Annual Financial Statements 2023

THUNGELA'S 2023 REPORTING SUITE

This report forms part of our overall suite of reporting documents for the year ended 31 December 2023, all of which should be read together. Our reporting suite enables our various stakeholders to assess our financial, business and sustainability performance, and includes the documents as detailed below.

ESG metrics related to the Ensham Mine have not been included in our 2023 reporting. This information will be included in the next annual reporting cycle.

ANNUAL FINANCIAL STATEMENTS

- Detailed understanding of the Group's financial and operational performance.
- Prepared in accordance with IFRS Accounting Standards, the Companies Act of South Africa, King IV, the JSE Listings Requirements, the UK Listing Rules, and the UK Disclosure Guidance and Transparency Rules.

INTEGRATED ANNUAL REPORT*

- Primary communication to our stakeholders of our approach to creating and sustaining value.
- Detailed assessment of our Resources and Reserves in line with the various reporting standards.
- Developed in line with the International <IR> Framework, the Companies Act of South Africa, King IV, the JSE Listings Requirements, the UK Listing Rules, and the UK Disclosure Guidance and Transparency Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT*

- Detailed disclosure of the key environmental, social and governance elements that could have a material impact on our business performance, environment and stakeholders, if not effectively managed.
- Prepared in accordance with the core requirements of the Global Reporting Initiative (GRI) Reporting Standards, specifically the GRI 12: Coal Sector 2022 Standard, as well as internal safety and sustainable development indicators.

CLIMATE CHANGE REPORT*

- Disclosure of Thungela's approach to climate change, including risks and related management, compiled in accordance with the recommendations of the Task Force on Climate Related Financial Disclosures.

* available from April 2024.

Various acronyms, abbreviations and measures used throughout our 2023 reporting suite have been defined on pages 197 to 200.

FORWARD-LOOKING STATEMENTS DISCLAIMER AND THIRD-PARTY INFORMATION

This document includes forward-looking statements. All statements included in this document (other than statements of historical facts) are, or may be deemed to be, forward-looking statements, including, without limitation, those regarding Thungela's financial position, business, acquisition and divestment strategy, dividend policy, plans and objectives of management for future operations (including development plans and objectives relating to Thungela's products, production forecasts and resource and reserve positions). By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Thungela, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Thungela therefore cautions that forward-looking statements are not guarantees of future performance.

Any forward-looking statement made in this document or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause Thungela's business not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Thungela has no duty to, and does not intend to, update or revise the forward-looking statements contained in this document after the date of this document, except as may be required by law. Any forward-looking statements included in this document have not been reviewed or reported on by the Group's independent external auditor.

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the market abuse regulation (EU) No. 596/2014 as amended by the market abuse (amendment) (UK MAR) regulations 2019. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

ALTERNATIVE PERFORMANCE MEASURES

The directors consider additional financial and operational measures to assess the results of the operations of the Group, referred to as alternative performance measures (APMs). These APMs can be identified throughout this document using the △ symbol, and are fully described in annexure 1.

LEVEL OF ASSURANCE

The consolidated and separate financial statements have been audited in compliance with the requirements of the Companies Act of South Africa.

thungela

Responsibly creating value together for a shared future

CONTENTS

ABOUT THUNGELA

Thungela, which means 'to ignite' in isiZulu, is a large, pure-play producer and exporter of thermal coal, operating in South Africa and Australia.

The Group owns interests in, and produces its thermal coal from seven mining operations located in the Mpumalanga province of South Africa, which consist of both underground and opencast mines, namely Goedehoop, Greenside, Isibonelo, Khwezela, AAIC (operating the Zibulo Colliery), Mafube Coal Mining (operating the Mafube Colliery) and Butsanani Energy (owning the independently operated Rietvlei Colliery).

In 2023, Thungela, through its newly registered subsidiary Sungela Holdings, acquired 85% of the Ensham Mine in Queensland, Australia, marking a significant move towards executing one of the Group's strategic pillars of geographic diversification. Ensham is an underground operation, and it is the latest addition to Thungela's portfolio.

The establishment of Thungela Marketing International in the United Arab Emirates underscores Thungela's commitment to capturing the full margin on our products and engaging with the global commodities market as a global coal producer.

In other parts of the value chain, Thungela holds a 50% interest in the Phola Coal Processing Plant, and a 23% indirect interest in the Richards Bay Coal Terminal. The terminal is one of the world's leading coal export terminals, with an advanced 24-hour operation and a design capacity of 91Mtpa.

Thungela is committed to operating in a responsible way to ignite value for a shared future. We want to ensure that our mining activities positively impact our employees, shareholders and the communities where we operate.

ACQUISITION OF THE ENSHAM BUSINESS

Thungela Resources Limited (Thungela, or the Group, or the Company), through its wholly owned subsidiary Thungela Resources Australia Pty Limited (Thungela Resources Australia), acquired a 75% interest in Sungela Holdings Pty Ltd (Sungela Holdings). The remaining 25% interest in Sungela Holdings was acquired by Audley Energy Limited (Audley Capital) and Mayfair Corporations Group Pty Ltd (Mayfair) (collectively, the 'co-investors') in equal parts. Sungela Holdings, through its wholly owned subsidiary Sungela Pty Ltd (Sungela), then purchased an 85% interest in the Ensham Mine from Idemitsu Australia Pty Ltd and its subsidiary, Bligh Coal Limited (collectively, 'Idemitsu'), with the remaining 15% stake in the mine held by LX International, through its subsidiary Bowen Investment Australia Pty Ltd (Bowen).

The Ensham Mine, which is operated by Ensham Resources Pty Limited (Ensham Resources), was initially established as an opencast mine, with the underground operation running since 2012. Run of mine coal is produced via underground bord and pillar methods, using four continuous miners that exploit two main economical seams. This mining method is well aligned with the operational methodology deployed across Thungela's underground mines in South Africa. Ensham produced 2.9Mt of high-quality, low-ash, low-sulphur thermal coal in 2023 (on a 100%, full year basis).

The Ensham Mine is the primary asset of the Ensham joint venture, and comprises several tenements located within the well-established and infrastructure-enabled southern Bowen Basin in Queensland, Australia. The mining tenements and related assets have not yet been legally transferred to Sungela and are still held in the name of Idemitsu, although the process to complete the transfer is in progress. Sungela however took beneficial ownership thereof from the effective date of the transaction.

The share and asset sale agreement (SASA) was signed with Idemitsu in February 2023, but included several conditions precedent that impacted the effective date of the transaction. The conditions precedent were either met or waived by all parties by 31 August 2023, which is the effective date of the transaction, and the results of the Ensham Business have been consolidated into the Thungela Group results from this date. Thungela assumed operational control of the Ensham Business from 1 September 2023.

