolidation, amalgamation, combination or exchange of Shares or other corporate exchange, but excluding (unless so designated by the Remuneration and Nominations Committee) any issue by the Company of equity securities directly or indirectly in consideration for the acquisition by it of assets or securities from or of another person; or
- the Company being placed in liquidation or subject to business rescue proceedings; or
- the Shares cease to be listed on a securities exchange; or
- a rights issue; or
- any other change to the Shares of the Company that may affect the Awards,

but excludes any internal restructuring or similar event.

13. **VARIATION OF SHARE CAPITAL**

Upon the occurrence of a Corporate Event, Participants shall continue to participate in the Share Plan. The Remuneration and Nominations Committee may in its sole discretion make such substitutions and/or adjustment to the Awards or take such other action as it deems fit to place Participants in a reasonably comparable position to what they were in prior to the happening of the Corporate Event and to provide that the fair value of the Award immediately after the Corporate Event is materially the same as the fair value of the Award immediately before the Corporate Event.

In the event of a rights issue, a Participant shall be entitled to follow its rights under the rights issue in respect of its Shares in accordance with the terms and conditions of the rights issue.

The issuing of Shares as consideration for an acquisition, and the issuing of Shares or a vendor consideration placing, will not be regarded as a circumstance that requires any adjustment to the Awards.

While advice on the determination and verification that the Participants are in a reasonably comparable position as a result of a Corporate Event may be sought from an independent professional, the ultimate discretion of what substitutions and/or amendments will be applicable to the Awards of Participants will lie solely with the Remuneration and Nominations Committee.

14. **LIQUIDATION**

If the Company is placed into liquidation, other than for purposes of reorganisation, any Awards of Shares shall *ipso facto* lapse as from the date of final liquidation.

15. **AMENDMENTS**

The Remuneration and Nominations Committee may propose alterations or variations of the rules of the Share Plan to the Board as it sees fit, however, in the following instances the Share Plan may not be amended without the prior approval of the JSE and a Shareholders' resolution approved by 75% of the voting rights held by Shareholders entitled to attend and vote at the relevant Shareholders' meeting (excluding all of the votes attached to Shares owned or controlled by existing Participants in the Share Plan):

- the category of employees qualifying as Share Plan Eligible Employees;
- the number of Shares which may be utilised for the purpose of the Share Plan;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which Awards are made;
- the amount payable upon the Award, settlement or vesting of an Award;
- the voting, dividend, transfer and other rights attached to the Awards, including those arising upon liquidation of the Company;
- the adjustment of Awards in the event of a variation of capital of the Company or a Change of Control of the Company;
- the procedure to be adopted in respect of the vesting of Awards in the event of termination of employment; and
- the specific provisions on amending the Share Plan rules.

16. **EXCLUDED FROM PENSIONABLE SALARY**

Awards made under the Share Plan will not be included in a Participant's pensionable salary.

17. **GENERAL**

The Share Plan is a share incentive scheme as contemplated in schedule 14 to the JSE Listings Requirements, and is, accordingly, subject to the provisions of that schedule. Shareholder approval has been obtained from Anglo American, in its capacity as the initial Shareholder of the Company for the Company to issue Shares, or to utilise Shares held in treasury by subsidiaries of the Company, to settle Awards under the Share Plan.

MAJOR SUBSIDIARIES, THEIR DIRECTORS AND SUBSIDIARY UNDERTAKINGS

The following subsidiaries of the Company are "Major Subsidiaries" for the purposes of the JSE Listings Requirements, being subsidiaries of the Company which represent 25% or more of the total assets or revenue of the consolidated Group based on the latest published year-end financial results.

Name	Registration number	Percentage ownership	Date and place of incorporation	Issued ordinary share capital	Main business	Date of becoming subsidiary
Anglo Operations Proprietary Limited (to be renamed Thungela Operations Proprietary Limited)	1921/006730/07	100%	13 April 1921	4,930,437	Investment Holding	22 January 2021
South Africa Coal Operations Proprietary Limited	2017/522664/07	90% ⁽¹⁾	23 November 2017	91,660	Investment Holding	25 April 2018

Note:

⁽¹⁾ As explained in "Part VI—Overview and Formation of the Group", each of the CPP and EPP will subscribe for 5% of the SACO Shares shortly before implementation of the Demerger.

None of the securities of the Company's subsidiaries are listed on the exchange operated by the JSE or the LSE.

No person, other than the shareholders of the Subsidiaries, holds any rights to enable such a person to vary the voting rights held in any subsidiary.

Alterations to share capital of the subsidiaries

There have been no alterations to the share capital of the Company's subsidiaries which have occurred in the three years prior to the date of this Document. There have not been any issues and offers in the Company's subsidiaries.

DIRECTORS OF MAJOR SUBSIDIARIES

The directors of the Major Subsidiaries are set out below:

TOPL:

Name, age and nationality	Business address	Occupation/function	Date of appointment as Director and term of office
July Ndlovu	25 Bath Avenue, Rosebank, 2196	Director	1 September 2016
Deon Smith	25 Bath Avenue, Rosebank, 2196	Director	1 September 2017

SACO:

Name, age and nationality	Business address	Occupation/function	Date of appointment as Director and term of office
July Ndlovu	25 Bath Avenue, Rosebank, 2196	Director	1 October 2020
Deon Smith	25 Bath Avenue, Rosebank, 2196	Director	1 May 2019

PRINCIPAL IMMOVABLE PROPERTIES HELD OR OCCUPIED

Details of the principal immovable properties leased and owned by the Company and its subsidiaries are as follows:

Lessor	Lessee	Sub-lessee	Property name	Location/area	Commence-ment date	Tenure and unexpired term of the lease	Current monthly rental	Annual escalation
Momentum Metropolitan Life Limited	TOPL	N/A	25 Bath Avenue	25 Bath Avenue, Rosebank, Sandton, South Africa	1 March 2021	28 February 2026	R722,561.74	6.50%

The Company does not own any principal properties other than the principal properties in respect of each of its mineral assets. In this regard, please refer to the Competent Persons' Reports which are available on the Company's website as per "Annexe 19—Competent Persons' Reports":

MINING ASSET	CPR CHAPTER	CPR PAGE NUMBERS
Greenside	2.Description of Asset and Location and 3.3 Greenside Colliery Title and Rights	12 – 19, 35 – 41
Goedehoop	2.Description of Asset and Location and 3.3 Goedehoop Colliery Title and Rights	14 – 21, 39–40
Isibonelo	2.Description of Asset and Location and 3.3 Isibonelo Colliery Title and Rights	13– 19, 36–39
Zibulo	2.Description of Asset and Location and 3.3 Zibulo Colliery Title and Rights	14 – 24, 42–49
Khwezela	2.Description of Asset and Location and 3.3 Khwezela Colliery Title and Rights	15 – 27, 42–50
Mafube	2.Description of Asset and Location and 3.3 Mafube Colliery Title and Rights	14 – 23, 40 – 48
Dalyshope Project	2.Description of Asset and Location and 3.3 Dalyshope Project Title and Rights	12 – 18, 33–36
Elders Project	2.Description of Asset and Location and 3.12 Title and Rights	9 – 23, 33 – 37

For further information regarding the properties on which the Group's mining activities take place, refer to "Annexe 19—Competent Persons' Reports".

MATERIAL BORROWINGS AND MATERIAL INTER-COMPANY BALANCES *

Borrowings material to the Group as at 31 December 2020

Lender	Facility	Facility amount	Currency of loan	Utilised	Secured/Unsecured	Terms	Interest rate	Security provided	Conversion or redemption rights	Details of repayments within the next 12 months	Inter-company balances	Guarantors
Emlangeni Mining Resources Proprietary Limited	Shareholders Loan*	n/a	ZAR	6	Unsecured	No fixed terms of repayment	Prime + 1%	None	None	No fixed terms of repayment	None	None
Mwelase Group of Companies Proprietary Limited	Shareholders Loan*	n/a	ZAR	206	Unsecured	No fixed terms of repayment	Prime + 1%	None	None	No fixed terms of repayment	None	None
Vunani Mining Resources Proprietary Limited	Shareholders loan*	n/a	ZAR	9	Unsecured	No fixed terms of repayment	Prime + 1%	None	None	No fixed terms of repayment	None	None

* All shareholder loans are held within Buisanani Energy and RMC

Material inter-company balances

Lending entity	Borrowing entity	Loan amount in Rand (R' m)	Currency of loan	Secured/Unsecured	Details of terms and conditions of repayment or renewal	Interest rate
TOPL	AAIC	3,695	ZAR	Unsecured	Payable out of distributable cash of AAIC, subject to a cash waterfall agreement signed between the parties	Jibar + 3.8%
Buisanani Energy	RMC	30	ZAR	Unsecured	No fixed terms of repayment	Prime + 1%
TOPL	Buisanani Energy	12	ZAR	Unsecured	No fixed terms of repayment	Interest free
SACO	Buisanani Energy	12	ZAR	Unsecured	No fixed terms of repayment	Interest free

EXTRACTS OF THE COMPANY'S MOI AND THE MEMORANDA OF INCORPORATION OF THE MAJOR SUBSIDIARIES

The following text has been extracted without amendment from the Company's MOI and the memoranda of incorporation of the Major Subsidiaries (TOPL and SACO). As such, defined terms and numbering references in this Annexe 14 are standalone from elsewhere in this Document.

Extracts from the Company's MOI

3. AMENDMENT OF THE MOI

- 3.1 Every provision of this MOI is capable of amendment in accordance with sections 16(1)(a), 16(1)(c), 16(4), 17 and 152(6)(b), read together with the Listings Requirements and the MPRDA (and, to the extent applicable, any licencing conditions imposed on the Company) and, accordingly, there is no provision of this MOI which may not be amended as contemplated in sections 15(2)(b) or 15(2)(c).
- 3.2 This MOI may only be altered or amended:
 - 3.2.1 in compliance with a court order on the basis set out in sections 16(1)(a) and 16(4) and any other applicable provisions of the Companies Act; or
 - 3.2.2 by way of a Special Resolution of the Shareholders passed in accordance with section 16(1)(c), read in conjunction with the remaining provisions of the Companies Act and this MOI; or
 - 3.2.3 as contemplated in sections 17 and 152(6)(b).
- 3.3 While the Shares of the Company remain listed on the JSE, the Board must, prior to proposing any amendments for approval by the Company's Shareholders, submit any such proposed amendments to the MOI to the JSE for approval in accordance with the Listings Requirements.
- 3.4 Save as specifically provided for in article 3.2, this MOI is not capable of amendment by any other method. Accordingly, the provisions of section 16(1)(b) shall not apply, nor shall any other Alterable Provisions of the Companies Act that allows for a method for the alteration or amendment of the MOI other than those methods contemplated in article 3.2 apply.
- 3.5 Any change to the name of the Company, and any variation of the Share capital of the Company referred to in article 12.3 shall be effected by an amendment to this MOI as referred to in articles 3.1 and 3.2.

7. POWERS OF THE COMPANY

- 7.1 The Company is governed by the:
 - 7.1.1 Unalterable Provisions of the Companies Act;
 - 7.1.2 Alterable Provisions of the Companies Act, subject to the extensions, limitations, substitutions or variations set out in this MOI; and
 - 7.1.3 other provisions of this MOI.
8. The Company has, subject to section 19(1)(b)(i), all of the legal powers and capacity of an individual, and the legal powers and capacity of the Company are not subject to any restrictions, limitations or qualifications as contemplated in section 19(1)(b)(ii).
9. There is no provision of this MOI which constitutes a restrictive condition as contemplated in section 15(2)(b).
10. To the extent that the Companies Act or the Listings Requirements require a company to be expressly authorised by its memorandum of incorporation to do anything, the Company is, by this provision, conferred with the requisite authority to do so, subject to any express limitations set out in this MOI.
11. No Special Resolution contemplated in sections 20(2) or 20(6) to ratify any action which is contrary to the Listings Requirements shall be proposed to the Shareholders unless otherwise agreed to by the JSE or, to the extent required, relevant or applicable, any other securities exchange on which any of the Securities are listed.

12. VARIATION OF SHARE CAPITAL

- 12.1 Notwithstanding the provisions of section 36(3), the Board shall not have the power to:
 - 12.1.1 increase or decrease the number of authorised Securities of any class;
 - 12.1.2 reclassify any classified Securities that have been authorised but not issued;
 - 12.1.2 classify any unclassified Securities that have been authorised but not issued; or
 - 12.1.2 determine the preferences, rights, limitations or other terms of any Securities,
which powers shall only be capable of being exercised by the Shareholders, as contemplated in article 12.3.
- 12.2 Subject to article 34.3, each Security issued by the Company shall entitle its holder to vote on any proposal to amend the preferences, rights, limitations or other terms associated with that Security.
- 12.3 The Shareholders may, by amendment to the MOI by way of a Special Resolution and in accordance with the Listings Requirements:

- 12.3.1 increase or decrease the number of authorised Securities of any class;
- 12.3.2 reclassify any classified Securities that have been authorised but not issued;
- 12.3.3 classify any unclassified Securities that have been authorised but not issued;
- 12.3.4 determine or vary the preferences, rights, limitations or other terms of any Securities;
- 12.3.5 create any class of Securities;
- 12.3.6 convert one class of Securities into one or more other classes of Securities, including the conversion of par value shares into no par value shares;
- 12.3.7 consolidate or subdivide any class of Securities; and
- 12.3.8 vary any preferences rights, limitations or other terms of any class of Securities already in issue, but no such variation shall be implemented unless:
 - 12.3.8.1 it has been approved by a Special Resolution adopted by Security Holders at a separate meeting;
 - 12.3.8.2 if those Securities are not Shares, it has been approved by a Special Resolution of the Shareholders; and
 - 12.3.8.3 if there is/are any other class/es of Securities in issue, it has also been approved by a Special Resolution of all of the Security Holders of the Company entitled to vote thereon, which Special Resolution shall only be proposed after the Special Resolution referred to in article 12.3.8.1 has been passed.
- 12.4 The preferences, rights, limitations or any other terms of any class of Securities must not be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7) and the powers of the Board are limited accordingly.

13. ISSUE OF SECURITIES

- 13.1 The Company may, subject to the Listings Requirements and the further provisions of this article 13, only issue Securities which are fully paid up and freely transferable and only within the classes and to the extent that those Securities have been authorised by or in terms of this MOI.
- 13.2 Notwithstanding the provisions of section 40(5), all Securities of the Company for which a listing is sought on the JSE or any other securities exchange must, unless otherwise required by any law, only be issued after the Company has received the consideration approved by the Board for the issuance of such Securities.
- 13.3 The Board may only authorise the issue of any Securities to any Person/s:
 - 13.3.1 in accordance with the Companies Act and, in particular, with the approval of a Special Resolution if required by section 41;
 - 13.3.2 in accordance with the Listings Requirements, particularly for any issue of shares, options or convertible securities for cash;
 - 13.3.3 in accordance with this MOI and, in particular, any rights specifically conferred on any class of issued Securities;
 - 13.3.4 if the Company has complied with the pre-emptive rights required by the Listings Requirements by first offering such Securities to all existing Security Holders of that class of Securities (or, if there are no Securities of that class in issue, to the Shareholders) ("Offerees") in proportion to their existing holdings of Securities at a subscription price which (ignoring any commission referred to in article 14 or any discount not exceeding 10% which may be granted instead of such commission) is not higher than the subscription price at which they will be issued to that/those Person/s. After the expiration of the time within which an offer may be accepted, or on the receipt of an intimation from the Offeree that they decline to accept the Security offered, the Directors may, subject to the provisions of this article 13, issue such Security in such manner as they consider most beneficial to the Company. The Directors may exclude any Security Holders or category of Security Holders from an offer contemplated in this article 13.3.4 if, and to the extent, that they consider it necessary or expedient to do so because of legal impediments or compliance with the laws or the requirements of any regulatory body of any territory, outside of South Africa, that may be applicable to the offer. The pre-emptive right stipulated in this article 13.3.4 shall not apply to:
 - 13.3.4.1 any issue of Shares in terms of options or conversion rights, provided that such options or conversion rights have been previously approved, to the extent necessary;
 - 13.3.4.2 any issue of Shares in terms of a rights offer to be undertaken by the Company;
 - 13.3.4.3 Shares to be held under an employee share scheme in terms of section 97, a share incentive scheme which complies with the provisions of schedule 14 of the Listings Requirements, or any other employee share option or incentive scheme, provided that such issue of Shares was previously approved, to the extent required;
 - 13.3.4.4 capitalisation shares contemplated in section 47;
 - 13.3.4.5 Shares issued pursuant to a scrip dividend, as contemplated by the Listings Requirements;
 - 13.3.4.6 any issue of Shares in consideration for the acquisition by the Company or any of its subsidiaries of any assets (corporeal or incorporeal), including any securities in another company; and
 - 13.3.4.7 any issue of Shares in terms of any vendor consideration placing directly or indirectly related to an acquisition of assets, for the purposes of an amalgamation or merger, or any other arrangement in respect of which the Listings Requirements do not require the Company to make such an offer;
 - 13.3.4.8 Shares or equity Securities issued for cash pursuant to a general or specific approval given by the Shareholders in general meeting;

13.3.4.9 any issue of Shares which otherwise falls within a category in respect of which it is not, in terms of the Listings Requirements, a requirement for the relevant Shares to be so offered to existing Shareholders; or

13.3.4.10 to the extent that an Ordinary Resolution of the Offerees determines that it shall not apply,

and save as provided for in this article 13.3.4 or specifically included as one of the rights, preferences or other terms upon which any class of Shares is issued, no Security Holder shall have any pre-emptive or other similar preferential right to be offered or to subscribe for any additional Securities issued by the Company; or

13.3.5 subject to the remaining provisions of this article 13, with the approval of an Ordinary Resolution of the Shareholders. Any such Ordinary Resolution or Special Resolution required by any other provision of this article 13 may authorise the Board to issue Securities of the Company at any time and/or grant options to subscribe for Securities as the Directors in their discretion think fit, provided that such transaction/s has/have been approved by the JSE and comply/ies with the Listings Requirements.