The entities acquired are collectively referred to as the 'Ensham Business', which includes several separate statutory entities, as described below:

Entity	Legal shareholding[1] (%)	Effective economic interest[2] (%)	Description
Sungela Holdings[3]	73.5	93.5	Sungela Holdings is an investment holding company, which was registered in Australia in 2023. Thungela Resources Australia holds 73.5% of the shares issued by Sungela Holdings, with the remaining 26.5% being held by the co-investors.
Sungela	100	93.5	Sungela was registered in Australia in 2023, and purchased the 85% interest in the Ensham Mine from Idemitsu. Sungela is required to fund the operations of the Ensham Mine on an ongoing basis, in proportion to its ownership interest. Thungela has an effective economic interest of 93.5% in Sungela, held through Sungela Holdings.
Ensham Resources	100	79.5	Ensham Resources is the operator of the Ensham Mine, an unincorporated joint venture between Sungela and Bowen (collectively referred to as the 'JV participants'), who hold 85% and 15% thereof, respectively. Thungela has an effective economic interest of 79.5% in Ensham Resources, being 93.5% of the 85% interest held in the Ensham Mine through Sungela.
Ensham Coal Sales	85	79.5	Ensham Coal Sales Pty. Ltd. (Ensham Coal Sales) manages the sale of all coal extracted from the Ensham Mine, and the net receipts from customers are paid back to Sungela and Bowen in line with their ownership of the joint venture. Thungela has an effective economic interest of 79.5% in Ensham Coal Sales, being 93.5% of the 85% interest held through Sungela.
Nogoa Pastoral	85	79.5	Nogoa Pastoral Pty. Ltd. (Nogoa Pastoral) undertakes small-scale agricultural activity on the surface land owned by the Ensham Business, and is the operator of the Nogoa joint venture, the participants of which are also Sungela and Bowen. Thungela has an effective economic interest of 79.5% in Nogoa Pastoral, being 93.5% of the 85% interest held through Sungela.

1 The legal shareholding represents Thungela's legal shareholding in the relevant statutory entity, either directly or through a subsidiary. This shareholding is as at 31 December 2023, after considering the impact of the vesting of the LTIP shares, and may change based on the repayment of the loan as described below.

2 The effective economic interest represents Thungela's effective economic interest in the earnings of the relevant statutory entity, either directly or through a subsidiary. The economic interest has been determined based on the accounting treatment described below and in note 2A. The effective economic interest is as at 31 December 2023, after considering the impact of the vesting of the LTIP shares, and may change based on the repayment of the loan as described below and in note 2A.

3 Thungela Resources Australia subscribed for 75% of the ordinary shares of Sungela Holdings at 31 August 2023. At 31 December 2023, one of the milestones specified in relation to the LTIP shares has vested, meaning the co-investors have been allocated an additional 1.5% of the ordinary shares in Sungela Holdings. Thungela Resources Australia now owns 73.5% of Sungela Holdings. The co-investors only have voting and dividend rights related to the LTIP shares that have vested from 1 January 2024.

The initial purchase price payable as included in the SASA amounted to R4,115 million (AUD340 million), which was paid in advance of the effective date of 31 August 2023. The SASA also included other elements which impact the consideration for the acquisition, and reduced the total consideration as defined by IFRS 3: Business Combinations (IFRS 3) to R3,295 million. These elements included the impact of the economic benefit deed, the royalty deed and working capital adjustments at the acquisition date. The cash acquired in the Ensham Business was R376 million (AUD 31 million), which reduced the net cash outflow for the acquisition.

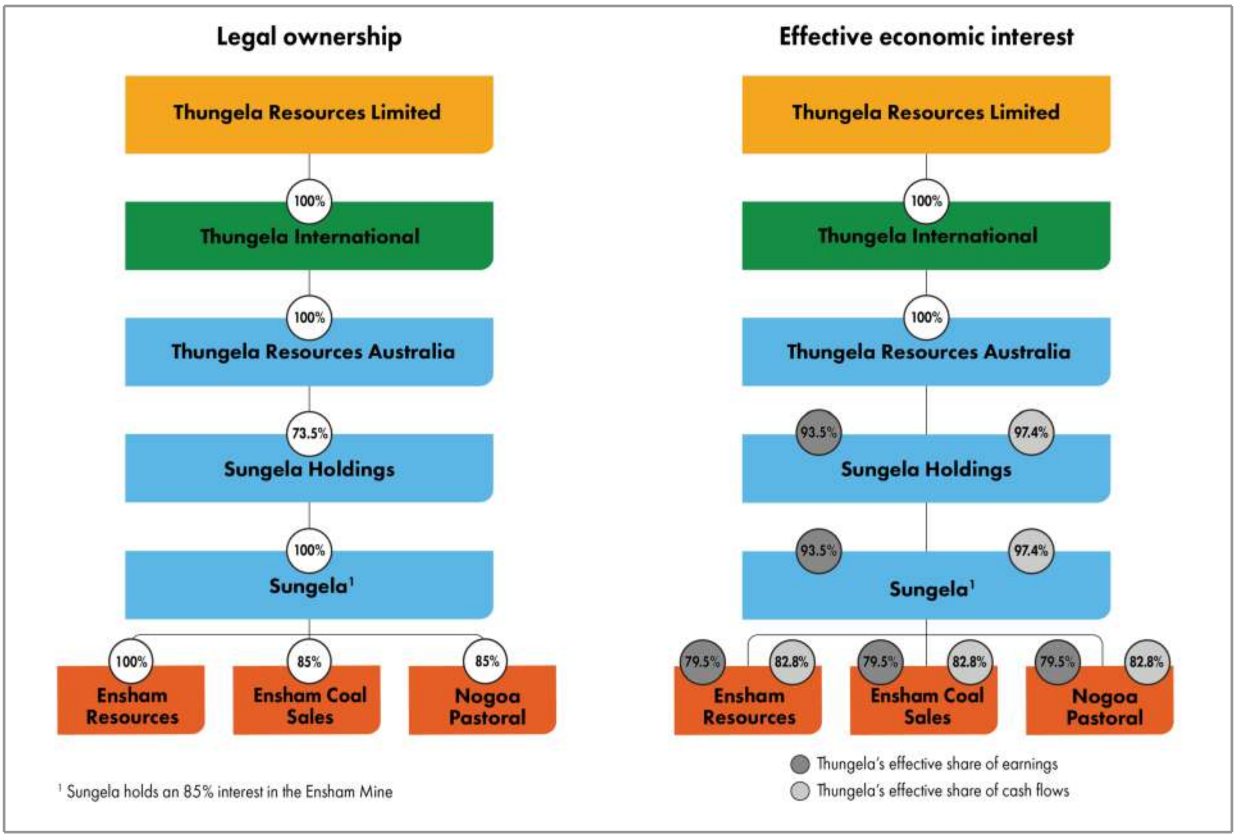
ACQUISITION OF THE ENSHAM BUSINESS CONTINUED

The portion of the purchase price attributable to the shareholding purchased by the co-investors was R1,035 million (25%), of which R809 million (20%) was funded through a loan provided by Thungela International Proprietary Limited (Thungela International) (the loan). The loan is interest bearing and is repayable 18 months after the effective date of the transaction, mainly through distributions received by the co-investors from Sungela Holdings. The co-investors are required to apply 90% of all distributions they receive from Sungela Holdings to the repayment of the loan. The loan is secured by shares owned by the co-investors, representing 20% of the shares of Sungela Holdings in issue at the acquisition date (the secured shares), and to the extent that the loan is not repaid by its repayment date, some of these secured shares may be called as security by Thungela International. Should the loan not be repaid in full, and a portion of the secured shares called, the capital amount of the loan will be considered fully repaid, even if the value of the secured shares called is lower than the value of the outstanding debt at the repayment date, in which case Thungela International may become the legal owner of the shares called as security.

The co-investors were also granted shares through a long-term incentive plan (the LTIP shares), which currently carry no voting or dividend rights, but could vest into ordinary shares on the achievement of specific milestones, each of which will enhance the value of the Ensham Business. Should all of the LTIP shares vest, the legal ownership held by the co-investors in Sungela Holdings would increase to 30% on a fully diluted basis. The co-investors will only have rights to earnings and distributions relating to the LTIP shares from 31 December in the year that the milestones are met, and as approved by the Sungela Holdings board. At 31 December 2023, one of the milestones had been met, meaning that LTIP shares amounting to 1.5% of Sungela Holdings have vested. The remaining LTIP shares available to vest reflect 3.5% of the shares of Sungela Holdings.

Ownership structure

The structure of Thungela's ownership in the Ensham Business is shown in the diagram below. Thungela is considered to control all of the entities within this structure.



The remaining 15% interests in Ensham Coal Sales and Nogoa Pastoral, as well as 15% of the Ensham Mine, are held by Bowen.

The mining tenements and underlying mining assets of the Ensham Mine are owned by the JV participants directly, and are not owned by the operator, Ensham Resources. The operations of Ensham Resources are funded by Sungela and Bowen directly in relation to their participation in the Ensham Mine, which is 85% and 15%, respectively.

Accounting treatment

Thungela is considered to control all of the entities within the Ensham Business, and so these entities are consolidated into the operating and financial results of the Group, with the appropriate recognition of non-controlling interests, with specific considerations as noted below.

Ensham Resources is the operator of the Ensham Mine, and recognises all assets, liabilities, income and expenses related to the operation of the mine. However, the underlying assets are owned by the JV participants in proportion to their ownership of the mining tenements. Notably, Ensham Resources does not own any assets in its own right. On this basis, Sungela only has rights to, and obligations for, 85% of the assets and liabilities of the Ensham Mine, and the results of Ensham Resources are thus reflected at 85% on a line-by-line basis in the consolidated financial statements.

As Ensham Coal Sales manages all coal sales from the Ensham Mine, 100% of revenue from the mine is recognised within the Thungela Group's revenue. The cost for the proportion of coal sales reflecting Bowen's 15% participation in the Ensham Mine is accounted for as a commodity purchase within Ensham Coal Sales, at the realised sales price less specific selling costs incurred.

The results of Nogoa Pastoral are reflected at 85% on a line-by-line basis in the consolidated financial statements, reflecting Sungela's rights to, and obligations for, the assets and liabilities of Nogoa Pastoral.

Based on the underlying terms of the loan, Thungela International is considered, for accounting purposes, to have granted the co-investors an option to acquire 20% of the shares in Sungela Holdings, which is exercisable only to the extent that the loan is repaid by the repayment date. As a result of the accounting treatment applied to the option, the co-investors have enjoyed rights to only 5.0% of the earnings generated by the Ensham Business from the acquisition date up to 31 December 2023. Consequently, the non-controlling interests attributable to the Ensham Business for the year are 5.0%. Following the vesting of the first milestone related to the LTIP shares, the non-controlling interests increased to 6.5% from 1 January 2024.

Flow of economic benefits

Thungela is entitled to 79.5% of the earnings of the Ensham Mine, through the legal ownership of 73.5% of Sungela Holdings (75%, reduced to 73.5% at 31 December 2023, following the vesting of LTIP shares), and based on the treatment of the non-controlling interests described above.

The co-investors are required to apply 90% of any distributions received from Sungela Holdings to the repayment of the loan, and accordingly, until the loan is repaid Thungela has an effective economic interest of 82.8% in the cash flows generated by the Ensham Mine. If the loan is repaid in full, the economic and cash flow participation for Thungela will reflect the legal ownership structure as described above. Should the loan not be repaid by February 2025, the secured shares may be called, increasing the legal ownership of Thungela in the Ensham Business.

In this context, the effective economic interest of Thungela in the Ensham Mine has been determined as follows:

	Effective economic share of earnings (%)	Effective economic share of cash flows (%)
Legal ownership (A)	73.5	73.5
Option provided to the co-investors for accounting purposes (B)	20.0	—
Repayments on the loan due to Thungela (reflecting 90% of 26.5% distributions to be received by the co-investors) (C)	—	23.9
Effective economic interest in Sungela Holdings (D) = (A + B) I (A + C)	**93.5**	**97.4**
Legal ownership of the Ensham Mine (E)	85.0	85.0
Effective economic interest in the Ensham Mine (D x E)	**79.5**	**82.8**

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

The directors are pleased to present the Annual Financial Statements of Thungela for the year ended 31 December 2023.

The directors are ultimately responsible for the preparation, fair presentation and integrity of the consolidated financial statements and related financial information of the Group, as well as the separate financial statements of the Company and the APMs disclosed in annexure 1, on pages 190 to 196. This includes providing oversight of the preparation, fair presentation and integrity of the consolidated and separate financial statements and related financial information of the Group, as included in these Annual Financial Statements.

The consolidated and separate financial statements have been prepared in accordance with the following guidelines and regulations:
- the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (collectively, the 'IFRS Accounting Standards')
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (collectively, the 'South African Financial Reporting Requirements')
- the requirements of the Companies Act 71 of 2008 as amended (the Companies Act of South Africa)
- the JSE Listings Requirements, the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules

The consolidated and separate financial statements are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable judgements and estimates made by management. The consolidated and separate financial statements comprise the statements of financial position at 31 December 2023, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, the notes to the financial statements, and other information.

The directors, primarily through the audit committee, meet quarterly with the internal and independent external auditors as well as senior management, as appropriate, to evaluate matters concerning the responsibilities below:
- maintaining adequate accounting records and an effective system of risk management
- developing, implementing and maintaining a sound system of internal control relevant to the preparation and fair presentation of these Annual Financial Statements, that provides reasonable assurance against material misstatement or loss, whether owing to fraud or error
- selecting and applying appropriate accounting policies, and making reasonable accounting estimates
- safeguarding shareholders' investments and the Group's assets
- preparing the Annual Financial Statements, including the supplementary annexures

The Group's internal auditors independently evaluate the internal controls and co-ordinate their audit coverage with the independent external auditor.

The Group's independent external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS Accounting Standards. The independent external auditor's report to the shareholders is set out on pages 52 to 58.

The Group's internal auditors and independent external auditor have unrestricted access to all records, property and personnel, as well as to the audit committee.