13.4 The provisions of article 13.3 will apply mutatis mutandis to an issue of a class of authorised Securities which have not been issued, based on the percentage Voting Rights which that Shareholder has in relation to the aggregate general Voting Rights, calculated at the time the offer was made.

13.5 Notwithstanding anything in this article 13 to the contrary, Shareholder approval (by Ordinary or Special Resolution of the Shareholders, as the case may be) for the Board to issue Securities to any Person will only be required under this article 13 to the extent required under the Companies Act or Listings Requirements.

13.6 At all times whilst any of the Company's Securities are listed on the JSE or any other securities exchange, the Company shall not issue any Shares in terms of sections 40(5) to 40(7).

13.7 Should there be any issued preference shares in the share capital of the Company, the issue of further shares ranking in priority to, or *pari passu* with, those preference shares, shall be deemed to be a variation of the rights attached to those preference shares, which will adversely affect those rights and no further shares of any class ranking in priority to, or *pari passu* with, existing preference shares, shall be created without a Special Resolution passed at a separate general meeting of the holders of such existing preference shares.

35. **AUTHORITY OF THE BOARD OF DIRECTORS**

35.1 The business and affairs of the Company shall be managed by or under the direction of the Board, which shall have the authority to exercise all of the powers and perform all of the functions of the Company, except to the extent that the Companies Act or this MOI provides otherwise.

35.2 The Board may delegate to any one or more Persons any of its powers, authority and functions (including the power to sub-delegate).

35.3 If none of the Securities of the Company are no longer listed on the JSE or any other securities exchange and the Company has been converted to a private company and has only one Director:

35.3.1 that Director may exercise any power or perform any function of the Board at any time, without notice or compliance with any other internal formalities;

35.3.2 sections 71 (3) to (7) shall not apply to the governance of the Company; and

35.3.3 the provisions of articles 40 and 41 shall not apply to the governance of the Company.

43. **PAYMENTS TO DIRECTORS**

43.1 The Company may pay remuneration to its Directors for their services as such and, without detracting from the foregoing, may pay any additional remuneration as referred to in article 43.3; provided that such remuneration must have been approved by a Special Resolution passed by the Shareholders within the two previous years and the authority of the Board in this regard is not restricted or limited by this MOI.

43.2 Each Director shall be paid all travelling, subsistence and other expenses properly incurred by him/her in the execution of his/her duties as a Director (including attending meetings of the Board or of the Board committees); provided that such expenses shall first have been authorised or subsequently ratified by a disinterested quorum of the Board of the Directors.

43.3 Any Director who is required to:

43.3.1 devote special attention to the business of the Company; or

43.3.2 travel or reside outside South Africa for the purpose of the Company; or

43.3.3 otherwise perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may be paid such extra remuneration or allowances (either in addition to or in substitution for any other remuneration to which they may be entitled as a Director), as a disinterested quorum of the Board may from time to time determine.

43.4 For the avoidance of doubt it is recorded that this article 43 does not apply to remuneration or reimbursement for expenses paid to executive Directors for or in connection with their services as employees of the Company which is governed by article 42.1.

48. **FINANCIAL ASSISTANCE**

The Board's powers to provide direct or indirect financial assistance as contemplated in section 44(2) and/or section 45(2), or otherwise, are not limited in any manner.

49. DISTRIBUTIONS

- 49.1 Subject to the provisions of the Companies Act and this MOI, the Board may declare any Distribution.
- 49.2 In respect of Distributions to Shareholders holding Shares listed on the JSE, payments to such Shareholders must be provided for in accordance with the Listings Requirements to the extent applicable and must not provide that capital shall be repaid on the basis that it may be called up again.
- 49.3 **Distributions to Shareholders**
- 49.3.1 This article 49.3 shall apply to Distributions (including dividends) made to holders on a class of Shares as envisaged in paragraph (a) of the definition of 'distributions' in the Companies Act, and references in this article 49.3 to "**Distributions**" shall be read accordingly.
- 49.3.2 Subject to the further provisions of this MOI and save as otherwise authorised by law or the regulations of a securities exchange on which the relevant shares are listed, distributions to holders of a class of Shares shall be declared in proportion to the number of shares of the relevant class held by such Shareholders.
- 49.3.3 Distributions (including a dividend) may be paid out of any lawful source (including from capital, reserves, realised or unrealised profits).
- 49.3.4 Distributions shall be declared payable to the relevant Shareholders registered as such on the Record Date with respect to such Distribution, determined in terms of article 28, provided that such Record Date in the case of the payment of any Distribution shall be a date subsequent to the date of sanctioning of the Distribution or declaring the Distribution by the Board, whichever is the later.
- 49.3.5 Distributions payable in cash shall be declared in the currency of South Africa. The Board may, in its discretion and on such terms and conditions as it may determine, authorise the payment of any Distribution to a non-resident Shareholder in any foreign currency requested by the non-resident shareholder, at the cost, expense and risk of the non-resident Shareholder in question.
- 49.3.6 In the case where several persons are registered as the joint holders of any shares, any one of such persons may give to the company effective receipts for all or any distributions and payments on account of distributions in respect of such Shares.
- 49.3.7 Subject to article 49.3.9, all cash Distributions, interest or other sums payable in cash to Shareholders shall be paid by electronic funds transfer or other electronic means, or as otherwise specified by the Board from time to time. Payment by any means into the bank account recorded in the Company's bank account register nominated by the Shareholder, or in the case of joint shareholders into the bank account nominated by the Shareholder whose name stands first in the Securities Register in respect of the Share, shall discharge the Company of any further liability in respect of the amount concerned.
- 49.3.8 Every payment of a Distribution, interest or other sums made by electronic funds transfer shall be made at the risk of the Shareholders or joint Shareholders. The Company shall not be responsible for the loss or misdirection of any electronic funds transfer.
- 49.3.9 In respect of Distributions to Shareholders holding Shares listed on the JSE or any securities exchange, payments to such Shareholders must be provided for in accordance with the Listings Requirements to the extent applicable and must not provide that capital shall be repaid on the basis that it may be called up again.
- 49.3.10 A Distribution may also be made and/or paid in any other way determined by the Directors and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.
- 49.3.11 No Distribution shall bear interest against the Company, except as otherwise provided under the conditions of the issue of the Shares in respect of which such Distribution is payable.
- 49.3.12 Distributions unclaimed for a period of not less than four years from the date on which such Distributions became payable by the Company may, at the discretion of the Board, be declared forfeit by the Board for the benefit of the Company. For the avoidance of doubt, all Distributions in the form of monies shall be held by the Company in trust for the benefit of the Shareholders, until lawfully claimed by the relevant Shareholders, but subject to the provisions of this article 49.3.12 and the laws of prescription from time to time, or until the Company is wound up.
- 49.3.13 Subject only to the provisions of any law to the contrary, Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.
- 49.3.14 The Directors may from time to time declare and pay to the Shareholders such interim Distributions as the Directors consider appropriate.
- 49.3.15 Without detracting from the ability of the Company to issue capitalisation shares, any Distribution may be effected and/or paid wholly or in part:
- 49.3.15.1 by the distribution of specific assets; or
- 49.3.15.2 by the issue of Shares, debentures or Securities of the Company or of any other company; or
- 49.3.15.3 in cash; or
- 49.3.15.4 in any other way which the Directors or Company in general meeting may at the time of declaring the Distribution determine, including granting to the Company's Shareholders a right of election between receiving any Distribution in cash or in the form of the distribution of specific assets.
- 49.3.16 Where any difficulty arises in regard to any Distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on Distribution.
- 49.3.17 The Directors may:

- 49.3.17.1 determine that cash payments shall be made to any Shareholder on the basis of the value so fixed in order to secure equality of Distribution; and
- 49.3.17.2 vest any such assets in trustees upon such trusts for the benefit of the persons entitled to the Distribution as the Directors deem expedient.

49.4 **Other Distributions**

Distributions made by the Company as envisaged in paragraphs (b) and/or (c) of the definition of 'distributions' in the Companies Act, and/or Distributions made to persons other than Shareholders, shall be effected in such manner and subject to such terms as the Directors or the Company in general meeting may at the time of declaring the Distribution determine.

50. **RESERVE FUND**

Subject to section 56:

- 50.1 the Directors may, before declaring or recommending any Distribution, set aside out of the amount available for Distribution such sum as they think proper as a reserve fund or as an addition thereto. The Directors may divide the reserve fund into such special funds as they think fit, with full power to employ the assets constitution such fund or funds in the business of the Company, or may invest the same upon such investments (other than Shares) as they may select, without being liable for any depreciation of or loss in consequence of such investments whether the same be usual or authorised investments for trust funds or not;
- 50.2 the reserve fund shall, at the discretion of the Directors be available for the equalisation of dividends or for making provision for exceptional losses, expenses or contingencies, or for the extension or development of the Company's business, or for writing down the value of any of the assets of the Company, or for repairing, improving and maintaining any buildings, plant, machinery or works connected with the business of the Company, or to cover the loss in wear and tear or other depreciation in value of any property of the Company, or for any other purpose to which the profits of the Company may be properly applied; and
- 50.3 the Directors may at any time divide among Security Holders by way of a bonus, or special distribution, any part of the reserve funds which they, in their discretion, may determine not to be required for the aforesaid purposes.

Extracts from the memorandum of incorporation of TOPL

5. **POWERS AND CAPACITY OF THE COMPANY**

The Company has the powers and capacity of an Individual and is not subject to any special conditions. Notwithstanding the omission from this MOI of any provision to that effect, the Company may do anything which the Companies Act empowers a company to do if so authorised by this MOI.

6. **AMENDMENTS TO THE MOI**

Subject to the provisions of the Companies Act, save for

- 6.1 correcting errors substantiated as such from objective evidence or which are self evident errors (including, but without limitation *eiusdem generis*, spelling, punctuation, reference, grammar or similar defects) in the MOI, which the Board is empowered to do; and
- 6.2 amendments of the MOI effected in compliance with a court order in the manner contemplated in section 16(1)(a), read with section 16(4) of the Companies Act,
- 6.3 all other amendments of the MOI, including but not limited to
 - 6.3.1 the creation of any class of Shares;
 - 6.3.2 the variation of any preferences, rights, limitation and other share terms attaching to any class of Shares;
 - 6.3.3 the conversion of one class of Shares into one or more other classes;
 - 6.3.4 the increase of the number of the Company's authorised Securities;
 - 6.3.5 the consolidation of the Company's Securities;
 - 6.3.6 the sub-division of the Company's Securities; and
 - 6.3.7 the change of the Company's name,

shall be effected in accordance with section 16(1)(c) of the Companies Act and must be approved by a Special Resolution passed by the Holders of the ordinary Shares.

8. **AUTHORISED SECURITIES AND ALLOTMENT AND ISSUE**

- 8.1 Until this MOI is amended in accordance with the requirements of the Companies Act to provide otherwise, the Company is authorised to issue the following number and classes of Shares (which includes Shares already issued at any time) –
 - 8.1.1 8 000 000 (eight million) ordinary Shares with a par value of R2.00 (two rand) each, which shall –
 - 8.1.1.1 have Voting Rights in respect of every matter that may be decided by voting (for which purposes, on a vote by poll, every Person entitled to vote who is Present at the Meeting shall have 1 (one) vote per issued ordinary Share); and
 - 8.1.1.2 rank after all other classes of Shares in the Company which do not rank *pari passu* with the ordinary Shares as regards Distributions, but save as aforesaid shall be entitled to receive the net assets of the Company upon its liquidation.

- 8.2 The Board shall not have the power to amend the authorisation (including increasing or decreasing the number) and classification of Shares (including determining rights and preferences) as contemplated in section 36(2)(b) or 36(3) of the Companies Act.
- 8.3 To the extent that the Company immediately before the Effective Date has authorised but unissued Shares in its capital of a class of which there are issued Shares, the unissued Shares of that class may during the permitted period in terms of the Companies Act read with its regulations, be issued at par or at a premium or at a discount.
- 8.4 All Securities of the same class shall rank *pari passu* in all respects. No rights, privileges or conditions for the time being attached to any class of Securities of the Company nor any interests of that class of Securities may (unless otherwise provided by the terms of issue of the Securities of that class) whether or not the Company is being wound up, be varied in any manner adverse to the Holders of that class of Securities, nor may any variations be made to the rights, privileges, conditions or interests of any class of Securities, such that the interests of another class of Securities are adversely affected,
- unless the consent in Writing of the Holders of not less than 75% (seventy five percent) of the issued Securities of that adversely affected class has been obtained, or a Special Resolution sanctioning the variation has been passed by the Holders of that adversely affected class of Securities with the support of more than 75% (seventy five percent) of the Voting Rights exercised on the Special Resolution at a separate meeting of the Holders of that class. The provisions of this MOI relating to Shareholders Meetings shall *mutatis mutandis* apply to any such separate meeting except that –
- 8.4.1 the necessary quorum shall be the Holders of that class present in person, or represented by proxy and holding at least 25% (twenty five percent) of the Voting Rights that are entitled to be exercised in respect of the resolution required to be passed for the variation of the relevant rights, privileges and/or conditions; and
- 8.4.2 if at any adjourned meeting of such Holders, the required quorum is not present, those Persons entitled to vote who are Present shall be a quorum.
- 8.5 Notwithstanding any implication in this MOI to the contrary, the Board may not authorise any financial assistance by the Company in connection with the subscription for or purchase of its Securities or those of a related or inter-related company without complying with section 44(3) of the Companies Act.

9. **AUTHORITY TO ISSUE SECURITIES**

- 9.1 The Board shall have the power to issue authorised Shares, other than as contemplated in clause 9.2, without the prior approval of the Shareholders but only within the classes and to the extent that those Shares have been authorised by or in terms of this MOI.
- 9.2 As regards the issue of-
- 9.2.1 Shares that require the approval of shareholders, as contemplated in sections 41 (1) and (3) of the Companies Act, the Directors shall not have the power to allot or issue same without the prior approval of a Special Resolution;
- 9.2.2 other Securities (including Shares, other than issues of Shares contemplated in clause 9.2.1), including options in respect thereof, the Directors shall not have the power to allot or issue same without the prior approval of an Ordinary Resolution; and
- 9.2.3 secured and unsecured debt instruments to which special privileges are to be granted as contemplated in section 43(3) of the Companies Act, the Directors shall not have the power to allot or issue same without the prior approval of an Ordinary Resolution adopted with the support of more than 65% (sixty five percent) of the Voting Rights exercised on the resolution.
- 9.3 Any approval of the sort contemplated in clause 9.2 may be in the form of a general authority to the Directors, whether conditional or unconditional, to allot or issue any such Securities contemplated in clauses 9.2.1 and 9.2.2 in their discretion, or in the form of a specific authority in respect of any particular allotment or issue of such Securities contemplated in clauses 9.2.1 and 9.2.2. Such authority shall endure for the period provided in the Ordinary or Special Resolution in question but may be revoked by Ordinary Resolution or Special Resolution, as the case may be, at any time.
- 9.4 The Board may issue capitalisation Shares or offer a cash payment in lieu of awarding a capitalisation Share in accordance with section 47 of the Companies Act.
- 9.5 The Board shall determine the terms of any trust agreement contemplated in section 40(5)(b) of the Companies Act in respect of the issue of Shares which will not be fully paid upon issue.

10. **PRE-EMPTION ON ISSUE OF EQUITY SHARES**

Save if

- 10.1 equity Shares are to be issued for the acquisition of any asset or for an Amalgamation or Merger;
- 10.2 Shares are to be issued or are issued as consideration for any assets, corporeal or incorporeal, or for services rendered;
- 10.3 the Holders by Ordinary Resolution approve the issue of equity Securities for any purpose other than as contemplated in clause 10.1 without the rights in this clause 10 applying;
- 10.4 a capitalisation issue of equity Securities is to be undertaken;
- 10.5 Shares are to be held under an employee share scheme;
- 10.6 equity Securities are to be issued in terms of option or conversion rights;
- 10.7 equity Securities are to be issued for a subscription price which is not a cash amount payable in full on subscription,
- each Holder holding equity Securities has a right, before any other Person who is not the Holder of an equity Security, to be offered and to subscribe for a percentage of the equity Securities to be issued equal to the Voting Power of that Holder's general Voting Rights immediately

before the offer was made. The pro rata offer to the equity Holders shall be Delivered in Writing, specifying the number of equity Securities offered, and specifying a time (which shall not be less than 14 (fourteen) days) by which the offer must be accepted and the requisite portion of the subscription price paid, failing which it shall be deemed to be rejected. After the expiration of the time within which an offer may be accepted, or on the receipt of an intimation from the Person to whom the offer is made that he/she/it declines to accept the equity Securities offered, the Directors may, subject to the foregoing provisions, issue such equity Securities in such manner as they think most beneficial to the Company. The Directors may in a like manner dispose of or deal with any such equity Securities which by reason of the ratio which such equity Securities bear to equity Securities held by such Holders entitled to such offer as aforesaid or by reason of any other difficulty in apportioning such equity Securities cannot, in the opinion of the Directors, be conveniently offered in the manner provided above.

13. TRANSFER OF SECURITIES

- 13.1 For the purposes of this clause 13, joint Holders should be treated as single Holders.
- 13.2 Unless otherwise agreed by all the Holders in Writing, a Holder wanting to transfer any Securities ("**Sale Securities**") held by it in the Company, shall first offer the Sale Securities and an equivalent percentage proportion of the disposing Holder's claim by way of loan account against the Company ("**Sale Claims**"), in Writing, to the other Holder, or where there is more than one Holder, the others of them ("**Offerees**"), pro rata to their holdings in the Company, in accordance with the provisions of clauses 13.3 to 13.5.
- 13.3 The offer shall
- 13.3.1 be open for acceptance for a period of 14 (fourteen) days following the date of receipt of the offer by the Offerees;
- 13.3.2 stipulate a cash price (which shall be expressed and payable in South African currency) at which the disposing Holder wishes to sell the Sale Securities to a bona fide third party, who shall be named in the offer and, to the extent to which the disposing Holder is aware thereof, identified with sufficient particularity, to enable the Offerees to establish, if applicable, who is/are the ultimate shareholders of such third party, on the basis that the purchase price shall be payable immediately, at Sandton, against delivery of the Sale Securities, in negotiable form and cession of the Sale Claims, to the Offerees;
- 13.3.3 not be subject to any other terms or conditions except that –
- 13.3.3.1 the whole and not a part only of the offer must be accepted;
- 13.3.3.2 the Offerees may be required to indemnify the disposing Holder against any claim made against the disposing Holder, by virtue of its liability as surety or guarantor, for any of the obligations of the Company.
- 13.4 If any one of the Offerees (the "**Declining Offeree**") does not accept the offer, the Offeree/s who has/have accepted the offer shall be entitled within 7 (seven) days after-
- 13.4.1 the Offerees have been notified of that fact; or
- 13.4.2 the expiry of the 14 (fourteen) day period referred to in clause 13.3.1, whichever is the later, to accept, in the proportions in which the offer is accepted by them, the offer in respect of the Declining Offeree's share of the Sale Securities and Sale Claims at the price and on the conditions set out in clauses 13.3.2 and 13.3.3, and the procedure prescribed by this clause 13.4 shall be repeated as often as is necessary (within 7 (seven) days referred to in clause 13.4), until the Offerees have declined the Declining Offeree's offer, or until the whole offer has been accepted in full.
- 13.5 Should the Offerees not accept the whole of the offer, then the disposing Holder shall be entitled, within 14 (fourteen) days after the expiry of the applicable period that the offer is open for acceptance, provided the ultimate shareholder/s of such third party has/have been established to the reasonable satisfaction of the Offerees, to sell and transfer all the Sale Securities and/or all the Sale Claims, as the case may be, (but not a part only) to the bona fide third party named in the offer, but at not less than the price at and on conditions which are not more favourable to the bona fide third party than those at which the Offeree/s was/were entitled to purchase the Sale Securities and/or the Sale Claims, as the case may be, in terms of clause 13.3, on condition that such third party shall first agree, in writing, to be bound by the provisions of any shareholders' or other agreement concluded by the Holder, regulating their relationship as Holders.
- 13.6 To the extent that the disposing Holder does not sell the Sale Securities and Sale Claims, in terms of clause 13.5, the provisions of clause 13.2 shall again apply, mutatis mutandis, to the Sale Securities and the Sale Claims.
- 13.7 The transfer of any Securities shall be implemented using the then common form of transfer, or such other form as the Directors shall from time to time determine.
- 13.8 Every instrument of transfer shall be left at the transfer office of the Company at which it is presented for registration, accompanied by the certificate of the Securities to be transferred and/or such other evidence as the Company may require to prove the title of the transferor or his/her/its rights to transfer the Securities.
- 13.9 All authorities to sign transfer deeds granted by Holders for the purpose of transferring Securities that may be lodged, produced or exhibited with or to the Company at any of its transfer offices shall as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon until such time as express notice in Writing of the revocation of the same shall have been given and lodged at the Company's transfer offices at which the authority was lodged, produced or exhibited. Even after the giving and lodging of such notice, the Company shall be entitled to give effect to any instruments signed under the authority to sign, and certified by any officer of the Company, as being in order before the giving and lodging of such notice.

23. FINANCIAL ASSISTANCE FOR DIRECTORS AND PRESCRIBED OFFICERS AND THEIR RELATED AND INTER-RELATED PARTIES OF THE DIRECTORS AND PRESCRIBED OFFICERS OF THE COMPANY

- 23.1 The Board's powers to provide direct or indirect financial assistance as contemplated in section 45(2) of the Companies Act are not limited in any manner.

- 23.2 If the Board adopts a resolution as contemplated in section 45(2) of the Companies Act regarding financial assistance to the Directors/ Prescribed Officers and others contemplated in that section, the Company shall Deliver to all Shareholders, notice in Writing of that resolution (and clause 32.3 shall not apply) unless every Shareholder is also a Director, and to any trade union representing its employees –
- 23.2.1 within 10 (ten) Business Days after the Board adopts the resolution, if the total value of all loans, debts, obligations or assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 1/10 (one tenth) of 1% (one percent) of the Company's net worth at the time of the resolution; or
- 23.2.2 within 30 (thirty) Business Days after the end of the financial year, in any other case.

30. DISTRIBUTIONS

- 30.1 The Company
- 30.1.1 may make Distributions from time to time, provided that
- 30.1.1.1 any such Distribution
- 30.1.1.1.1 is pursuant to an existing legal obligation of the Company, or a court order; or
- 30.1.1.1.2 has been authorised
- 30.1.1.1.2.1 by the Board, by resolution, and,
- 30.1.1.2 any such Distribution
- 30.1.1.2.1 is pursuant to an existing legal obligation of the Company, or a court order; or
- 30.1.1.2.2 has been authorised by the Board, by resolution;
- 30.1.1.3 it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution;
- 30.1.1.4 the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution;
- 30.1.2 must before incurring any debt or other obligation for the benefit of any Holders, comply with the requirements in clause 30.1.1, and must complete any such Distribution fully within 120 (one hundred and twenty) Business Days after the acknowledgement referred to in clause 30.1.1.4, failing which it must again comply with the foregoing.
- 30.2 No notice of change of address or instructions as to payment given after the determination of a dividend or other Distribution by the Company in terms of clause 30.1.1.1, shall become effective until after the dividend or other Distribution has been made, unless the Board so determines at the time the dividend or other Distribution is approved.
- 30.3 All unclaimed dividends or other Distributions as contemplated in this clause may be invested or otherwise be made use of by the Directors for the benefit of the Company until claimed, provided that any dividend or other Distribution remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the Directors for the benefit of the Company.
- 30.4 The Company shall be entitled at any time to delegate its obligations in respect of unclaimed dividends or other unclaimed Distributions, to any one of the Company's bankers from time to time.

Extracts and summaries of the memorandum of incorporation of SACO

3. Incorporation of the Company

3.1 Incorporation and Juristic Personality

- 3.1.1 The Company is a profit company in terms of section 8(2)(b) of the Companies Act and accordingly:
- 3.1.1.1 the transferability of the Securities of the Company as contemplated in section 8(2)(b)(ii)(bb) of the Companies Act is restricted as provided in this MOI; and
- 3.1.1.2 any offer to the public to subscribe for any Securities of the Company as contemplated in section 8(2)(b)(ii)(aa) of the Companies Act is prohibited.
- 3.1.2 The Company is constituted in terms of section 19(1)(c) of the Companies Act in accordance with and governed by:
- 3.1.2.1 the unalterable provisions of the Companies Act (subject to any higher standards, greater restrictions, longer periods of time or more onerous requirements set out in this MOI in accordance with section 15(2)(a)(iii) of the Companies Act);
- 3.1.2.2 the alterable provisions of the Companies Act (subject to any negation, restriction, limitation, qualification, extension or other alteration set out in this MOI in accordance with section 1 read with section 15(2)(a)(ii) of the Companies Act);
- 3.1.2.3 the provisions of this MOI (subject to and in accordance with section 15(2) of the Companies Act); and
- 3.1.2.4 the Rules, if any ; and
- 3.1.2.5 the relationship agreement concluded or to be concluded between the Company and its shareholders in terms of which the relationship between the Company and its shareholders and the shareholders *inter se*, is regulated ("**Relationship Agreement**").

4. **Powers of the Company and restrictive conditions**

- 4.1.1 The Company has all the legal powers and capacity of an individual, in terms of section 19(1)(b) of the Companies Act except to the extent that:
 - 4.1.1.1 a juristic person is incapable of exercising any such power, or having any such capacity; or
 - 4.1.1.2 this MOI expressly provides otherwise.
- 4.1.2 The Company is not subject to any restrictive conditions or prohibitions contemplated in section 15(2)(b) or (c) of the Companies Act. For avoidance of doubt this MOI does not contain any restrictive conditions applicable to the Company and any requirement for the amendment of any such condition in addition to the requirements set out in this MOI nor prohibit the amendment of any particular provision of the MOI.

5. **Variation, Alteration and Amendment of the MOI**

- 5.1.1 This MOI may not be varied, altered or amended unless:
 - 5.1.1.1 in compliance with a court order; or
 - 5.1.1.2 such amendment is adopted by at least 75% (seventy-five per cent) of the Shareholders of the issued Ordinary Share capital of the Company at the quorate meeting of the Shareholders in terms of clause
- 5.1.2 The variation, alteration or amendment of this MOI shall have no force and effect unless it is in writing.
- 5.1.3 Amendments to this MOI may be proposed by:
 - 5.1.3.1 the Board; or
 - 5.1.3.2 Shareholders entitled to exercise at 10% (ten per cent) of the voting rights in the Company;
- 5.1.4 The amendment of this MOI may be effected by:
 - 5.1.4.1 adopting a new MOI in substitution for the existing MOI; or
 - 5.1.4.1 effecting one or more alterations to the existing MOI by:
 - 5.1.4.2.1 changing the name of the Company;
 - 5.1.4.2.2 deleting, altering or replacing any of its provisions;
 - 5.1.4.2.3 inserting any new provisions into the MOI; or
 - 5.1.4.2.4 taking any combination of alterations contemplated in this clause 6.1.4.2.
- 5.1.5 This MOI as altered or amended prevails in any case of a conflict between it and a consolidated version of the MOI unless the consolidated version has subsequently been ratified by a Special Resolution at the general Shareholders meeting of the Company.

6. **Rules**

- 6.1 The Board may not, except with the prior approval of a Special Resolution, make, amend or repeal any rules for the Company, as contemplated in section 15(3) to (5) of the Companies Act.
- 6.2 Any rules made, amended or repealed by the Board in terms of section 15(3) of the Companies Act must be filed with the Companies and Intellectual Property Commission by the Board within five Business Days after they have been approved by Special Resolution.
- 6.3 The Board shall be responsible for preparing, or causing to be prepared, and submitting to Shareholders for approval in terms of clause 6.1, such rules as are required by this MOI to be prepared.
- 6.4 The Board must publish any rules made, amended or repealed in terms of section 15(3)(a) to (5A) of the Companies Act by delivering a copy of those rules to each Shareholder.

13. **Share Capital**

- 13.1 By the Listing Date, pursuant to (and assuming) the implementation of the Transaction Documents:
 - 13.1.1 the authorised share capital of the Company shall comprise:
 - 13.1.1.1 1 000 000 Ordinary Shares;
 - 13.1.1.2 1 000 C Preference Shares; and
 - 13.1.1.3 1 000 E Preference Shares.
 - 13.1.2.2 C Preference Shares: one C Preference Share, constituting 100% of the issued C Preference Shares, held by the Community Trust; and
 - 13.1.2.3 E Preference Shares: one E Preference Share, constituting 100% of the issued E Preference Shares, held by the Employee Trust.

14. Rights attaching to the Ordinary Shares

In addition to those in clause 16, the following preferences, rights, limitations and other terms are applicable to the Ordinary Shares in the Company:

- 14.1.1 all the Ordinary Shares of the Company shall rank *pari passu* in all respects, save as provided in this MOI;
- 14.1.2 all Ordinary Shares:
 - 14.1.2.1 have the right to be entered in the Share Register of the Company as the registered holder of an Ordinary Share;
 - 14.1.2.2 have the right to attend, participate in, speak at and vote on any matter to be considered at, any meeting of Shareholders;
 - 14.1.2.3 receive a portion of the total net assets of the Company remaining upon its liquidation;
 - 14.1.2.4 rank *pari passu* in respect of any dividend or other Distribution, in respect of the Ordinary Shares and receive any Distribution by the Company in proportion to the number of Ordinary Shares held by each Ordinary Shareholder, if and when declared on the Ordinary Shares, in accordance with and subject to the provisions of this MOI; and
 - 14.1.2.5 have any other rights attaching to the Ordinary Share in terms of the mandatory provisions of the Companies Act or any other law.
- 14.1.3 The creation and/or issue of Shares ranking *pari passu* or lower than an existing class of Shares, which new Shares do not in any way enjoy preference over the last-mentioned Shares, do not constitute an amendment of the preferences, rights, limitations and other terms associated with such last-mentioned class of Shares.

15. Rights attaching to the Preference Share

- 15.1 All holders of the E Preference Shares shall have the right to, *inter alia*, and in accordance with the terms of the E Preference Share ("**E Preference Share Terms**"):
 - 15.1.1 receive and be paid such dividend as the Board may from time to time declare in its sole and absolute discretion; provided that in respect of each Financial Year the maximum aggregate amount which may be so declared on the E Preference Shares shall (unless the company permits otherwise) not exceed the then-applicable guaranteed dividend of no less than R4 000 per beneficiary;
 - 15.1.2 in priority to holders of the Ordinary Shares and C Preference Shares, on the winding up of the Company, receive in full out of the residual property of the Company an amount equal to, R0.10 per E Preference Share ("**E Preference Share Redemption Amount**") on such E Preference Share. (For avoidance of doubt, the E Preference Share Redemption Amount this amount shall not include any dividend in respect of the E Preference Share which has been declared but is unpaid as at the date the E preference Shares are redeemed, and such amounts shall remain payable in accordance with the relevant declaration); and
 - 15.1.3 to vote in the limited circumstances specified in section 37(3)(a) of the Companies Act (and on which matters it shall have a single vote) but the holder of the E Preference Shares shall be entitled to receive all notices of general meetings and to attend all such general meetings
- 15.2 All the holders of the C Preference Shares shall have the right to, *inter alia*, and in accordance with the terms of the C Preference Share ("**C Preference Share Terms**"):
 - 15.2.1 receive and be paid such dividend as the Board may from time to time declare in its sole and absolute discretion; provided that in respect of each Financial Year the maximum aggregate amount which may be so declared on the C Preference Shares shall (unless the company permits otherwise) not exceed the CPP Entitlement;
 - 15.2.2 in priority of the holders of the Ordinary Shares but after the holders of the E Preference Shares, on winding up of the Company, receive in full out of the residual property of the Company an amount equal to R0.10 per C Preference Share ("**C Preference Share Redemption Amount**") on such C Preference Share. (For avoidance of doubt, the C Preference Share Redemption Amount shall not include any dividend in respect of the C Preference Share which has been declared but is unpaid as at the date the C preference Shares are redeemed, and such amounts shall remain payable in accordance with the relevant declaration); and
 - 15.2.3 vote in the limited circumstances specified in section 37(3)(a) of the Companies Act (and on which matters it shall have a single vote) but the holder of the C Preference Shares shall be entitled to receive all notices of general meetings and to attend all such general meetings.
- 15.3 The preferences, rights, limitations and other terms associated with a particular class of Shares of the Company may only be amended with the prior approval of a special resolution of shareholders.