The directors are ultimately responsible for the process of risk management and the internal financial controls established by the Group, and place a strong emphasis on maintaining a strong control environment. Based on the information and explanations given by management, the internal auditors, the independent external auditor and the Group's risk, compliance and other reporting processes, the directors are not aware of any material breakdown in the functioning of these controls during the year ended 31 December 2023. The directors are of the opinion that the risk management processes and internal financial controls provide reasonable assurance in all key material aspects, that the financial records may be relied upon for the preparation of the Annual Financial Statements.

The directors are satisfied that the Group's forecasts, taking into account reasonably possible changes in performance, show that Thungela will continue to operate for the foreseeable future. For this reason, Thungela has adopted the going concern basis in preparing the consolidated and separate financial statements for the year ended 31 December 2023.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The board of directors confirm that they have collectively reviewed the content of the Annual Financial Statements for the year ended 31 December 2023, and approved the same at its meeting on 15 March 2024, for presentation to shareholders at the next annual general meeting (AGM).

The Annual Financial Statements on pages 7 to 202 were approved by the board of directors and are signed on the directors' behalf by:

Sango Ntsaluba
Chairman

July Ndlovu
Chief executive officer

18 March 2024

RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 December 2023

Each of the directors whose names are stated below, being the chief executive officer and chief financial officer, hereby confirm that:

- The Annual Financial Statements set out on pages 60 to 187 fairly present, in all material respects, the financial position, financial performance and cash flows of Thungela in terms of IFRS Accounting Standards.
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading.
- Internal financial controls have been put in place to ensure that material information relating to Thungela and its consolidated subsidiaries has been provided to effectively prepare the financial statements of Thungela.
- The internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function as executive directors with primary responsibility for the implementation and execution of controls.
- Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls. No significant deficiencies were identified.
- We are not aware of any fraud involving directors.

July Ndlovu
Chief executive officer

Deon Smith
Chief financial officer

18 March 2024

CERTIFICATE BY THE COMPANY SECRETARY

For the year ended 31 December 2023

In terms of section 88(2)(e) of the Companies Act of South Africa, I, Francois Klem, in my capacity as company secretary, confirm that, to the best of my knowledge and belief, Thungela has filed with the Companies and Intellectual Property Commission all such returns and notices for the year ended 31 December 2023, as required of a public company in terms of the Companies Act of South Africa, and that all such returns and notices appear to be true, correct and up to date.

Francois Klem
Company secretary

18 March 2024

GROUP PERFORMANCE IN 2023

Delivering on our purpose of **responsibly creating value together for a shared future**

SAFETY

Fatality
One
(2022: None)

TRCFR[1] South Africa
1.40
(2022: 1.41)

CREATING SHARED VALUE

Nkulo Community Partnership Trust
R156 million contribution
(2022: R448 million)

Sisonke Employee Empowerment Scheme[2]
R156 million contribution
(2022: R448 million)

FINANCIAL

Adjusted EBITDA△
R8.5 billion
(2022: R29.5 billion)

Dividends
R2.8 billion
(2022: R13.8 billion)

Share buyback
Up to R500 million
(2022: Rnil)

Earnings per share
R37.66
(2022: R127.08)

Headline earnings per share
R34.97
(2022: R130.82)

OPERATIONAL SOUTH AFRICA

Export saleable production
12.2Mt
(2022: 13.1Mt)

Export equity sales
11.9Mt
(2022: 12.2Mt)

OPERATIONAL AUSTRALIA

Export saleable production[3]
0.9Mt
(85% basis)

Export equity sales[3]
0.9Mt
(100% basis)

1 Total recordable case frequency rate
2 Sisonke Employee Empowerment Scheme Trust
3 For the four months since completion

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Thungela delivered resilient results in 2023. We achieved adjusted EBITDA$^{\triangle}$ of R8.5 billion and net profit of R5.0 billion, despite a significant decline in benchmark coal prices and continued poor performance from Transnet Freight Rail (TFR). Earnings were also impacted by the late arrival of seven vessels in December, which resulted in the slippage of approximately 550kt of sales planned for December 2023 into January 2024.

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

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

Shareholder returns reflect resilient performance in challenging conditions

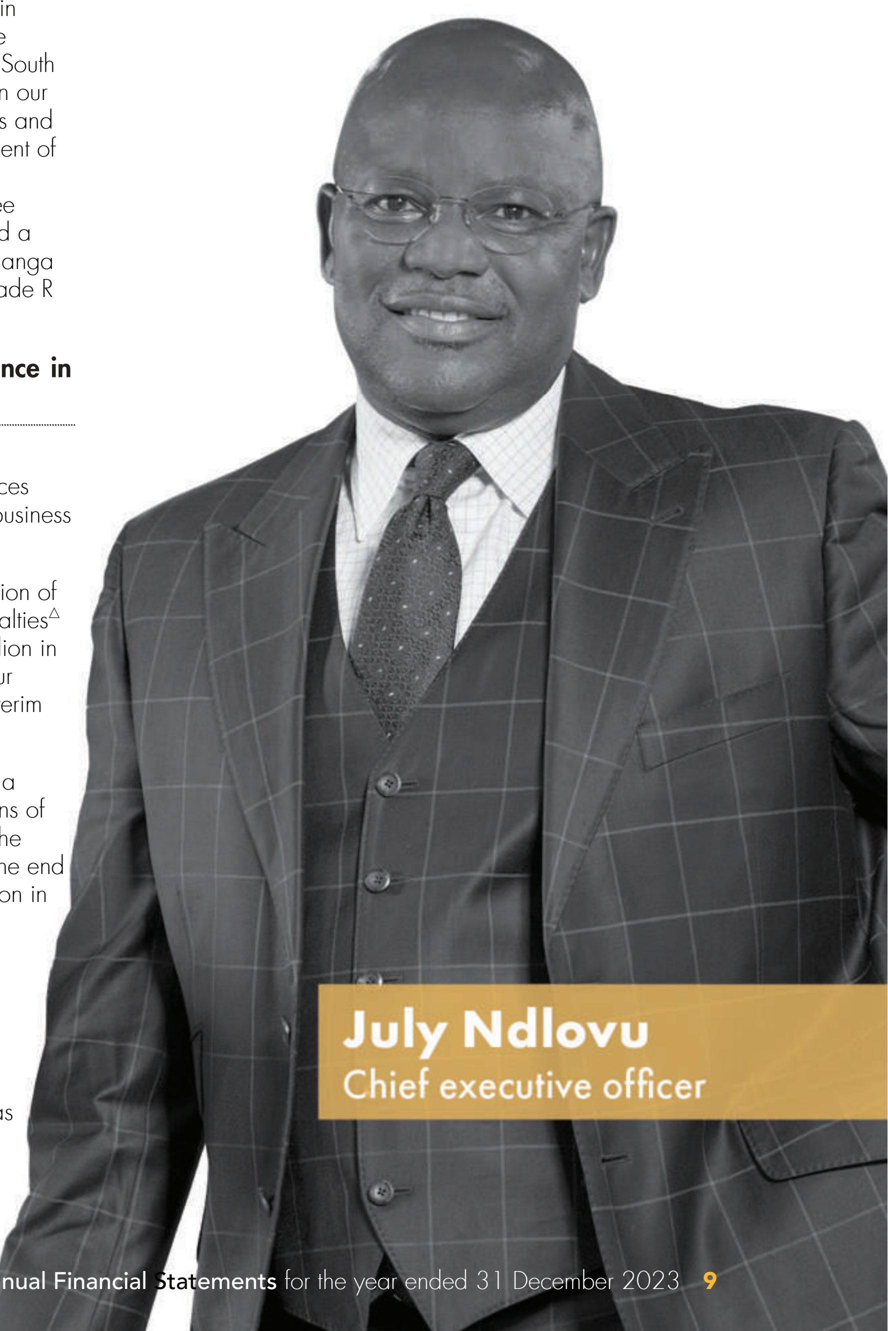
Thungela successfully navigated several exogenous challenges, including the weaker benchmark coal prices and continued poor rail performance by TFR, as the business delivered operational results in line with our targets.