16. **Rights on a winding-up of the Company**

- 16.1 On a winding-up of the Company, but not on a return of capital on any class of Shares of the Company otherwise than on a winding-up of the Company, the assets of the Company remaining after payment of all amounts payable to the creditors of the Company and prior ranking statutory entitlements shall be distributed:
- 16.1.1 subject to the provisions of the E Preference Share Terms and C Preference Share Terms respectively, first to the Preference Shareholders, in accordance with the E Preference Share Terms and C Preference Share Terms respectively; and
 - 16.1.1 second, to the Shareholders.
- 16.2 In a winding-up of the Company, subject to clause 16.1, any part of the assets of the Company, including any securities of other companies may, with the sanction of a special resolution, be paid to the Shareholders of the Company in specie, or may, with the same sanction, be vested in trustees for the benefit of such Shareholders, and the liquidation of the Company may be closed and the Company dissolved.

17. **Authority to alter Shares**

- 17.1 Without derogating from the rights of the holders of any class of Shares provided for in this MOI, the Shareholders (and not the Board in the manner contemplated in sections 36(3) and 36(2)(b) of the Companies Act or otherwise) shall have the sole authority to undertake the following actions (whether or not referred to in section 36(3) of the Companies Act), by a special resolution which amends this MOI, namely to:
- 17.1.1 increase or decrease the number of authorised but unissued Shares of any class;
 - 17.1.2 create any new class or classes of authorised but unissued Shares;
 - 17.1.3 reclassify all or any Shares that have been authorised but not issued;
 - 17.1.4 classify all or any unclassified Shares that have been authorised but are not issued;
 - 17.1.5 determine the preferences, rights, limitations and other terms of all or any Shares that have been authorised but not issued;
 - 17.1.6 vary the preferences, rights, limitations and other terms of any issued or unissued Shares;
 - 17.1.7 vary the preferences, rights, limitations and other terms attaching to any particular class of Shares;
 - 17.1.8 convert any class of Shares into one or more other classes of Shares;
 - 17.1.9 convert any Shares of par value to Shares of no par value;
 - 17.1.10 consolidate the Shares of the Company by reducing the number of its issued Shares; or
 - 17.1.11 subdivide the Shares of the Company by increasing the number of its issued Shares without an increase in its stated capital.
- 17.2 If the Shareholders act pursuant to the authority contemplated in clause 17.1, the Company must file a Notice of Amendment of this MOI in accordance with section 16(7) of the Companies Act.

17.3 **Financial Assistance for Directors and Prescribed Officers and their related and inter-related parties**

The Board's powers to provide direct or indirect financial assistance as contemplated in section 45(2) of the Companies Act are not limited in any manner. Notwithstanding any implication in the MOI to the contrary, the Board may not authorise any financial assistance by the Company as contemplated in section 45(2) of the Companies Act without complying with section 45(3) of the Companies Act.

17.4 **Financial Assistance for Directors and Prescribed Officers and their related and inter-related parties**

The Board's powers to provide direct or indirect financial assistance as contemplated in section 45(2) of the Companies Act are not limited in any manner. Notwithstanding any implication in the MOI to the contrary, the Board may not authorise any financial assistance by the Company as contemplated in section 45(2) of the Companies Act without complying with section 45(3) of the Companies Act.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) are all of the contracts that have been entered into by SACO or its subsidiaries (whether verbally or in writing): (i) within two years immediately preceding the date of this Document which are or may be material; or (ii) which may contain any provisions under which a member of the Group has an obligation or entitlement which is material to the Group.

1. DEMERGER AGREEMENT

On 7 April 2021, Anglo American and the Company entered into the Demerger Agreement to effect the Demerger and to govern the post-Demerger obligations of the Anglo American Group and the Group.

The Demerger is conditional on: (i) SACO having been transferred to the Company; (ii) the entire issued share capital of the Company having been transferred to Anglo American in order that Anglo American holds the Company directly at the Demerger Effective Time; (iii) the passing of the Demerger Resolution; (iv) the Scheme having been approved and become effective; (v) the JSE having acknowledged (and such acknowledgement not having been withdrawn) that the Shares will be admitted to trading on the main board of the JSE; (vi) the FCA having acknowledged (and such acknowledgement not having been withdrawn) that the application for admission of the Shares to listing on the standard segment of the UK Official List has been approved; and (vii) the LSE having acknowledged (and such acknowledgement not having been withdrawn) that the Shares will be admitted to trading on its main market. As a result, the Demerger will become effective, save for the Admission, immediately prior to the Admissions.

The Demerger Agreement will terminate if the conditions set out above have not been satisfied on or before 31 December 2021 (or such other date as Anglo American and the Company may agree).

Nothing in the Demerger Agreement restricts or restrains any party from carrying on, being engaged in, or being economically interested in, any business or undertaking of any nature.

2. TRANSITIONAL SERVICES AGREEMENT

TOPL and ACSSA (acting on behalf of the Group and the Anglo American Group respectively) entered into the Transitional Services Agreement with effect from 31 August 2020 under which ACSSA provides certain information technology, operational or other services to TOPL for the period between 31 August 2020 and the Admissions.

The charges for services provided under the Transitional Services Agreement are either fixed fees or are calculated by reference to the cost incurred in providing the service, market price or previously agreed charging mechanisms. Charges are calculated on a broadly similar basis to those currently paid for similar services.

3. GROUP TRANSITIONAL SERVICES AGREEMENT

On or about 19 March 2021, SACO, TOPL (entities in the Group) and ACSSA (an entity in the Anglo American Group) entered into the Group Transitional Services Agreement pursuant to which ACSSA (or other applicable companies in the Anglo American Group) will continue to provide certain information management functions, financial, technical and other services to the Group for variable periods of up to 24 months in order to assist the Group in continuing the abovementioned services following the Demerger.

Each service will endure for a specific term but will be terminable by SACO on three months' written notice to ACSSA. The services shall be provided at a standard which is at least as high as the standard to which the services were provided when all entities were in the Anglo American Group prior to 1 September 2020.

The service charges for services provided under the Group Transitional Services Agreement are fixed fees and are calculated on a broadly similar basis to those currently paid for by the Group for the same or similar services.

4. INDEMNITY AGREEMENT

On 18 March 2021, the Company, ACSSA, AASA (entities in the Anglo American Group) and SACO and TOPL (entities in the Group) entered into the Indemnity Agreement. The Indemnity Agreement provides that, subject to certain limitations and exclusions: (i) any actual or contingent liability that arises in an Anglo American Group company shall remain with that company unless such liability principally relates to a business which is within the agreed perimeter of the SA Thermal Coal Operations as carried on prior to the Admissions, in which case the relevant Anglo American Group company shall be indemnified by SACO or, in certain instances, the Company; and (ii) any actual or contingent liability that arises in a Group company shall remain with that company unless such liability principally relates to a business which is not within the agreed perimeter of the SA Thermal Coal Operations as carried on prior to the Admissions, in which case the relevant Group company shall be indemnified by AASA.

5. OFFTAKE AGREEMENT

On 6 March 2021, the Company, TOPL and AAML (an entity in the Anglo American Group) entered into the Offtake Agreement for a three-year term, with an additional six-month transitional period thereafter, commencing on the first day of the month in which the Admissions take place pursuant to which AAML will purchase export thermal coal from, and provide sales and marketing services to, the Group and the Group will sell and deliver its export thermal coal to AAML. The price to be paid by AAML for the export coal supplied by the Group will be determined in accordance with an agreed formula, linked to index prices, taking into consideration the quality of the export coal supplied (including branded products) less a market related marketing fee.

After two years from the commencement of the Offtake Agreement, the Group may decide to request proposals from bona fide third parties, for the offtake of export thermal coal and/or other marketing and sales arrangements with effect from the expiry of the three-year term.

In the event that ESG considerations make it, in AAML's opinion, undesirable for AAML to continue to perform its obligations under the Offtake Agreement, AAML is entitled to terminate this Agreement on three months' notice.

Anglo American has committed to provide and transfer the appropriate sales and marketing knowledge and skills to the Group's sales and marketing team for a transitional period of six months following the end of the term of the Offtake Agreement (nine months if terminated for ESG considerations).

6. CAPITAL SUPPORT AGREEMENT

On 6 March 2021, the Company and ASA (an entity in the Anglo American Group) entered into the Capital Support Agreement for a term commencing on the first day of the month in which the Admissions take place and terminating on 31 December 2022, save for payment obligations that accrue prior to the termination date.

The provision of capital support by ASA to the Company will be subject to various limitations on timing and maximum annual levels of support:

- the minimum implied Market Price that the Company receives for its export coal is set at R1,175 per tonne and adjusted in accordance with the quality of the product (in respect of calorific value and product specifications as contained in the Capital Support Agreement) (the "**Trigger Price(s)**"). Based on the Company's export product basket for the 2020 financial year, the blended discount (taking into account both product and calorific discounts) to the Trigger Price would have been approximately 24%, implying that the effective Trigger Price across the portfolio of products would have been approximately R894 per tonne;
- payments by ASA in terms of this arrangement will be subject to an annual maximum amount (the "**Annual Support Cap**") of: (i) R1,500 million from the beginning of the month of the Admissions Date until the end of FY21; and (ii) R2,500 million for FY22;
- payments will be determined by calculating the difference between:
 - the actual, year to date, proceeds received by the Company pursuant to the Offtake Agreement (the "**Actual Proceeds**"); and
 - the proceeds that would have been received by the Company had the Trigger Prices been applied to the actual year to date equity tonnes delivered by the Company to AAML (the "**Trigger Price Revenue**"),(the "**Calculation Formula**");
- the Calculation Formula will be applied, and the net payments between the Company and ASA settled, on a monthly basis;
- the Actual Proceeds and the Trigger Price Revenue (which are based on year to date amounts) will be updated on a monthly basis. In the event that the difference between the Actual Proceeds and the Trigger Price Revenue is reduced (due to an update of the year to date amounts in any month), the Company will reimburse ASA, provided that the net payment between ASA and the Group will not at any point: (i) be less than zero; or (ii) exceed the Annual Support Cap;
- save for limited instances, the capital support will disregard as 'equity tonnes' any third party export coal sold by the Group;
- production from any assets acquired after the Admissions Date will not qualify for top up payments under the Capital Support Agreement; and
- the Capital Support Agreement may be terminated in the event of a change in control of SACO.

7. INTRAGROUP SALE AGREEMENT

On 31 August 2020, SACO and TOPL (entities in the Group) and, ACSSA and AASA (entities in the Anglo American Group) entered into the Intragroup Sale Agreement for the sale by TOPL to ACSSA of certain categories of assets and liabilities that were not exclusively or predominantly related to TOPL's thermal coal business, such as Anglo American's corporate services division and technical services division.

SACO and AASA guarantee the obligations of TOPL and ACSSA, respectively, under the Intragroup Sale Agreement.

The Intragroup Sale Agreement contains wrong pocket provisions to provide for the transfer of property or assets in the event that, from 1 September 2020, any asset owned by the Anglo American Group and used exclusively or predominantly in connection with TOPL's thermal coal business or any asset erroneously transferred to the Anglo American Group, is transferred to TOPL. Likewise, if any asset which should have been transferred from TOPL to ACSSA was not transferred, the asset is to be transferred to ACSSA.

8. SACO SHARE PURCHASE AGREEMENT

On 5 March 2021, ASA and the Company entered into the SACO Share Purchase Agreement in terms of which ASA sold all of its Shares in and claims against SACO, for a purchase price based on the market value of those Shares, which purchase price shall be left outstanding on loan account to be settled under the Subscription Agreement (see below).

9. SUBSCRIPTION AGREEMENT

On 5 March 2021, ASA and the Company entered into the Subscription Agreement in terms of which the Company will issue Shares to ASA for a subscription price based on (i) the purchase price under the SACO Share Purchase Agreement (see above); (ii) an amount equal to the amount required to settle the Thermal Coal Loan; and (iii) the balance by way of a cash payment of R2,500 million.

10. RBCT AGREEMENTS

RBCT Shareholders Agreement

On 24 July 2013, TOPL and other shareholders entered into a shareholders agreement to establish a joint venture in the form of RBCT, regulate the relationship of the shareholders of RBCT, and deal with, among other things, the future expansion and development of the Richards Bay Coal Terminal and shareholder funding of such expansion.

The shareholders' contributions to RBCT and the expansion and development of the Richards Bay Coal Terminal are reflected in their respective shareholdings and corresponding interests in RBCT and determines the amount of coal they are entitled to export from the Richards Bay Coal Terminal. The shareholders are obliged to fund any capital expenditure incurred by RBCT from time to time in connection with the expansion and development of the Richards Bay Coal Terminal approved by the shareholders, pro rata in proportion to their respective shareholdings by way of shareholder loan facilities.

The Group indirectly holds ordinary shares constituting circa 23.22% in RBCT through its wholly owned subsidiary, Main Street 1756 (RF) Proprietary Limited ("**Main Street**").

Subject to certain exceptions set out in the shareholders agreement, all rights to new shares and the associated entitlements to the amount of coal that may be exported by a shareholder, which arise from any new development or expansion shall be allocated to the shareholders in proportion to their shareholding in RBCT.

RBCT holds key operating licences and a lease agreement dated 15 March 2004 in place with Transnet under which Transnet grants RBCT the use and occupation of land, buildings and infrastructure at the Richards Bay Coal Terminal for an initial term of 20 years, subject to three successive renewal options in favour of RBCT of five years each and terminates on 31 December 2038 (the "**Transnet Lease**"). The Transnet Lease and the operating licences are crucial to the ongoing operations of the Richards Bay Coal Terminal and any proposed future expansion or development of the Richards Bay Coal Terminal.

Leased RBCT Allocation

On 3 February 2020, TOPL and South African Coal Mining Holdings Limited ("**SACMH**") entered into an agreement for the lease of 500 kt of RBCT capacity for the period between 27 January 2020 and to 31 January 2021. As part of the leased entitlement, TOPL is assigned two 30,000 tonne stockpiles at RBCT.

If TOPL wish to use SACMH's designated stockpiling areas, TOPL can only stockpile RB1 specification coal for export.

First RBCT Entitlement Lease Agreement

On 27 November 2007, TOPL and AAIC entered into a RBCT entitlement lease agreement granting AAIC the right to use handling, storage and vessel loading services offered by the Richards Bay Coal Terminal for a period of 18 years from the date of the agreement (unless terminated by either party upon written notice). Under this arrangement, AAIC is entitled to 2 Mtpa of TOPL's RBCT Entitlement of 19.44 Mtpa ("**Leased Entitlement**"). If AAIC does not use 90% of the Leased Entitlement on a yearly basis, being the guaranteed tonnage, AAIC is required to pay TOPL as if it had used such guaranteed tonnage.

Second RBCT Entitlement Lease Agreement

On 2 April 2012, TOPL and AAIC entered into an additional RBCT entitlement agreement which expires on 31 December 2029. This agreement grants AAIC an additional leased entitlement of up to 3 Mtpa of coal from the Zibulo colliery, which has to be reserved two months before the beginning of any calendar year. If AAIC does not use all the reserved additional leased entitlement (being 3 Mtpa), AAIC is required to pay as if it had used the entire additional tonnage. The agreement will terminate on 31 December 2029 or unless terminated by either party on written notice.

Main Street MOI, Term Sheet and Option Agreement

On 6 March 2021, TOPL, and ACSSA concluded a term sheet which sets out an overarching framework for the anticipated implementation of a transaction in which the parties intend to partner with other shareholders in RBCT in evaluating the RBCT Repurposing. The term sheet shall remain in effect until the earlier of: (i) the execution of the last of the transaction agreements in respect of the proposed RBCT transaction; or (ii) the parties mutually agreeing to terminate the term sheet.

On 6 March 2021, Main Street, TOPL and AACSA entered into an option agreement (the "**Option Agreement**").

Pursuant to the Option Agreement, Main Street grants ACSSA the option to subscribe for one B ordinary share in the issued share capital of Main Street ("**B Share**"), which option may be exercised subject to RBCT approving the issue of such B Share. ACSSA is entitled to exercise the option at any time until the Business Day immediately preceding the day of the Demerger. Following the Demerger, ACSSA will not be able to exercise the option.

The Main Street MOI creates two classes of shares in Main Street, each having distinct rights, privileges and obligations, being the A ordinary shares ("**A Shares**") and the B Shares. The Group, through TOPL, holds ordinary Shares in Main Street. Upon the exercise of the option by ACSSA to subscribe for the B Share following RBCT approval, the Group's shares in Main Street will be reclassified as A Shares, and a B Share will be issued to ACSSA. The B Shares do not carry any voting rights; however, the Main Street MOI does require the prior written consent of ACSSA as the holder of the B Share in respect of certain corporate actions.

The subscription by ACSSA for the B Share will entitle ACSSA to participate in and facilitate the RBCT Repurposing on behalf of Main Street. ACSSA (as holder of the B Share) will bear the costs and expenses of Main Street associated with the RBCT Repurposing until a decision thereon has been taken by RBCT (including the costs of pre-feasibility and feasibility studies). The Main Street MOI sets out the manner in which TOPL and ACSSA will share in the repurposed capacity of the Richards Bay Coal Terminal and at no time will the sharing undermine TOPL's access to its required export capacity of approximately 16 Mtpa, save if TOPL decides to dispose of a portion of its RBCT Entitlement to a third-party.

TOPL, Main Street and Anglo American intend to enter into a cooperation agreement if the issue of the B Share is not approved.

Management Services Agreement

On 6 March 2021, Main Street, TOPL (a Group entity) and ACSSA (an Anglo American Group entity) entered into the Management Services Agreement, in terms of which TOPL makes its excess and unutilised capacity under its RBCT Entitlement and TFR Entitlement available to ACSSA and renders to ACSSA management services, oversight and facilitation in respect of TFR rail transportation of ACSSA's coal which is delivered to the Richards Bay Coal Terminal for export. For the services rendered pursuant to the Management Services Agreement, TOPL charges a management fee and is entitled to recover a proportionate share of the TFR rail tariff (based on actual tonnages shipped by ACSSA) and any additional charges levied by TFR, as well as the RBCT operating charges which includes a proportionate tonnage based share of all costs incurred by TOPL. The agreement will terminate on the completion of the relevant contract year (being 1 April to 31 March every year) in which the 42nd month after the first day of the month on which Admissions Date falls, save that ACSSA may elect to terminate the contract at an earlier date on written notice.

ACSSA will bear the costs related to the transportation of its coal by TFR and the use of the Richards Bay Coal Terminal on a pass through basis. In addition, ACSSA will take on all risk relating to taking or paying and minimum volume commitments in respect of its coal on the agreed terms.

If the Group's RBCT Entitlement in any relevant period is reduced in accordance with the "equal pain principle", ACSSA's allocated tonnage will be reduced proportionally. If Anglo American determines and directs any of its affiliates to cease participating in the thermal coal market, then ACSSA shall be entitled to terminate the Management Services Agreement on three months' prior written notice to TOPL.

TOPL has entered into agreements with third parties in respect of DMT Activities in terms of which TOPL purchases thermal coal from such third parties. All costs incurred in, and risk relating to, the DMT Activities are passed through the Management Services Agreement and form part of the consideration for the performance of the management services rendered to ACSSA by TOPL, until the expiry or termination of the DMT Activities.

11. **ISIBONELO COAL SUPPLY AGREEMENT**

On 2 July 2019, TOPL and Sasol Mining entered into an agreement for the supply of coal by the Isibonelo colliery to Sasol Synfuels, which expires on 30 June 2025 unless extended. TOPL, through the Isibonelo colliery, is required to deliver a minimum contracted tonnage of supply of thermal coal to Sasol Mining on the agreed terms.

12. **TRANSNET TRANSPORTATION AGREEMENT**

On 26 March 2016, Transnet and TOPL entered into a transportation agreement in terms of which Transnet transports coal from TOPL's loading sites as described in "Part VIII—Business Overview—The Group's Mining Operations" to the Richards Bay Coal Terminal where the coal is then offloaded by RBCT at the Richards Bay Coal Terminal. The agreement will terminate on 21 March 2024, unless terminated earlier.

The contract operates on a "take or pay" basis, except where the transport services offered by Transnet exceed the contracted tonnage. If the volume of coal railed on behalf of TOPL is less than 95% of the contracted tonnage in a contract year, TOPL is liable to pay Transnet an unutilised capacity charge according to a formula.

13. **FARM-OUT AGREEMENT**

On 3 March 2020, TOPL and UCD entered into the Farm-Out Agreement in terms of which UCD is appointed as an independent contractor to conduct and fund the prospecting operations over the Dalyshope Project on behalf of TOPL, which includes, amongst other things, compiling and submitting applications for mining rights, integrated water use licences and conducting stakeholder engagements. UCD has a right to earn a 15% participating interest in the Dalyshope Project if UCD completes the following four earn-in conditions: (i) submission of the mining right application by 20 March 2020; (ii) execution of formal agreements prior to 30 April 2020; (iii) granting and execution of the mining right by 20 March 2024; and (iv) approval of the section 11 application by 20 March 2024. UCD has only completed conditions (i) and (ii). Consequently, the Group retains its 100% interest in the Dalyshope Project. The agreement endures for an unspecified period and shall only terminate on the earlier of (i) the agreement terminating or lapsing in accordance with its terms, (ii) TOPL and/or UCD deciding to exit Dalyshope Project, and (iii) the memorandum of incorporation and shareholders agreement of the special purpose vehicle company to be incorporated by TOPL being executed and becoming effective.

14. **AGREEMENTS IN RELATION TO THE PARTNERSHIP PLANS**

Various agreements were entered into between SACO, the EPP and the CPP to prepare for the implementation of the Partnership Plans prior to the Demerger. These include:

- subscription agreements, in terms of which the EPP and the CPP each subscribe for preference shares in SACO at a nominal value so as to enable the EPP to receive the Guaranteed Dividend and the CPP to receive the Priority Dividend ("**SACO Preference Shares**");
- sale agreements, in terms of which the Company transfers to each of the EPP and the CPP ordinary shares in SACO equivalent to 5% of the issued share capital of SACO ("**SACO Shares**");
- contribution agreements, in terms of which, SACO on behalf of the various EPP Employer Companies contributes an aggregate cash contribution to the EPP equivalent to the sale price for the SACO Shares to be acquired by the EPP, and SACO contributes a cash contribution to the CPP equivalent to the sale price for the SACO Shares to be acquired by the CPP; and
- a relationship agreement, which governs how the relationship between SACO, the Company, the EPP and the CPP is regulated and, in particular, how the ongoing partnership aspects of the relationship will work and what the obligations on SACO are to provide the Guaranteed Dividend and Priority Dividend to each of the EPP and the CPP, respectively. Under the relationship agreement, the Company has the right, in various circumstances, to swap the SACO Shares held by the EPP and/or the CPP for shares in the Company, or to settle the CPP and/or EPP in cash for their shares in SACO, and pre-emption rights in respect of the shares in SACO held by the EPP and CPP.

KING CODE REGISTER

Preamble

The Board recognises the link between effective governance, sustainable performance and the creation of long-term value for all of its stakeholders. The Board is committed to the principles of transparency, integrity, fairness and accountability, and recognises the need to implement good corporate governance principles. The Board, therefore, seeks to apply the principles as set out in the King Code.

The Company has performed an assessment of the application of the principles set out in the King Code. The assessment is reflected below together with key actions envisaged to achieve application, where gaps exist.

	Principle	Applied	Comments
1	The governing body should lead ethically and effectively.	Applied	The Directors, overseen by the Chairperson, hold each other accountable for decision-making and ethical behaviour.
2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Applied	The Board is responsible for the monitoring and governance of the ethics of the Company, which is detailed in its terms of reference.
3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Applied	The Board, assisted by the Social and Ethics Committee, ensures that the Company is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company, but also the impact that business operations have on the environment and the society within which it operates.
4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Applied	The Company's ability to create value in a sustainable manner is illustrated throughout its business model. The Audit Committee assists the Board with the governance of risk and continuously monitors risks and ensures the implementation of controls.
5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	Applied	The Company's annual report will contain an assessment of its performance, measured against its objectives.
6	The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	Applied	The Board is the focal point and custodian of corporate governance. Its role and responsibilities and the manner in which it executes its duties and decision making are documented and are set out in the Board Charter. Further aspects of governance are addressed with greater impetus through the established Board sub-committees, for example, the Audit Committee and the Remuneration and Nominations Committee.
7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Applied	On at least an annual basis, the Board and its sub-committees consider their composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables them to effectively discharge their roles and responsibilities as per the Inclusion and Diversity Policy. The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its roles and responsibilities. Through the annual self-assessment of the Board and its sub-committees, the knowledge and skills set will be evaluated and improved where required. Furthermore, where necessary, subject matter experts are available for matters requiring specialised guidance.

Principle	Applied	Comments
8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.	Applied	<p>The Board and its sub-committees comply with the requirements of the King IV Principles. There is a clear balance of power to ensure that no individuals have undue decision-making powers.</p> <p>The Audit Committee is satisfied that the auditor is independent and non-audit services are not performed and the audit firm has been appointed with the designated audit partner having oversight of the audit.</p> <p>The Audit Committee oversees the finance function.</p> <p>Other delegations by the Board are made as per the Delegation Framework.</p>
9 The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Applied	<p>The Board and all sub-committees' charters include the onus of annual assessments. Assessments of the performance by the Board, its sub-committees and the Company Secretary will be conducted annually by way of an internal evaluation process.</p>
10 The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	Applied	<p>The Board is satisfied that the Company is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The Delegation of Authority Framework for decision-making is reviewed from time to time to ensure its effectiveness.</p>
11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Applied	<p>The Audit Committee assists the Board with the governance of risk. The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the business. Accordingly, risks are identified and managed within acceptable parameters.</p> <p>The Audit Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing operating environment. Mitigating controls are in place to address these risks which are monitored on a continuous basis.</p>
12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Applied	<p>The Board, together with the Company's IT executive, oversees the governance of IT. The Board is aware of the importance of technology and information in relation to the Company's strategy.</p>
13 The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Applied	<p>The Board, together with the Social and Ethics Committee is assisted by the company secretary to monitor compliance with the various regulations applicable to the Company in such a manner as to ensure that the Company is run in an ethical manner befitting of a good corporate citizen.</p>
14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.	Applied	<p>The Board, assisted by the Remuneration and Nominations Committee, ensures that staff are remunerated fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner. This responsibility is contained in the Remuneration and Nominations Committee's charter.</p>

Principle	Applied	Comments
15 The governing body should ensure that assurance services and functions enable an effectively controlled environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Applied	The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision-making. This responsibility is contained in the Board Charter and the Audit Committee charter.
16 In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Applied	Various stakeholder groups have been identified and the Board balances their legitimate and reasonable needs, interests and expectations.
17 The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.	Applied	The Board ensures that responsible investment is practised by the Company to promote good governance and the creation of value by the companies in which it invests.

DEFINITIONS, GLOSSARY AND INTERPRETATION

"2004 Mining Charter"	the mining charter published in the South African Government Gazette on 13 August 2004;
"2010 Mining Charter"	the mining charter published in the South African Government Gazette on 20 September 2010;
"2015 Financial Provisioning Regulations"	the Regulations pertaining to the Financial Provisions for Prospecting, Exploration, Mining or Production Operations, 2015, in terms of NEMA, published in the South African Government Gazette GNR 1147 of 20 November 2015;
"2018 Mining Charter"	the mining charter published in the South African Government Gazette on 27 September 2018;
"2019 Financial Provisioning Regulations"	the Proposed Regulations Pertaining to Financial Provisions for the Rehabilitation and Remediation of Environmental Damage caused by Reconnaissance, Prospecting, Exploration, Mining or Production Operations, 17 May 2019;
"2020 Budget Speech"	the South African budget speech delivered by the Finance Minister on 26 February 2020;
"2021 Budget Speech"	the South African budget speech delivered by the Finance Minister on 24 February 2021;
"AAIC"	Anglo American Inyosi Coal Proprietary Limited, a private company with registration number 2005/016701/07, incorporated in accordance with the laws of South Africa;
"AA International"	Anglo American International Limited, a private limited liability company with UK establishment number BR019379, incorporated in accordance with the laws of Mauritius and redomiciled to the UK on 13 January 2017;
"AAML"	Anglo American Marketing Limited, a private limited liability company with registration number 00405724, incorporated in accordance with the laws of England and Wales;
"AAPL"	Anglo American Platinum Proprietary Limited, a public company with registration number 1946/022452/06 incorporated in accordance with the laws of South Africa;
"AASA"	Anglo American South Africa Proprietary Limited, a private company with registration number 1917/005309/07, incorporated in accordance with the laws of South Africa;
"AASAF"	Anglo American SA Finance Limited, a private company with registration number 2003/015144/06, incorporated in accordance with the laws of South Africa;
"ACSSA"	Anglo Corporate Services South Africa Proprietary Limited, a private company with registration number 2020/016658/07, incorporated in accordance with the laws of South Africa;
"Actual Proceeds"	the actual, year to date, proceeds received by the Company pursuant to the Offtake Agreement;
"Additional Thermal Coal Loan"	the increase in the Original Thermal Coal Loan assumed to be R272 million for purposes of the <i>Pro Forma</i> Financial Information;
"Ad Hoc Parliamentary Committee"	the parliamentary committee established to consider potential amendments to section 25 of the Constitution;
"Adjusted EBITDA"	Profit/(loss) before net finance income/(costs), tax, impairment losses, restructuring costs and termination benefits, depreciation and amortisation;
"Adjusted EBITDA margin"	Adjusted EBITDA divided by revenue during the reporting period;
"Adjusted operating free cash flow"	Net cash flows from operating activities less sustaining capital expenditure;
"Admissions Date"	the date of the Admissions, which is expected to be Monday, 7 June 2021;
"Admissions"	the admission of all of the issued and to be issued Shares: (i) to the main board of the JSE as a primary listing, in accordance with the JSE Listings Requirements; (ii) to the standard listing segment of the UK Official List; and (iii) to trading on the LSE's main market for listed securities;
"Advisers"	collectively, the Financial Advisers, the Legal Advisers and the JSE Sponsor;
"Anglo American"	Anglo American plc, a public company with registration number 3564138, incorporated in accordance with the laws of England and Wales;
"Anglo American BSP"	the Anglo American deferred bonus plans;

"Anglo American General Meeting"	the general meeting of Anglo American to be held at 17:00 (London time) (or, if later, immediately following the conclusion or adjournment of the Anglo American annual general meeting scheduled for the same day) on Wednesday, 5 May 2021 at 20 Carlton House Terrace, London, SW1Y 5AN (or any adjournment thereof) notice of which is set out in the Scheme Circular;
"Anglo American Group"	Anglo American and its subsidiaries and subsidiary undertakings from time to time;
"Anglo American LTIP"	the Anglo American long-term incentive plans;
"Anglo American Register"	the Anglo American UK Register or the Anglo American SA Register or both of them, as applicable;
"Anglo American SA Register"	the South African branch of Anglo American's share register maintained in South Africa;
"Anglo American Shareholders"	the shareholders of Anglo American from time to time;
"Anglo American Share Plans"	the Anglo American BSP, Anglo American LTIP and all other Anglo American all employee share plans;
"Anglo American Shares"	the ordinary shares in the capital of Anglo American listed on the LSE and JSE;
"Anglo American UK Register"	Anglo American's principal register of members maintained in the UK;
"Annual Support Cap"	the maximum amount to be paid by ASA to the Company in a particular Financial Year pursuant to the Capital Support Agreement;
"ASA"	Anglo South Africa Proprietary Limited, a private company with registration number 1998/000877/07, incorporated in accordance with the laws of South Africa;
"A Shares"	the A ordinary shares in the share capital of Main Street;
"Audit Committee"	the audit committee of the Company;
"Auditor"	PricewaterhouseCoopers Inc.;
"Award Date"	the date on which Awards are made under the Share Plan;
"Awards"	the awards available under the Company's Share Plan, as described in "Annexe 10—Company Share Plan";
"B-BBEE Act"	the South African Broad-Based Black Economic Empowerment Act No. 53 of 2003 (as amended from time to time);
"BCEA"	the South African Basic Conditions of Employment Act No. 75 of 1997 (as amended from time to time);
"BCEA Amendment Act"	the South African Basic Conditions of Employment Amendment Act No. 7 of 2018 (as amended from time to time);
"BEE" or "B-BBEE"	broad-based black economic empowerment, as defined in the B-BBEE Act;
"Board"	the board of directors of the Company;
"Board Charter"	the Company's board charter, which sets out the role, powers, responsibilities and composition of the Board;
"Broker"	any person registered as a "broking member equities" in terms of the rules of the JSE in accordance with the provisions of the FMA;
"B Shares"	the B ordinary shares in the share capital of Main Street;
"Business Day"	a day which is not a Saturday, Sunday, or a public holiday in South Africa;
"Business Hours"	the hours during the day in which business in South Africa is commonly conducted (08:00 to 17:00 SA time);
"Butsanani Energy"	Butsanani Energy Investment Holdings Proprietary Limited, a private company with registration number 2012/043476/07, incorporated in accordance with the laws of South Africa;
"Butsanani Energy MOI"	the memorandum of incorporation of Butsanani Energy (as amended from time to time);
"Calculation Formula"	the difference between the Actual Proceeds and Trigger Price Revenue;
"Capital Support Agreement"	the agreement concluded between ASA and the Company on 6 March 2021, regulating the terms and conditions upon which ASA, among others, will support the thermal coal sales of the Group which is set out in "Annexe 15—Material Contracts";