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

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

Our agility in responding to the various challenges helped us maintain strong cash generation which resulted in adjusted operating free cash flow$^{\triangle}$ of R6.8 billion in 2023, and a net cash$^{\triangle}$ position of R10.2 billion at year end, slightly ahead of our estimate in the December 2023 Pre-close Statement as a result of better cash conversion, providing room for improved returns to shareholders.

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



July Ndlovu
Chief executive officer

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

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

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

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

The long-term fundamentals for coal demand remain robust

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

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

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

Managing the impact of continued poor rail performance

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

We continue to work closely with other industry players and Transnet to remedy rail performance. Through RBCT, the industry has strengthened security measures by deploying additional security on the coal line for the past 18 months. While the impasse between TFR and Chinese locomotive supplier CRRC continues, RBCT (on behalf of the industry) is also helping Transnet to acquire the critical spare parts necessary for the maintenance of locomotives from alternative suppliers.

The cost of the spares and security deployment is recovered by the coal exporting parties through the mutual cooperation agreement signed between TFR and RBCT (representing the coal exporting parties). Further collaborative efforts will address critical systems, such as signalling, to improve overall performance.

We have responded to TFR's persistent poor performance by curtailing production at our underground mines, renting sidings to improve our rail distribution pattern and driving efficiencies at our rapid loading terminals. Acting swiftly and decisively in the face of rail challenges has allowed us to benefit from additional trains when they are available, and rail 12.3Mt of export saleable volumes in 2023. Given the uncertain nature of TFR's performance, we have agreed to extend the existing long-term rail agreement by one year, to 31 March 2025, to allow TFR to demonstrate sufficient stability before the contract is renegotiated.

Building a sustainable and long-life business across multiple geographies

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

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

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

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

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

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

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

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

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

Looking ahead

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

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

July Ndlovu
Chief executive officer

18 March 2024

MARKET IN CONTEXT

MACROECONOMIC ENVIRONMENT

Energy prices started to soften towards the end of 2022, and the decline persisted from the first half of 2023 through to the end of the year across gas, oil and thermal coal. The Richards Bay Benchmark coal price averaged USD112.49 per tonne during the second half of the year, compared to USD129.50 per tonne in the first half of the year. The average Richards Bay Benchmark price for the full year was USD121.00 per tonne.

South African coal markets were driven primarily by the redirection of coal flow due to the Russia-Ukraine conflict, and subdued European demand as a result of a mild winter and ample coal and gas stocks.

The Newcastle Benchmark coal price followed a similar trend as the Richards Bay Benchmark coal price, albeit at a slower rate. In January 2023, it peaked at USD357.75 per tonne, and the first half of the year averaged USD204.27 per tonne, compared to USD141.31 per tonne in the second half of the year, resulting in a full-year average of USD172.79 per tonne.

Australian coal markets were shaped by high stocks in Japan and South Korea at the start of the year. In Japan the high stock levels were coupled with nuclear power stations returning to operation following the Fukushima incident in 2011. The recovery of industrial demand was slower than initially predicted and this saw demand weaken in key markets, particularly Japan, the traditional buyer of higher calorific value material.

China's return to the seaborne market, following reduced consumption during COVID-19 restrictions, supported steady demand in the wider Asian market. Multiple disruptions to China's domestic coal production elevated domestic prices for the most widely-used product (5,500kcal/kg), leading utilities to source from the export market. The demand-supply balance remained muted due to unmet expectations of a robust economic and industrial recovery in China. This was further impacted by the resumption of Australian coal imports as trade tensions eased for the first time since 2020.

Russian coal remained in the market, attracting buyers from South Korea, Turkey and Japan with appealing discounts. However, Japan recently imposed sanctions on Russian coal, and the South Korean government has now directed state utilities to reduce volumes purchased from Russia.

The competitive price of Russian coal led to a surge in India's imports from Russia at the start of the year. This decreased during the second half of 2023 as prices from other regions (including South Africa) became more competitive.

A trend that emerged among Asian end users during the year was the tendency to diversify their source base at the expense of some Australian branded products. Consequently, this shift has generated more interest in high quality coal from Richards Bay, including Thungela's branded coals.

The South African coal market was again heavily impacted by the persistent poor performance of TFR and ongoing disruptions to the coal line. These challenges, combined with the negative trajectory of international coal prices, reduced South African coal production and the availability of high-grade coal.

Ongoing geopolitical instability in the Middle East has added to gas and oil supply uncertainty. Suspended production at a natural gas field in Israel resulted in European gas prices increasing to EUR55.00 per megawatt hour, which in turn drove coal prices higher. Due to supply uncertainty, the market expected support for gas to coal switching, with possible higher coal burn in Europe. Liquefied natural gas (LNG) stocks were however already at 90% across the EU, implying lower demand for new gas supply but with a short term spike in both gas and coal prices. In addition, the expected coal restocking season in Europe ahead of winter did not materialise, given that both coal and LNG inventories reached multi-year highs at that time.

The outlook for coal demand remains firm, with many developing nations, particularly in South Asia, still using coal as a primary fuel source. Large importing nations, such as China and India, continue to invest in new coal-fired power stations to meet the energy needs required to sustain economic growth. Seaborne traded thermal coal demand is expected to remain close to one billion tonnes per annum in 2024 and 2025, thereafter declining to between 800 and 900 million tonnes per annum for the rest of the decade.

2023 PERFORMANCE IN SOUTH AFRICA

Thermal coal price and exchange rate	2023	2022
Richards Bay Benchmark coal price (US$/tonne)	121.00	270.87
Average realised export price (US$/tonne)	103.67	229.21
Average realised export price (Rand/tonne)	1,913	3,752
Realised price as a % of Richards Bay Benchmark coal price	86	85
ZAR:US$ average exchange rate	18.45	16.37

The discount achieved against the Richards Bay Benchmark coal price narrowed in the second half of the year to 10%, resulting in an average discount of 14% for the full year, compared to 15% in the prior year. Discounts are typically narrower when prices are lower, and the narrowing discount in the second half stemmed primarily from the lower benchmark price.