“Carbon Offset Regulations”	the Draft Regulations on the Carbon Offset made in terms of clause 19(c) of the Draft Carbon Tax Bill;
“Carbon Tax Act”	the South African Carbon Tax Act No. 15 of 2019 (as amended from time to time);
“Cash Consideration”	the subscription price of R2,500 million to be paid by Anglo American to the Company pursuant to the Subscription Agreement;
“Cash Dividends”	dividends paid in cash from the Company’s distributable profits;
“CEO”	the chief executive officer of the Company from time to time, being July Ndlovu as at the date of this Document;
“Certificated” or “in Certificated Form”	(i) in respect of Anglo American Shareholders, recorded in physical paper form on the Anglo American Register without reference to the Strate System or CREST; or (ii) in respect of Shareholders, recorded in physical paper form on the Register without reference to the Strate System or CREST;
“CFO”	the chief financial officer of the Company from time to time, being Deon Smith as at the date of this Document;
“CGT”	tax on capital gains as levied in accordance with the SA Income Tax Act (as amended from time to time);
“CGU”	cash generating units;
“Chairperson”	the chairperson of the Board from time to time, being Sango Ntshaluba as at the date of this Document;
“CIPC”	the South African Companies and Intellectual Property Commission;
“Close Corporations Act”	the South African Close Corporations Act No. 69 of 1973 (as amended from time to time);
“CMA”	the Common Monetary Area consisting of South Africa, Namibia, the Kingdom of Lesotho and the Kingdom eSwatini;
“COIDA”	the South African Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 (as amended from time to time);
“Combined Carve-out Historical Financial Information of the SA Thermal Coal Operations” and “Combined Carve-out Historical Financial Information”	the historical financial information of the SA Thermal Coal Operations for FY20, FY19 and FY18 as reported in Annexe 2C and prepared in accordance with the basis of preparation set out in Parts 1 and 2 of Annexe 2B for the purposes of the JSE Listings Requirements and Parts 1 and 3 of Annexe 2B for the purposes of the UK Prospectus Regulation Rules;
“Companies Act”	the South African Companies Act No. 71 of 2008, together with the Companies Regulations of 2011 (as amended from time to time);
“Companies Regulations”	the South African Companies Regulations of 2011;
“Company”	Thungela Resources Limited, a public company with registration number 2021/303811/06, incorporated in accordance with the laws of South Africa;
“Company DIs”	a depositary interest held in CREST representing an entitlement to one underlying Share;
“Company MOI”	the Company’s memorandum of incorporation, relevant extracts of which are set out in “Annexe 14 – Extracts of the Company’s MOI and the memoranda of incorporation of the Major Subsidiaries”;
“Company’s Authorised Dealer”	the authorised dealer of the Company for purposes of the Exchange Control Rules;
“Company Secretary”	the company secretary of the Company;
“Competition Act”	the South African Competition Act No. 89 of 1998 (as amended from time to time);
“Computershare Nominee”	Computershare Proprietary Limited, a private company, with registration number 2000/006082/07, incorporated in accordance with the laws of South Africa;
“Conditional Shares”	Shares awarded to Participants under the Share Plan which are subject to certain Performance Conditions and Employment Conditions;
“Constitution”	the Constitution of the Republic of South Africa, 1996;
“Court Meeting”	the meeting of Anglo American Shareholders convened pursuant to an order of the UK High Court under section 896 of the UK Companies Act to consider and, if thought fit, approve the Scheme, including any adjournment thereof;

"COVID-19"	the coronavirus disease 2019, an illness caused by a novel coronavirus called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; formerly called 2019-nCoV) which was declared a global pandemic by the World Health Organisation (WHO) on 11 March 2020;
"CPI"	consumer price index;
"CPP"	the Community Partnership Plan;
"CPR" or "Competent Person's Report"	<p>a report prepared by SRK or Ukwazi (as indicated below) in compliance with Chapter 12 of the JSE Listings Requirements, following the form and content of a mineral asset valuation report as specified by the SAMVAL Code in respect of:</p> <ul style="list-style-type: none"> • Goedehoop colliery, report number 566657 dated 25 March 2021 prepared by SRK; • Greenside colliery, report number 566644 dated 25 March 2021 prepared by SRK; • Isibonelo colliery, report number 566627 dated 25 March 2021 prepared by SRK; • Khwezela colliery, report number 555864 dated 25 March 2021 prepared by SRK; • Zibulo colliery, report number 566660 dated 25 March 2021 prepared by SRK; • Mafube colliery, report number 555834 dated 25 March 2021; • Dalyshope Project, report number 555910 dated 25 March 2021 prepared by SRK; and • Elders Project, report number 0082 dated 15 February 2021 prepared by Ukwazi (together, the "Competent Persons' Reports");
"CREST"	the system for the paperless settlement of trades in securities and the holding of Uncertificated Shares operated by Euroclear UK & Ireland Limited in accordance with the CREST Regulations;
"CSDP"	a Central Securities Depository Participant, as defined in the FMA, appointed by a Shareholder for purposes of, and with regard to, dematerialisation of shares evidenced by physical documents of title into the Strate System;
"Deferred Bonus Shares"	bonus Shares issued to make up a portion of a Participant's deferred bonuses;
"DEFF"	the South African Department of Environment, Forestry and Fisheries;
"Delegation of Authority Framework"	a written delegation of authority to be established by the Board which sets out a framework for the delegation of authority to management;
"Dematerialised"	the process by which shares in Certificated Form are deposited with a CSDP and documents of title evidencing such shares are replaced by an electronic record of such shares in the Strate Nominee Register;
"Demerger"	the proposed demerger of the SA Thermal Coal Operations from Anglo American by way of the Scheme and the listing of the Company by way of primary listing on the JSE and standard listing on the main market of the LSE;
"Demerger Agreement"	the agreement recording certain terms upon which the Demerger is to be effected and upon which relations between the Company and Anglo American and their respective subsidiaries shall be governed subject to, and following, Admission, a summary of the principal terms of which is set out in <i>"Annexe 15—Material Contracts"</i> ;
"Demerger Effective Time"	the time at which the Demerger becomes effective, expected to be at 21:00 (SA time) on Friday, 4 June 2021;
"Demerger Record Time"	19:30 (SA time) on the second Friday after the date of the Scheme Court Hearing, which is expected to be Friday, 4 June 2021;
"Demerger Resolution"	the resolution of Anglo American as set out in the Notice of General Meeting and which requires votes in favour representing 75% or more of the votes cast at the Anglo American General Meeting in order to be passed by Anglo American Shareholders;
"Depositary Agreement"	the depositary agreement, concluded between the Company and the UK Depositary, which provides the terms on which the Company appoints the UK Depositary to constitute and issue from time to time, upon the terms of the Depositary Deed Poll, Company DIs representing Shares, as described in <i>"Part XVIII—Trading and Dealing in Shares—The Company DIs—Summary of the principal terms of the Depositary Agreement"</i> ;
"Depositary Deed Poll"	the deed poll, made by the UK Depositary, constituting the Company DIs, as described in <i>"Part XVIII—Trading and Dealing in Shares—The Company DIs—Summary of the principal terms of the Depositary Deed Poll"</i> ;

"Directors"	the directors of the Company, whose names are set out in <i>"Part X—Management and Corporate Governance—Directors"</i> ;
"DMRE"	the Department of Mineral Resources and Energy;
"Document"	this combined prospectus and pre-listing statement consisting of all documents contained in this bound document, including the annexes hereto dated 8 April 2021, prepared in accordance with the JSE Listings Requirements, the UK Listing Rules and the UK Prospectus Regulation Rules;
"Draft 18th Amendment"	the Draft Constitution Eighteenth Amendment Bill, 2019;
"EB"	the equity book of AAML;
"EBIT"	earnings before interest and tax;
"EEA"	the South African Employment Equity Amendment Act No. 47 of 2013 (as amended from time to time);
"Employment Condition"	the conditions of employment to be satisfied in order for Participants under the Share Plan to receive Awards;
"Environmental Guarantees Agreement"	the facility agreement and insurance policy proposed by Lombard Insurance Company Limited and Centriq Insurance Company Limited, respectively, to SACO in terms of which they will issue third party guarantees to be lodged with the DMRE in satisfaction of the Group's financial provisioning obligations under applicable law;
"Employment Period"	a specified period of employment over which the Employment Conditions must be met;
"Environmental Minister"	the Minister of Environment, Forestry and Fisheries, being Barbara Creecy as at the Last Practicable Date;
"Epoch"	Epoch Investment Holdings (RF) Proprietary Limited, a private, ring-fenced company with registration number 2005/022888/07, incorporated in accordance with the laws of South Africa, one of the entities forming part of the Tenon Structure as explained in <i>"Part XI—Incorporation and Share Capital"</i> ;
"Epoch Two"	Epoch Two Investment Holdings (RF) Proprietary Limited, a private, ring-fenced company with registration number 2007/016509/07, incorporated in accordance with the laws of South Africa, one of the entities forming part of the Tenon Structure as explained in <i>"Part XI—Incorporation and Share Capital"</i> ;
"EPP"	the Employee Partnership Plan;
"EPP Eligible Employees"	the employees of EPP Employer Companies that are eligible to participate in the EPP;
"EPP Employer Companies"	companies of the Group employing EPP Eligible Employees;
"Escrow Agent"	the escrow agent appointed to hold Forfeitable Shares on behalf of Participants in the Share Plan;
"Eskom"	Eskom Holdings SOC Limited, a State-owned company, with registration number 2002/015527, incorporated in accordance with the laws of South Africa;
"Euroclear"	Euroclear UK & Ireland Limited, incorporated and registered in England and Wales with registered number 2878738 and its registered office address at 33 Cannon Street, London, EC4M 5SB, United Kingdom;
"Excess Share Transfer"	the transfer by the Group, prior to the Demerger, of the nomination in respect of the third party holding of Anglo American Shares to another entity within the Anglo American Group;
"Exchange Control Regulations"	the South African Exchange Control Regulations, 1961 as promulgated by Government Notice R.1111 of 1 December 1961 and amended up to Government Notice R.445 of 8 June 2012, in terms of section 9 of the South African Currency and Exchanges Act No. 9 of 1933 (as amended from time to time);
"Exchange Control Rules"	collectively, the Exchange Control Regulations and the Currency and Exchanges Manual for Authorised Dealers;
"Executive Directors"	the executive directors of the Company, whose names are set out in <i>"Part X—Management and Corporate Governance"</i> ;
"Expropriation Act"	the South African Expropriation Act No. 63 of 1975 (as amended from time to time);
"Expropriation Bill"	the South African Expropriation Bill, 2019;

"Farm-Out Agreement"	a farm-out agreement dated 3 March 2020 between TOPL and UCD in relation to the Dalyshope Project, a summary of which is set out in "Annexe 15—Material Contracts";
"FCA"	the Financial Conduct Authority of the UK or its successor from time to time;
"Finance Minister"	the Minister of Finance in South Africa, for the time being Tito Mboweni as at the Last Practicable Date;
"Financial Adviser"	each of Morgan Stanley and RMB, together the "Financial Advisers" ;
"Financial Year" or "FY"	any financial year of the Company for any 12 month period ended on 31 December;
"FinSurv"	the Financial Surveillance Department of the SARB;
"First Trading Date"	the first day that the Shares trade on the main board of the JSE and the LSE;
"Fitch Ratings"	Fitch Ratings Incorporated, an American credit rating agency;
"FMA"	the South African Financial Markets Act No. 19 of 2012 (as amended from time to time);
"FOB"	free on board, a shipment term used to indicate at what point the ownership and risk in the commodity being shipped transfers hands;
"Forfeitable Shares"	Shares awarded to Participants pursuant to the Share Plans, the vesting of which is subject to the fulfilment of the Employment Condition over the Employment Period;
"FSMA"	the UK Financial Services and Markets Act 2000 (as amended from time to time);
"Further Subscription Consideration"	being an amount comprising the Cash Consideration and the Thermal Coal Loan forming part of the Subscription Consideration paid by ASA for Shares under the Subscription Agreement. For purposes of the <i>Pro Forma</i> Financial Information, the Further Subscription Consideration is taken as the sum of the Cash Consideration and the Original Thermal Coal Loan;
"Further Subscription Shares"	shares issued pursuant to the Subscription Agreement by the Company to ASA in consideration for the receipt by the Company of the Further Subscription Consideration pursuant to the Subscription Agreement;
"GDP"	gross domestic product;
"Group"	the Company and its subsidiaries and subsidiary undertakings from time to time which, prior to the Demerger, shall be deemed to include the historical activities of the SA Thermal Coal Operations;
"Group Transitional Services Agreement"	the agreement concluded between SACO, TOPL and ACSSA (acting on behalf of the Group and the Anglo American Group respectively) on 19 March 2021 upon which ACSSA (or other applicable companies in the Anglo American Group) will provide certain services to the Group on a transitional basis following the Demerger, a summary of which is set out in "Annexe 15—Material Contracts";
"Guaranteed Dividend"	the guaranteed dividend allocation payable annually from Admission to 2024 by SACO to the EPP;
"HDSAs"	historically disadvantaged South African persons or category of persons or community disadvantaged by unfair discrimination before the Constitution came into operation, as that term is defined in the Mining Charter;
"HFM"	Hyperion Financial Management, the finance system of the Group on which the Group's financial records are maintained;
"Historical Financial Information of the Company"	the historical financial information of the Company as set out in "Annexe 4C—Historical Financial Information of the Company as at incorporation" prepared in accordance with the basis of preparation set out in Parts 1 and 2 of Annexe 4B for the purposes of the JSE Listings Requirements and Parts 1 and 3 of Annexe 4B for the purposes of the UK Prospectus Regulation Rules;
"Hlagisa Mining"	Hlagisa Mining Proprietary Limited, a private company with registration number 2010/024358/07, incorporated in accordance with the laws of South Africa, with which the Group has a contract mining arrangement and does not form part of the Group;
"HLPS"	headline loss per Share;
"HMRC"	HM Revenue & Customs;
"IAS"	the International Accounting Standards;
"IASB"	the International Accounting Standards Board;

"IFRS"	the International Financial Reporting Standards issued by the IASB;
"IFRS 1"	IFRS 1: First time adoption of International Financial Reporting Standard;
"Immigration Act"	the South African Immigration Act No. 13 of 2002 (as amended from time to time);
"Inclusion and Diversity Policy"	the policy of the Company setting out the approach to inclusion and diversity on the Board of directors of the Company;
"Indemnity Agreement"	the agreement recording certain terms upon which the Company and Anglo American indemnify each other following the Demerger, as amended and restated on 18 March 2021, a summary of the principal terms of which is set out in "Annexe 15—Material Contracts";
"Independent Competent Person"	each of SRK and Ukwazi, together the "Independent Competent Persons" ;
"Independent Reporting Accountants"	PricewaterhouseCoopers Inc. for JSE Listings Requirements and PricewaterhouseCoopers LLP for UK Prospectus Regulation Rules;
"Individual Limit"	the maximum number of Shares that can be allocated to a Participant under the Share Plan;
"Insolvency Act"	the South African Insolvency Act No. 24 of 1936 (as amended from time to time);
"Internal Restructure"	an internal restructuring process that was undertaken by Anglo American to separate the SA Thermal Coal Operations and non-coal operations within the Anglo American Group, which included consolidating all of the SA Thermal Coal Operations into a single group of companies;
"Intragroup Sale Agreement"	the agreement between TOPL, ACSSA and AASA dated 1 September 2020 in relation to the sale of certain assets of the Group that are not utilised in the production of thermal coal;
"Investment Companies"	collectively, Epoch, Epoch Two and Tarl;
"Inyosi Coal"	Inyosi Coal Proprietary Limited, a private company with registration number 2007/021533/07, incorporated in accordance with the laws of South Africa and which is owned by a B-BBEE consortium separate from the Group;
"Isibonelo Coal Supply Agreement"	an agreement dated 2 July 2019 governing the arrangements for supply of thermal coal by TOPL to Sasol Mining for supply to Sasol Synfuels;
"ISIN"	international securities identification number;
"Jersey Register"	the Jersey branch of the Company's share register maintained in Jersey;
"Jersey Registrar"	Computershare Investor Services (Jersey) Limited, a private company, with registration number RC75005, incorporated in accordance with the laws of Jersey;
"JSE"	the securities exchange licenced under the FMA and operated by JSE Limited;
"JSE Limited"	JSE Limited, a public company with registration number: 2005/022939/06, incorporated in accordance with the laws of South Africa and licensed to operate an exchange under the FMA;
"JSE Listings Requirements"	the listings requirements issued by the JSE under the FMA to be observed by issuers of equity securities listed on the JSE;
"JSE Sponsor"	the sponsor services division of RMB;
"JSE Transfer Secretaries"	Computershare SA Investor Services Proprietary Limited, a private company, with registration number 2004/003647/07, incorporated in accordance with the laws of South Africa;
"King IV Principles"	the King IV Principles and Recommendations for Health and Social Care;
"King Code"	the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa, 2016;
"KPMG SA"	KPMG Services Proprietary Limited, a private company with registration number 1999/012876/07, incorporated in accordance with the laws of South Africa;
"KPMG UK"	KPMG LLP;
"Labour Laws Amendment Act"	the South African Labour Laws Amendment Act No. 10 of 2018 (as amended from time to time);
"Labour Minister"	the Minister of Employment and Labour in South Africa, being TW Nxesi, as at the Last Practicable Date;
"Labour Relations Act"	the South African Labour Relations Act No. 66 of 1995 (as amended from time to time);
"Labour Relations Amendment Act"	the South African Labour Relations Amendment Act No. 6 of 2014 (as amended from time to time);