2023 PERFORMANCE IN AUSTRALIA

Thermal coal price and exchange rate	2023	2022
Newcastle Benchmark coal price (US$/tonne)	172.79	360.20
Newcastle Benchmark coal price[1] (US$/tonne)	140.94	n/a
Average realised export price[1] (US$/tonne)	155.85	–
Average realised export price[1] (Rand/tonne)	2,929	–
Realised price as a % of Newcastle Benchmark coal price[1]	111	–
ZAR:US$ average exchange rate[1]	18.79	–

[1] Reflects figures from the acquisition date of the Ensham Business, being 31 August 2023, to the end of the year.

The premium achieved against the Newcastle Benchmark coal price for the four months since completion of the Ensham transaction was 11%, attributed to the higher proportion of fixed-price agreements in the sales book.

TRANSNET FREIGHT RAIL PERFORMANCE

Despite widespread acknowledgement at all levels of government that a reliable and sustainable bulk commodity rail service is critical for the South African mining industry, TFR's performance once again proved disappointing. Railing on the North Corridor line fell to 47.9Mt in 2023, down from 50.3Mt in 2022. This remains the most significant risk to our South African business and is receiving intense management attention.

Notwithstanding this poor performance, 2023 saw an improvement in the industry's relationship with Transnet. Transnet's new leadership has displayed a heightened commitment to collaboration with industry, most notably through the mutual cooperation agreement it signed with the coal exporting parties. The agreement establishes a framework for cooperation to ensure the initial stabilisation, and subsequent improvement in rail performance.

Industry has deployed additional security on the railway line for the past 18 months, which has already decreased crime related incidents. Through RBCT, the industry has also commenced with the procurement of critical spares on behalf of TFR. These costs will be recovered in terms of the mutual cooperation agreement. The first spares arrived in February 2024, with the balance expected by the end of June.

In addition to the procurement of spares and deployment of additional security, TFR and industry are working on further improvement initiatives. These include fixing the railway signalling system which has been hard-hit by cable theft, resulting in TFR having to rely on manual signalling methods.

In response to TFR's poor performance, we have continued trucking stocks to additional third-party sidings and also leveraged the infrastructure advantage of our rapid load-out terminals. This allows us to benefit from additional trains when they are available. As a result, Thungela railed 12.3Mt of export saleable volumes in 2023.

Thungela's long-term agreement with TFR was due to expire on 31 March 2024, but has been extended to 31 March 2025. This extension affords TFR time to demonstrate sufficient stability before new terms are negotiated.

MARKET IN CONTEXT CONTINUED

BUILDING THUNGELA'S EXPORT MARKETING CAPABILITY

The marketing agreement with AAML, which was put in place at the time of the demerger, will conclude in June 2024. We will then assume full responsibility for marketing our coal, with a dedicated team based in Dubai, strategically positioning Thungela within the international coal market. In preparing for this transition, our focus is on uninterrupted excellence as we maintain the high level of service expected by our clients.

As part of building our marketing capabilities, Thungela Marketing International, our newly established export marketing entity, will undertake the management of marketing activities for both the South African and Australian assets. Based in the Dubai Multi Commodity Centre Authority, the team is expected to be fully operational by the second quarter of 2024. This move not only facilitates the transition from the AAML marketing agreement to Thungela, but also integrates the marketing of Ensham coal, a responsibility which Thungela has managed since September 2023.

The choice of Dubai as the base for Thungela Marketing International is strategic, given its status as a leading international coal trading hub. This decision aligns with our commitment to growth and active participation in the global commodities market as a major coal producer. Proximity to clients, direct access to key stakeholders and the ability to attract and recruit global coal market expertise further position Thungela Marketing International for value optimisation and uplift for Thungela's coals out of both South Africa and Australia.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Key performance indicators (South Africa)	2023	2022
Safety and health		
Fatalities	1	–
Total recordable case frequency rate (TRCFR)	1.40	1.41
Environment		
Total energy consumed (million GJ)	3.14	3.01
Energy intensity (MJ/total tonne moved)[1]	15.33	16.16
Total greenhouse gas (GHG) emissions (kt CO_2 – equivalent)	729	748
Carbon intensity (kg CO_2/total tonne moved)[1]	3.56	4.02
Freshwater abstraction (ML)	369	767
Water efficiency (reuse/recycle) (%)	96	96
Water treatment (%)	69	57
Number of level 3 – 5 environmental incidents	2	2
People		
Historically disadvantaged people in senior management (%)[2]	65	60
Women in senior management (%)[2]	34	30

[1] The energy intensity and carbon intensity metrics for 2022 have been updated based on changes to the total tonnes moved at Isibonelo, where key mining processes such as dozing and pre-stripping had erroneously been excluded from the calculation.
[2] The people metrics for 2022 have been updated to reflect employees in senior management, including the executive committee (previously reflected all management).

SAFETY

Safety is our first value and core to every action and decision we take. We believe that one injury is one too many and are intensely focused on eliminating incidents that cause loss of life and life-altering injury.

Sadly, we incurred a fatality with the loss of Breeze Mahlangu on 28 February 2023, following an incident in December 2022. A comprehensive investigation resulted in improvements to the directional drilling process and the implementation of a more rigorous medical review procedure for head injuries.

TRCFR for our South African business was 1.40, compared to 1.41 in 2022. While total recordable injuries increased to 29 from 25 in 2022, operating hours also increased with the commencement of construction activity at the Zibulo North Shaft and Elders projects.

We have confidence in the systems, standards and procedures in place to manage our safety risks and we continue to focus our efforts on these and the eradication of complacency on our operations.

ENVIRONMENTAL STEWARDSHIP

We continue to provide regular, transparent feedback relating to the uncontrolled release of water incident at our Khwezela Kromdraai site on 14 February 2022. Engaging closely with our stakeholders, we report regularly on our progress to mitigate negative impacts and prevent repeat incidents.

We continue to collaborate with the Mpumalanga Tourism and Parks Agency (MTPA), the Department of Water and Sanitation and an independent panel of experts on the implementation of the rehabilitation and remediation action plan, and the results of our biomonitoring programme.

The most recent biomonitoring report shows that the river has returned to its pre-incident condition. All sampling sites exceed or meet the legally required ecological classification and have either improved or maintained their status. Sampling has shown excellent habitat and macroinvertebrate results, while fish populations are taking longer to recover. Eight of the 13 expected fish species have been detected during sampling.

We have made significant progress in achieving milestones that are critical to the overall rehabilitation process. These include the following:

- Accelerated rehabilitation of the area continues to be a priority, reaching 90% completion at critical areas. This reduces the ingress of water by increasing run-off.
- Boreholes to dewater the underground workings were commissioned in October 2023.

- A vandalised liming plant which is critical for neutralising acidic water was reinstated and upgraded in July 2023.
- A new 5ML per day reverse osmosis facility to treat mine-impacted water from underground workings was commissioned at Kromdraai in November 2023.
- As part of our phytoremediation project to manage water levels in underground compartments, 26,000 trees have been planted in the area.
- The fish breeding facility at the Loskop Dam Nature Reserve was commissioned in 2023 and is operated by members of the MTPA. The facility is fully automated and allows for remote monitoring. It is powered by a solar energy system, which also supplies back-up power to the Mabula Ground-Hornbill and Black-footed Cat projects nearby. The aim is to breed and release fish until biomonitoring results indicate that fish varieties and abundance have returned to pre-incident levels. The facility is currently breeding banded tilapia and southern mouthbrooder successfully.

WATER MANAGEMENT

Three of our operations rely on freshwater from external sources and have been working to reduce consumption by 20% by 2023 (from a 2015 baseline of 1,015ML). Freshwater consumption in 2023 was 369ML, 64% lower than the baseline and 52% lower than the 767ML used in 2022.

We have consistently achieved our target of 75% water reuse and recycling for the last three years, achieving 96% in 2023. We have also exceeded our water treatment target of 40%, achieving 69% in 2023.

REHABILITATION AND CLOSURE PROVISIONS

The financial provision regulations, published under the 2015 National Environmental Management Act (NEMA Financial Provisioning Regulations) have been subject to numerous amendments. Drafts of the replacement regulations were published several times, most recently in July 2022, and the transition date was deferred until 19 February 2024. On 1 February 2024, the Minister of the Department of Forestry, Fisheries and the Environment (DFFE) (the Minister) published a notice of intention to defer the transition date again, however a revised date was not provided. We await the publication of the updated transition date.

The current draft of the regulations looks to alter the way companies calculate the required financial provisioning. It is likely that compliance with these regulations will substantially increase the required quantum of financial provisioning to be made by mining right holders with existing operations.

This expected increase is mainly due to the requirement for the treatment of water to be provided for using the costs of currently available technologies which the Department of Mineral Resources and Energy (DMRE) has approved, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements.

We have provided for water treatment costs using a combination of active and passive water treatment methods. This is based on current activities at our operations, which aim to prove the ability of passive treatment technologies to treat mine-impacted water on our sites effectively.
The passive treatment demonstration scale plant constructed in 2022 reached full functionality in 2023 and initial results are positive. We will continue to treat water of varying qualities to optimise process parameters through summer and winter. This will inform the design of a full-scale plant to be constructed at our closed Kromdraai site and later expanded to other operations.

The Group's long-term post-closure water management strategy includes phytoremediation, a biological process that uses trees to stabilise water levels by taking up mine-impacted water and reducing ingress. These trees reduce the volumes flowing into artificial wetlands, constructed to improve the quality of seepage from mineral residue facilities. The initiative has been rolled out at areas of the Goedehoop Colliery and the Kromdraai site at the Khwezela Colliery.

PROGRESS AGAINST OUR CARBON EMISSION TARGETS

In 2023 we published our target to reduce our scope 1 and 2 emissions by 30% by 2030 (based on a 2021 baseline), as well as our pathway to achieve net zero by 2050.
We are pleased to report an 11% reduction from our 2021 baseline of 819kt carbon dioxide equivalent (ktCO_2e) and a 2.5% reduction in total scope 1 and 2 emissions to 729ktCO_2e from the 2022 level of 748ktCO_2e. Our carbon intensity dropped by 11% from 4.02kgCO_2e per total tonne moved in 2022 to 3.56kgCO_2e per total tonne moved in 2023.

Energy intensity decreased by 5.1% to 15.33GJ per total tonne moved despite total energy consumption increasing in 2023 to 3.14 gigajoules (GJ) from 3.01GJ in the previous year.

We continue to drive efficiency across our operations and to work towards our 2030 target. Central to our pathway to net zero is the incorporation of a minimum of 19 megawatts (MW) of renewable electricity by 2030. A 4MW solar plant is being installed at our Zibulo Colliery, with completion expected in the fourth quarter of 2024.
The feasibility study for a 4MW plant at the Elders Colliery is well underway and the necessary permit applications have been made. Further details will be available in the Thungela Climate Change Report, which will be published in April 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

CREATING VALUE FOR A SHARED FUTURE

We continue to spike on the social element of ESG. We contributed R312 million to the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust collectively, based on our performance in 2023. This has created significant and lasting value for employees and those living in our host communities.

The Sisonke Employee Empowerment Scheme board of trustees is made up of an equal number of employee and employer representatives, and held its first AGM in 2023. The Nkulo Community Partnership Trust undertook a socio-economic needs assessment to guide the selection of projects and identified the following priorities: healthcare, education and skills development, social mobilisation, welfare and humanitarian initiatives, environmental conservation and sports and culture.

Thuthukani is our enterprise and supplier development programme and the primary vehicle through which we drive small, medium and micro enterprise development. It offers local entrepreneurs business skills training, mentorship and support, technical enablement and loan funding at preferential rates. The programme has 12 supplier development graduates and 33 enterprise development graduates. Loan finance for contracted suppliers, offered by Thungela in partnership with our fund administrator Absa, rose from R1.8 million to R22 million during the period under review, resulting in the creation of 114 additional jobs.

We want to differentiate ourselves by investing in projects that achieve measurable improvements in the quality of the lives of people living in host communities. Every project we invest in should contribute to the achievement of four impact goals. These have been identified through a detailed impact assessment in the regions where we operate: improving access to quality education and skills development, improving access to income generation opportunities, improving the quality of community services, and reducing communities' and suppliers' reliance on mines.

One of these projects is the R160 million, five-year education initiative, which we developed and launched in January 2024. The programme will improve access to quality education for learners in 45 no-fee schools in Mpumalanga, supporting learners from grade R to grade four, as well as their dedicated educators.

During the year, we worked with municipalities to deliver social and labour plan projects that included a R7.2 million satellite fire station in the densely populated residential area of Phola and two mobile clinics that will deliver health services to people living in remote rural communities near Middelburg. The sewer system in the Lebohang community near our Isibonelo Colliery was upgraded in partnership with Sasol and we also upgraded the Ogies Taxi Rank.

OUR PEOPLE

We achieved Top Employer certification for the second consecutive year. Our participation in this programme has enabled us to take several strategic steps towards becoming an employer of choice.

We depend on the support of agile, highly motivated individuals and teams who are equipped with the knowledge, skills and insights needed to excel in an ever-changing business landscape. Learning and development plays a crucial role in our people strategy as it contributes to the overall efficiency, safety, and sustainability of our operations. In 2023, we spent R186 million on training, accounting for 4.4% of our wage bill, compared to R142 million (4.2%) in the previous year.

We saw an increase in the percentage of historically disadvantaged people in senior management from 60% in 2022 to 65% for the year under review, while the representation of women in senior management improved to 34% from 30% in 2022.

GOVERNANCE

We are committed to applying sound governance principles, as guided by the King IV Report on Corporate Governance for South Africa (King IV), and the highest ethical standards as we manage our business and its affairs responsibly and with integrity, diligence and fairness. The board is responsible for ensuring that these principles are effectively practised throughout the business.