"Labour Tenant"	as defined in the Land Reform (Labour Tenants) Act, people who live or have the right to live on a farm, or had parents or grandparents who worked on a farm in return for living there;
"Land Reform (Labour Tenants) Act"	the South African Land Reform (Labour Tenants) Act No. 3 of 1996 (as amended from time to time);
"Last Practicable Date"	31 March 2021, being the last practicable date prior to the finalisation of this Document;
"Legal Advisers"	collectively, Linklaters LLP and Webber Wentzel;
"LPS"	loss per share;
"LSE"	the securities exchange operated by the London Stock Exchange plc under the FSMA;
"Mafube Coal Mining"	Mafube Coal Mining Proprietary Limited, a private company with registration number 2004/017532/07, incorporated in accordance with the laws of South Africa, the joint operation by SACO and Exxaro each of which owns 50%;
"Main Street"	Main Street 1756 (RF) Proprietary Limited, a private company with registration number 2019/458506/07, incorporated in accordance with the laws of South Africa;
"Main Street MOI"	the memorandum of incorporation of Main Street (as amended from time to time);
"Major Subsidiaries"	the major subsidiaries (as defined in the JSE Listings Requirements) of the Company (as they will exist following the Demerger), being SACO and TOPL;
"Management Services Agreement"	the agreement between Main Street, TOPL and ACSSA dated 6 March 2021, a summary of the principal terms of which is set out in "Annexe 15—Material Contracts";
"MAR"	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and the delegated acts, implementing acts, technical standards and guidelines thereunder as modified and as such legislation forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and as modified by UK domestic law from time to time;
"Medical Schemes Act"	the South African Medical Schemes Act No. 131 of 1998 (as amended from time to time);
"MHS Act"	the South African MHS Act, including the MHS Act regulations promulgated thereunder and the Minerals Act regulations (in terms of the Minerals Act), which remain in force and effect in terms of schedule 4 to the MHS Act (as amended from time to time);
"MHSI"	the South African Mine Health and Safety Inspectorate;
"Milestone Shares"	Shares awarded to Participants on or shortly after the Admissions for purposes of recognising milestones and retention;
"Minerals Act"	the South African Minerals Act No. 50 of 1991, repealed by section 110 of the MPRDA (as amended from time to time);
"Mining Charter"	the Broad Based Socio Economic Empowerment Charter for the South African mining industry (together with the Charter Scorecard), published in terms of the provisions of section 100(2)(a) of the MPRDA (as amended from time to time);
"Morgan Stanley"	Morgan Stanley & Co. International plc, a public company with registration number 02068222 incorporated in accordance with the laws of England and Wales;
"MPRDA"	the South African Mineral and Petroleum Resources Development Act No. 28 of 2002 (as amended from time to time);
"MPTRO"	the Mining and Petroleum Titles Registration Office;
"National Nuclear Regulator"	a public entity which is established and governed in terms of Section 3 of the NNRA to provide for the protection of persons, property and the environment against nuclear damage;
"National Treasury"	a South African government department responsible for the managing of South Africa's national government finances;
"NEMA"	the South African National Environmental Management Act No. 107 of 1998 (as amended from time to time);
"NEMAQA"	the South African National Environmental Management: Air Quality Act No. 39 of 2004 (as amended from time to time);
"NEMBA"	the South African National Environmental Management: Biodiversity Act No. 10 of 2004 (as amended from time to time);

"NEMLAA4"	the South African National Environmental Management Laws Amendment Act 4 Bill;
"NEMWA"	the South African National Environmental Management: Waste Act No. 59 of 2008 (as amended from time to time);
"NHRA"	the South African National Heritage Resources Act No. 25 of 1999 (as amended from time to time);
"NMWA"	the South African National Minimum Wage Act No. 9 of 2018 (as amended from time to time);
"NNRA"	the South African National Nuclear Regulator Act No. 47 of 1999 (as amended from time to time);
"Non-executive Directors"	those non-executive Directors who are identified in <i>"Part X—Management and Corporate Governance"</i> ;
"Non-IFRS Financial Measures"	financial measures, which are not liquidity or performance measures under IFRS;
"Non-residents"	persons not resident in South Africa;
"Notice of General Meeting"	the notice of Anglo American's general meeting set out in Part XIII of the Scheme Circular;
"NWA"	the South African National Water Act No. 36 of 1998 (as amended from time to time);
"ODIMWA"	the South African Occupational Diseases in Mines and Works Act No. 78 of 1973 (as amended from time to time);
"Offtake Agreement"	the offtake agreement between the Company, TOPL and AAML, dated 6 March 2021, a summary of the principal terms of which is set out in <i>"Annexe 15—Material Contracts"</i> ;
"OHS Act"	the South African Occupational Health and Safety Act No. 85 of 1993 (as amended from time to time);
"Option Agreement"	the option agreement between Main Street and Anglo American, dated 6 March 2021, a summary of the principal terms of which is set out in <i>"Annexe 15—Material Contracts"</i> ;
"Original Sale Claims Consideration"	the face value of the Thermal Coal Loan on 31 December 2020;
"Overseas Shareholders"	Anglo American Shareholders with a registered address in, or who are citizens, residents or nationals of, jurisdictions outside the UK or South Africa, or whom Anglo American reasonably believes to be citizens, residents or nationals of jurisdictions outside the UK or South Africa, and each an "Overseas Shareholder" ;
"Original Thermal Coal Loan"	the amount of the Thermal Coal Loan has been assumed to be R361 million based on the value of the Thermal Coal Loan on 31 December 2020 for purposes of the <i>Pro Forma</i> Financial Information;
"Participant"	a Share Plan Eligible Employee participating in the Share Plan;
"Partnership Plans"	collectively, the CPP and the EPP;
"Pension Funds Act"	the South African Pension Funds Act No. 24 of 1956 (as amended from time to time);
"Performance Condition"	a performance condition to be met by a Participant in the Share Plan;
"Performance Period"	a set period over which the Performance Conditions of a Participant in the Share Plan must be met;
"PFIC"	a passive foreign investment company;
"Phola"	Phola Coal Processing Plant Proprietary Limited, a private company with registration number 2007/001281/07, incorporated in accordance with the laws of South Africa, a joint operation between the Group and South32 Coal SA Holdings Proprietary Limited, each of which owns 50%;
"Phola Coal Processing Plant"	the coal processing plant established by a shareholders agreement dated 7 December 2007 between TOPL, South32 Coal SA Holdings Proprietary Limited and Phola;
"Post Balance Sheet Transactions"	all transactions and corporate actions resulting from agreements that have been entered into by the Company and/or the Group after 31 December 2020 and which will have an impact on the financial position, changes in equity and results of operations of the Group, as detailed in <i>"Annexe 6B—Pro Forma Financial Information of the Group included for purposes of the JSE Listings Requirements"</i> and <i>"Annexe 6D—Unaudited Pro Forma Financial Information of the Group included for purposes of the UK Prospectus Regulations Rules"</i> ;
"Pounds sterling" or "GBP"	the lawful currency of the UK;
"PricewaterhouseCoopers Inc."	PricewaterhouseCoopers Inc., an independent registered public audit firm with registration number 1998/012055/21, incorporated under the laws of South Africa;

"PricewaterhouseCoopers LLP"	PricewaterhouseCoopers LLP, a limited liability partnership with registration number OC303525, incorporated under the laws of England and Wales;
"Priority Dividend"	the dividend paid by SACO to the CPP in priority to other dividends, but subject to the Guaranteed Dividend;
"Pro Forma Financial Information"	the <i>pro forma</i> financial information of the Group as set out in "Annexe 6B—Pro Forma Financial Information of the Group included for purposes of the JSE Listings Requirements" and "Annexe 6D—Unaudited Pro Forma Financial Information of the Group included for purposes of the UK Prospectus Regulation Rules";
"Protection of Businesses Act"	the South African Protection of Businesses Act No. 99 of 1978 (as amended from time to time);
"Rand", "R" or "ZAR"	the lawful currency of South Africa;
"RBCT"	Richards Bay Coal Terminal Proprietary Limited, a private company with registration number 1973/014256/07, incorporated in accordance with the laws of South Africa;
"RBCT Entitlement"	the Group's entitlement to 19.44 Mtpa of capacity at Richards Bay Coal Terminal, with the optionality to fill this entitlement with third-party volumes or temporarily lease out this entitlement in the event that there is spare capacity after the shipment of the Group's own production volumes;
"RBCT Repurposing"	the evaluation process for the proposed repurposing of the Richards Bay Coal Terminal for multi-commodity use in order to maximise its full design capacity;
"Register"	the SA Register or the Jersey Register or both of them, as applicable, kept in accordance with the Companies Act;
"Remuneration and Nominations Committee"	the remuneration and nominations committee of the Company;
"Remuneration Policy"	the remuneration policy of the Group, as set out in "Part X—Management and Corporate Governance—Appointment, Qualification, Remuneration and Borrowing Powers of Directors";
"Resources Minister"	the Minister of Mineral Resources and Energy in South Africa, for the time being Gwede Mantashe as at the Last Practicable Date;
"Restitution of Land Rights Act"	the South African Restitution of Land Rights Act No 22 of 1994 (as amended from time to time);
"Restitution of Land Rights Amendment Act"	the South African Restitution of Land Rights Amendment Act No. 15 of 2014 (as amended from time to time);
"Retention Shares"	Shares awarded to lower level employees of the Group;
"Richards Bay Coal Terminal"	the coal export terminal at Richards Bay;
"Risk and Sustainability Committee"	the risk and sustainability committee of the Company;
"RMB"	Rand Merchant Bank, a division of FirstRand Bank Limited, a public company with limited liability with registration number 1929/001225/06, incorporated in accordance with the laws of South Africa;
"RMC"	Rietvlei Mining Company Proprietary Limited, a private company with limited liability with registration number 2013/168342/07, incorporated in accordance with the laws of South Africa;
"RNS"	regulatory news service;
"Royalty Act"	the South African Mineral and Petroleum Resources Royalty Act No. 28 of 2008 (as amended from time to time);
"SACMH"	South African Coal Mining Holdings Limited, a private company with registration number 1994/009012/06, incorporated in accordance with the laws of South Africa;
"SAICA Guides"	the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee;
"SA Income Tax Act"	the South African Income Tax Act No. 58 of 1962 (as amended from time to time);
"SA Labour Court"	the Labour Court of South Africa;
"SA Land Claims Court"	the Land Claims Court of South Africa;
"SACO"	South Africa Coal Operations Proprietary Limited, a private company with registration number: 2017/522665/07 incorporated in accordance with the laws of South Africa, SACO Shares to be held by the Company, the CPP and the EPP with interests of 90%, 5% and 5%, respectively;
"SACO Group"	SACO and its subsidiaries from time to time;

"SACO Preference Shares"	preference shares in the authorised share capital of SACO;
"SACO Sale"	the acquisition of the SACO Shares by the Company from ASA for the SACO Sale Consideration;
"SACO Sale Claims"	the associated shareholder claims on loan account held by ASA against SACO, if any, forming part of the SACO Sale;
"SACO Sale Claims Consideration"	the face value of the SACO Sale Claims on or before 10:00 (SA time) on the closing date as defined in the SACO Share Purchase Agreement. For purposes of the Pro Forma Financial Information, such amount is Nil;
"SACO Sale Claims Shares"	the Shares, if any, to be issued by the Company to ASA to settle the face value of the SACO Sale Claims. For purposes of the Pro Forma Financial Information such number of Shares is nil;
"SACO Sale Consideration"	the amount payable by the Company to ASA for the SACO Shares under the SACO Share Purchase Agreement, being the market value of the Sale Shares as at the closing date under the SACO Share Purchase Agreement. For purposes of the Pro Forma Financial Information, this is an amount of R8,257 million as at 25 March 2021;
"SACO Sale Shares"	the Shares to be issued by the Company to ASA to settle the SACO Sale Consideration under the SACO Share Purchase Agreement. For purposes of the Pro Forma Financial Information, the SACO Sale Shares equates to 100 million Shares;
"SACO Shares"	the entire issued ordinary shares in SACO;
"SACO Share Purchase Agreement"	the agreement concluded between ASA and the Company on 5 March 2021, a summary of the principal terms of which is set out in "Annexe 15—Material Contracts";
"SAEC"	South Africa Energy Coal, a division of South32, which includes South32 Coal SA Holdings Proprietary Limited;
"SAICA Guides"	the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee;
"SA Income Tax Act"	the South African Income Tax Act No. 58 of 1962 (as amended from time to time);
"SA Labour Court"	the Labour Court of South Africa;
"SA Land Claims Court"	the Land Claims Court of South Africa;
"SACO Sale Claims"	the associated shareholder claims on loan account held by ASA against SACO forming part of the SACO Sale for purposes of the Pro Forma Financial Information;
"SACO Sale Claims Consideration"	the face value of the Sale Claims on or before 10:00 on the closing date as defined in the SACO Share Purchase Agreement for purposes of the Pro Forma Financial Information;
"Sale Claims Shares"	6 million Shares to be issued by the Company to Anglo American to settle the face value of the SACO Sale Claims for purposes of the Pro Forma Financial Information;
"SAMREC Code"	the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 Edition;
"SAMVAL Code"	the South African Code for the Reporting of Mineral Asset valuation, 2016 Edition;
"SARB"	the South African Reserve Bank;
"SA Register"	the securities register of the Company maintained in South Africa;
"SARS"	the South African Revenue Service;
"Sasol Mining"	Sasol Mining Proprietary Limited, a private company with registration number 1950/038590/07;
"Sasol Synfuels"	a division of Sasol South Africa Limited, a public company with registration number 1968/013914/06, incorporated in accordance with the laws of South Africa;
"SA Thermal Coal Operations"	Anglo American's South African thermal coal operations prior to implementation of the Demerger or the business of the Company following the implementation of the Demerger, as the context requires;
"Scheme"	the scheme of arrangement between Anglo American Shareholders and Anglo American to effect the Demerger;
"Scheme Circular"	the circular issued by Anglo American dated on or about 8 April 2021 in relation to the Scheme;
"Scheme Court Hearing"	the hearing by the UK High Court to sanction the Scheme and confirm the reduction of capital;

"Scheme Court Order"	the order of the UK High Court to sanction the Scheme and confirm the reduction of capital in Anglo American;
"SDRT"	the UK stamp duty and stamp duty reserve tax;
"Sector Codes"	the Sector Codes of Good Practice, issued under the B-BBEE Act from time to time;
"Securities Transfer Tax Act"	the South African Securities Transfer Tax Act No. 25 of 2007 (as amended from time to time);
"Senior Management"	those members of the management bodies of the Group who are identified in <i>"Part X—Management and Corporate Governance"</i> ;
"SENS"	the Stock Exchange News Service of the JSE;
"Seriti Resources"	Seriti Resources Holdings Proprietary Limited, a private company with registration number 2015/305867/07, incorporated in accordance with the laws of South Africa;
"Settlement Date"	the date on which Awards of Shares are settled;
"Shareholders"	the holders of Shares in the Company from time to time;
"Share Plan"	the Company's share plan as described in <i>"Annexe 10—Company Share Plan"</i> ;
"Share Plan Eligible Employee"	the employees of Share Plan Employer Companies that are eligible to participate in the Share Plan;
"Share Plan Employer Company"	a company in the Group employing a Share Plan Eligible Employee;
"Shares"	the ordinary no par value shares of the Company;
"Sign-on Shares"	Shares awarded to new employees of the Group;
"Skills Development Act"	the South African Skills Development Act No. 97 of 1998 (as amended from time to time);
"Skills Development Levies Act"	the South African Skills Development Levies Act No. 9 of 1999 (as amended from time to time);
"SLP"	a Social and Labour Plan;
"Social and Ethics Committee"	the social and ethics committee of the Company;
"South32"	South32 Limited, a limited liability company with registration number ACN 093 732 597, incorporated in accordance with the laws of Australia;
"South Africa"	the Republic of South Africa;
"South African Dividends Tax"	dividends tax in South Africa;
"South African Government Gazette"	the document published by the South African national government to communicate messages of national importance to the general public, which contains information of a legal, administrative and general nature, including in respect of the promulgation of new or amended legislation in South Africa;
"SRK"	SRK Consulting (South Africa) Proprietary Limited, a private company with registration number 1995/012890/07, incorporated in accordance with the laws of South Africa;
"Standard"	the standards of housing and living conditions for mine workers as stipulated in the Housing and Living Conditions Standard for the Mining Industry;
"State"	South Africa or in reference to the South African government;
"Strate"	an electronic settlement environment for transactions to be settled and transfer of ownership to be recorded electronically, operated by Strate Proprietary Limited, registration number 1998/022242/07, a private company incorporated in accordance with the laws of South Africa and a registered central securities depository in terms of FMA and responsible for the electronic custody and settlement system used by the JSE;
"Strate System"	the system operated for dealings in securities in Uncertificated Form listed on the JSE that take place on the JSE and for dealings in securities in Certificated Form listed on the JSE that take place off market;
"Strate System Rules"	the depository rules, directives, regulations and notices issued by Strate from time to time (as amended from time to time);
"STT Act"	the South African Securities Transfer Tax Act No. 25 of 2007 (as amended from time to time);
"sub-Saharan Africa"	the geographic region which lies south of the Sahara on the African continent;

"Subscription Agreement"	the subscription agreement between ASA and the Company, dated 5 March 2021, a summary of the principal terms of which is set out in "Annexe 15—Material Contracts";
"Subscription Consideration"	the aggregate subscription consideration payable by ASA in terms of the Subscription Agreement, comprising the SACO Sale Consideration, the SACO Sale Claims Consideration and the Further Subscription Consideration;
"Subscription Shares"	the Shares to be issued to Anglo American by the Company in terms of the Subscription Agreement, comprising the SACO Sale Shares, the Original SACO Sale Claims Shares and the Further Subscription Shares;
"Sudorcoal"	Sudorcoal Proprietary Limited, a private company with registration number 2003/010082/07, incorporated in accordance with the laws of South Africa;
"Sustaining capex"	stay in business and stripping and development capital expenditure and excludes disposal proceeds;
"Takeover Regulations"	the Takeover Regulations promulgated by the Minister of Trade and Industry in terms of sections 120 and 223 of the Companies Act;
"Tarl"	Tarl Investment Holdings (RF) Proprietary Limited, a private ring-fenced company with registration number 2006/026569/07, incorporated in accordance with the laws of South Africa, one of the entities forming part of the Tenon Structure as explained in "Part XI—Incorporation and Share Capital";
"TB"	the trading book of AAML;
"Tenon"	Tenon Investment Holdings Proprietary Limited, a private company with registration number 2001/024808/07, incorporated in accordance with the laws of South Africa;
"TFR"	Transnet Freight Rail, a division of Transnet;
"TFR Entitlement"	the Group's entitlement to c. 18.13 Mtpa plus in respect of any given contract year, any uncommitted tonnage accepted by the Group, which may be circa 0.95 Mtpa of capacity for the transport of its coal by TFR through the Transnet rail network to the Richards Bay Coal Terminal;
"Thermal Coal Loan"	the intercompany loan advanced by AASAF (a company in the Anglo American Group) to TOPL for working capital purposes. The balance of this loan fluctuates and, assuming the Thermal Coal Loan is a credit balance in TOPL's books on 18:00 on 1 June 2021, will be settled through the issue of Shares;
"Transaction Advisers"	KPMG Services Proprietary Limited and KPMG LLP;
"Transitional Services Agreement"	the agreement concluded between TOPL and ACSSA with effect from 31 August 2020 pursuant to which ACSSA will provide certain services to TOPL on a transitional basis until the Admissions, a summary of which is set out in "Annexe 15—Material Contracts";
"Transnet"	Transnet SOC Limited, a State owned company with registration number 1990/000900/30, incorporated under the laws of South Africa;
"Transnet Lease"	the lease agreement dated 15 March 2004 between Transnet and RBCT, under which Transnet grants RBCT the use and occupation of land, buildings and infrastructure at Richards Bay Coal Terminal, a summary of which is set out in "Annexe 15—Material Contracts";
"Trigger Price Revenue"	the minimum implied price that the Group receives for its export coal productions under the Capital Support Agreement;
"TOPL"	Anglo Operations Proprietary Limited (to be renamed Thungela Operations Proprietary Limited), a private company with registration number 1921/006730/07, incorporated in accordance with the laws of South Africa;
"UCD"	Universal Coal Development IV Proprietary Limited, a private company with registration number 2010/024391/07 incorporated in accordance with the laws of South Africa;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UK Companies Act"	the UK Companies Act of 2006;
"UK Companies House"	the registrar of companies for England and Wales, with registered office address at Crown Way, Cardiff, CF14 3UZ, DX 33050 Cardiff, United Kingdom;
"UK Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council and dated July 2018 (as amended from time to time);

"UK Custodian"	Computershare Company Nominees Limited, a private limited company with registration number SC167175 and its registered office address at Edinburgh House, 4 North St. Andrew Street, Edinburgh, EH2 1HJ, Scotland;
"UK Depositary"	Computershare Investor Services PLC, a public limited company with registration number 03498808 and its registered office address at The Pavilions, Bridgwater Road, Bristol, BS13 8AE;
"UK Disclosure and Transparency Rules"	the rules relating to the disclosure of information made in accordance with section 73A(3) of FSMA;
"UK High Court"	the High Court of Justice in England and Wales;
"UK Listing Rules"	the listing rules relating to admission to the UK Official List made under section 73A(2) of FSMA;
"UK Prospectus Delegated Regulation"	the UK version of Commission Delegated Regulation (EU) 2019/980 supplementing the UK Prospectus Regulation as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time;
"UK Official List"	the official list of the FCA;
"UK Prospectus Regulation"	the UK version of Regulation (EU) (2017/1129) and the delegated acts, implementing acts, technical standards and guidelines thereunder as amended, which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time;
"UK Prospectus Regulation Rules"	the prospectus regulation rules made by the FCA pursuant to section 73A of the FSMA, as amended from time to time and includes, where appropriate, relevant provisions of the UK Prospectus Regulation as referred to or incorporated within the UK Prospectus Regulation Rules;
"UK/South Africa Treaty"	the convention between the UK and South Africa for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, concluded on 4 July 2002, as amended by a protocol signed on 8 November 2010;
"Ukwazi"	Ukwazi Mining Studies Proprietary Limited; a private company with registration number 2016/224365/07, incorporated in accordance with the laws of South Africa;
"Uncertificated" or "Uncertificated Form"	(i) in respect of Anglo American Shareholders on the Anglo American SA Register, recorded as being held in uncertificated form in the Strate System and title to which may be transferred by means of the Strate System; or (ii) in respect of Anglo American Shareholders on the Anglo American UK Register, recorded as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST (as the context requires); and/or (iii) in respect of Shareholders on the Register, recorded as being held in uncertificated form in the Strate System and title to which may be transferred by means of the Strate System;
"Underlying Shareholders"	a holder of a beneficial entitlement to the Shares;
"Unemployment Insurance Act"	the South African Unemployment Insurance Act No. 63 of 2001 (as amended from time to time);
"Unemployment Insurance Contributions Act"	the South African Unemployment Insurance Contributions Act No. 4 of 2002 (as amended from time to time);
"United States" or "U.S."	the United States of America;
"USD", "U.S. dollar" or "US\$"	the lawful currency of the United States;
"U.S./South Africa Treaty"	the convention between the United States and South Africa for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, signed on 17 February 1998 (as amended from time to time);
"US Securities Act"	the US Securities Act of 1933;
"Vesting Date"	the date on which Forfeitable Shares vest in a Participant under the Share Plan;
"Water Minister"	the Minister of Human Settlements, Water and Sanitation in South Africa, being Lindiwe Sisulu at the Last Practicable Date; and
"Wood Mackenzie"	Wood Mackenzie Asia Pacific Pte Ltd, a third-party service provider appointed by Anglo American to prepare a report on the thermal coal industry, which "Part VII – Industry Overview" is based and does not form part of the Group.

TECHNICAL DEFINITIONS AND GLOSSARY

“Acid Drainage”	acid mine drainage and acid rock drainage;
“anthracite	the most advanced stages in the coalification process. Anthracite has a carbon content of about 91% (daf) and is brittle and hard because most of the volatile matter and moisture has been expelled by the intense pressure and temperature in the final stages of coalification. Anthracite is used in a number of applications, including as a source of carbon in steel making and in the manufacture of electrodes, inks and tiles;
“APMs”	alternative performance measures;
“ash”	the inorganic residue that remains after coal has been combusted. It is less than the mineral matter because of chemical changes that occur during combustion such as loss of water, hydration, carbon dioxide, and sulphurous gases from sulphides. There is an inverse relationship between ash and energy content, so coals with a low ash content are preferred. High ash coals also lead to higher ash disposal and maintenance requirements;
“bituminous coal”	the most sought after rank of coal for commercial applications and is ranked in between sub-bituminous and anthracite coals. It has a carbon content in the range 80–91% (daf), a high specific energy typically over 5,400 kcal/kg GAR and low moisture content. It can be used in a wide range of applications depending on its particular quality characteristics, including power generation and heating as well as coal-to-gas and coal-to-liquid applications, chemical production, and coke making;
“blending”	a process in which thermal coal of varying qualities is mixed together to produce coal or products with an average quality according to the product specification;
“brownfield”	an area adjacent to a previously developed area that is being expanded or re-developed for different mining uses;
“Bt”	billion tonnes is a metric measurement unit of mass;
“CAGR”	compound annual growth rate;
“CIF”	cost, insurance and freight is a method of selling cargo whereby the seller pays for vessel loading costs, insurance and ocean freight;
“CO₂e”	carbon dioxide equivalent emissions;
“COP21”	climate change initiatives set at the 2015 United Nations Climate Change Conference;
“crushing”	process of crushing larger sized rock into smaller pieces to allow for screening;
“CV” or “calorific value”	the energy contained in fuel, determined by measuring the heat produced by the combustion of a specified quantity;
“daf”	dry ash free basis;
“deposit”	a mass of naturally occurring mineral material, usually of economic interest, without regard to mode of origin. No commercial value is implied;
“FOB”	free on board is a method of selling cargo that excludes ocean freight and insurance, but includes vessel loading costs, which is used to indicate at what point the ownership and risk in the commodity being shipped transfers hands;
“GHG”	greenhouse gas, any gas that has the property of absorbing infrared radiation (net heat energy) emitted from the Earth’s surface and reradiating it back to the Earth surface;
“GAR”	a calculation of calorific value of a coal with moisture as received or total moisture. The calculation is based on the conversion from the air-dried-basis value. The calculation pursuant to said conversion is dependent on the specific moisture content of the coal;
“greenfield”	an undeveloped and unexplored or underexplored region or location, remote from existing mines;
“GW”	gigawatt is a metric measurement unit of power;
“ha”	hectares is a metric measurement unit of area;

"HGI"	Hardgrove Grindability Index is a measure of hardness that indicates a coal's relative grindability or ease of pulverisation (relative to standard reference coals); a high HGI indicates that a coal is easy to grind and vice versa. High HGI coals may experience handling difficulties such as excess fines generation and spontaneous combustion. Low HGI coals are harder to grind and accordingly require higher milling energy and cost;
"indicated coal resource"	that part of a coal resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation;
"inherent moisture" or "IM"	is the moisture bound within the coal pores or attached to the organic coal matter.
"IWUL"	integrated water use licence;
"Japanese Power Utilities"	the prices settled between Australian exporters and the Japanese Power Utilities, which have historically been the reference for annual and long-term thermal coal contracts in the Asia-Pacific market with contracts typically based around the Japanese fiscal year;
"kcal/kg"	kilocalories per kilogram;
"km"	kilometres;
"kt"	thousand tonnes is a metric measurement unit of mass;
"life of mine" or "LoM"	duration of time that it will take to extract accessible material;
"Lifex"	Capex to extend life at existing operations;
"LNG"	liquefied natural gas;
"LoM plan"	a design and financial/economic study of an existing operation in which appropriate assessment have been made of existing geological, mining, social, governmental, engineering, operational, and all other Modifying Factors, which are considered in sufficient detail to demonstrate that continued extraction is reasonably justified;
"lignite"	a brownish-black coal composed of vegetable matter, which has been altered more than in peat, but less than in sub-bituminous coal. It is found at relatively shallow depths and is physically weak, with a high moisture content, and a low carbon content of between 65% and 73% (daf). Other characteristics include low reflectance, high volatile matter, high oxygen levels and specific energy typically less than 4,500 kcal/kg GAR. Low rank coals, such as lignite, are mined for power generation and are also used for domestic heating in the form of briquettes;
"Market Price"	the benchmark price reference for 6,000 kcal/kg thermal coal exported from the Richards Bay Coal Terminal;
"measured coal resource"	that part of a coal resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured coal resource has a higher level of confidence than that applying to either an indicated coal resource or an inferred coal resource;
"metallurgical coal"	hard coal that is used to produce steel;
"mineral reserves"	the economically mineable part of a measured coal reserve and/or indicated coal resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors;
"mineral resource"	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories;
"mmbtu"	metric million British thermal unit;
"Modifying Factors"	considerations used to convert mineral resources to mineral reserves, including, but not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors;

"Mt"	million tonnes is a metric measurement unit of mass;
"Mtpa"	Mt on an annual basis;
"MVA"	mega volt ampere is a measurement unit of apparent power;
"MW"	megawatts is a measurement unit of power;
"MWP"	mining work programme;
"NAR"	net as received, a calculation of calorific value of a coal without moisture as received;
"Newcastle benchmark"	the Australian export contracts for thermal coal, which are based on coal meeting Newcastle benchmark quality specifications (6,322 kcal/kg GAR). Lower energy coals are generally discounted on an energy adjusted basis from the Newcastle benchmark price. It is also common to receive additional premiums or discounts based on other quality specifications such as ash and sulphur content, or for rejection limits to apply based on these factors;
"OC"	mining conducted via open cast methods;
"OES"	the "One Environment System";
"open cast mine"	a mine that is entirely on the surface;
"overburden"	the material that lies above the mining area of economic interest;
"peat"	the initial stage in the transition of plant matter to coal. Peat is not a 'coal' but decomposing, damp organic matter that consists mainly of water, which can be burned as a low-grade fuel;
"ROM thermal coal reserve"	the tonnage and coal quality, at a specified moisture content, contained in the coal seam or section of the coal seam, at the practical mining height, which is expected to be recovered after all geological losses, mining losses, dilution, contamination and moisture correction factors have been applied;
"RB1"	the 6,000 kcal/kg Richards Bay bituminous coal price;
"RB3"	the 5,500 kcal/kg high ash Richards Bay bituminous coal price;
"ROM"	run-of-mine ore that is mined and ready to go to the processing plant;
"specific energy" or "SE"	is the energy in kilocalories, released per kg of coal burned;
"specific energy"	a key quality parameter for pricing purposes in relation to the energy in kilocalories released per kilogram of coal burned;
"spot"	the price or rate at which a physical commodity for immediate sale is selling at a given time and place;
"sub-bituminous"	the next highest coal rank after low rank coal with a carbon content in the range 73–80% (daf), typical moisture levels of 10–20% and specific energy typically between 4,500 to 5,400 kcal/kg GAR. Sub-bituminous coal is used primarily for power generation, with increasing amounts being sold on the seaborne thermal coal market;
"thermal coal"	coal used to produce steam for power generation, heating and industrial applications such as cement manufacture;
"total moisture" or "TM"	the moisture in the coal as sampled and removable under standard conditions and comprised of both inherent and free moisture;
"TWh"	terrawatt hour is a measure of electrical energy consumption;
"UG"	mining conducted via underground methods;
"volatile matter" or "VM"	the gaseous component of the coal (excluding moisture) that is released when the coal is combusted, comprising mainly methane and other light hydrocarbons and is reported as a percentage of the coal that is released during combustion. Coals with a higher VM content are easier to ignite and burn out well, so are generally preferred for power generation; and
"water use licence"	a water use licence as contemplated in the NWA.

COMPETENT PERSONS' REPORTS

The Competent Persons' Reports of the Group's mineral assets can be accessed on the following links on the Company's website:

MINING ASSET	INDEPENDENT COMPETENT PERSON	DATE OF REPORT	LINK
Goedehoop	SRK	25 March 2021	www.thungela.com
Greenside	SRK	25 March 2021	www.thungela.com
Isibonelo	SRK	25 March 2021	www.thungela.com
Khwezela	SRK	25 March 2021	www.thungela.com
Zibulo	SRK	25 March 2021	www.thungela.com
Mafube	SRK	25 March 2021	www.thungela.com
Dalyshope Project	SRK	25 March 2021	www.thungela.com
Elders Project	Ukwazi	15 February 2021	www.thungela.com