High standards of corporate governance are essential to value creation, business sustainability and effective compliance and are therefore integrated into our policies, standards, practices and procedures.

The board committees were restructured in 2023, splitting the remuneration and nomination committee into two separate committees: the remuneration and human resources committee, and the nomination and governance committee. The social and ethics committee is now known as the social, ethics and transformation committee, while the risk and sustainability committee is referred to as the health, safety, environment and risk committee. In addition, a new investment committee was introduced.

ESG metrics related to the Ensham Mine have not been included in this year's reporting. In 2024, we will undertake a process to align the existing Ensham ESG governance and metrics to those of the Group. We will also evaluate how best to integrate Ensham into our consolidated baselines, where relevant. The Ensham ESG data will be included in the next annual reporting cycle.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a variety of risks and uncertainties, which may have a financial, operational, or reputational impact on Thungela, and may also impact the achievement of our social, economic and environmental objectives.

Principal risks and uncertainties relate to:

- coal transport networks
- employee safety and health
- ESG and climate change
- strata and geotechnical failure
- community relations
- legislative exposure
- relocations and resettlements
- cyber and information security
- commodity price and foreign exchange rate fluctuations
- environmental management
- event risks, including underground fires, gas and explosion and shaft conveyance failure

The Group is, like any business, subject to changes in the economic and geopolitical environment.

RESOURCES AND RESERVES

As at 31 December 2023

INTRODUCTION

For the reporting of South African Coal Resources, Coal Reserves and Gas Resources, Thungela conforms to the South African Codes for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 (the SAMREC Code) and the Reporting of Oil and Gas Resources, 2015 (the SAMOG Code) adopted by the JSE, and accepted as the minimum standards, recommendations and guidelines for public reporting of Coal Resources, Coal Reserves and Gas Resources. For the reporting of the Australasian Coal Resources and Coal Reserves, Thungela conforms to the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 (the JORC Code). The JORC Code conforms to the standards of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), accepted by the JSE as compliant. The Group also conforms to the JSE Listings Requirements Section 12, Part 1.

The estimates (tonnes and qualities) for individual assets are reported on a 100% basis and the attributable ownership is stipulated in the Coal Resources and Coal Reserves statement. Resources are reported on an exclusive basis.

STATEMENT BY THE LEAD COMPETENT PERSON

By signing this statement, the lead competent person, Bart Van de Steen, confirms that the information disclosed in this section is compliant with the various codes and the relevant JSE Listings Requirements Section 12, Part 1. The Coal Resources, Coal Reserves and Gas Resources are published in the form and context in which they are intended. The lead competent person has not been unduly influenced by Thungela or any person involved in the compilation of this report and its content. The lead competent person has more than 30 years of relevant experience in the main commodity under consideration and is registered as a professional engineer with the Engineering Council of South Africa.

Bart Van de Steen
Head of resource development and operational excellence
PhD

ECSA, Registration No: 20050122

COMPETENCY

Pursuant to the requirements of the JSE Listings Requirements Section 12, Part 1, clause 8 of the 2016 SAMREC Code, clause 5 of the 2015 SAMOG Code and clause 9 of the 2012 JORC Code, a written consent statement by the coal competent person has been signed in the individual asset competent person's report, declaring the Coal Resources and Coal Reserves, and a written consent statement by the qualified reserves evaluator for Gas Resources. They have consented to the inclusion of their estimates in the form and context in which they appear in this extract of the report.

A list of the competent persons and qualified reserves evaluator, their affiliation and relevant years of experience will be made available in the Integrated Annual Report.

The full report detailing the Resources and Reserves for Thungela in line with the various codes will be available in the Integrated Annual Report to be published on 24 April 2024.

RESOURCE AND RESERVE RECONCILIATION

2022 VS 2023

The 2023 Coal Resources and Coal Reserves estimations are derived from first principle competent person reports. Only significant and material changes to the resource and reserve base between 2022 and 2023 are recorded. These changes are tracked by the various reconciliation categories in the below graphs.

For the Lephalale coalbed methane project, the resource is classified as a 2C Contingent Resource ranging between 725.5 and 1569.3 billion standard cubic feet (Bscf). Since these resources are reported for the first time, no reconciliation graph is required.

The comparison between the total Coal Reserves including mineral residue deposits (MRDs) of 31 December 2022 and 31 December 2023 is illustrated in Figure 1.

Production: The tonnes mined and adjustments for the over/underestimations of mining from the previous reporting period.

Conversion: Resources to reserves mainly due to the inclusion of the Goedehoop west resources to reserves, and an increase in the Rietvlei reserves due to a reasonable expectation of a new domestic contract. Resources to reserves conversion for the 2024 production at the Goedehoop North MRD.

Economic assumptions: Reallocation of reserves to resources outside mine plan at the Isibonelo Colliery from South Pit.

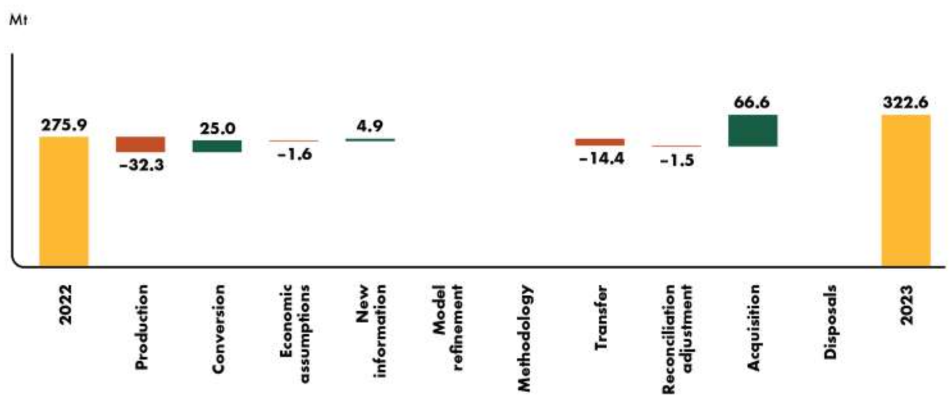
New information: Additional drilling information at Mafube and Greenside upgrading the classification.

Transfer: Reallocation of reserves to resources outside the mine plan due to geological conditions mainly at Goedehoop and Zibulo underground. Mafube reallocation due to adjustment to mine plan. Due to an expired contract, the remaining reserves at Goedehoop South MRD, have been reallocated to resources outside mine plan.

Reconciliation adjustment: Losses/gains from layout changes and sterilised coal.

Acquisition: Acquisition of the Ensham Coal Reserves.

FIGURE 1: OPERATIONS – YEAR-ON-YEAR CHANGES IN COAL RESERVES 2022 VS 2023



The comparison between the total Coal Resources (excluding projects) of 31 December 2022 and 31 December 2023 is illustrated in Figure 2.

Conversion: Resources to reserves mainly due to inclusion of the Goedehoop west resources to reserves. Increase in the Rietvlei reserves from resources, due to the reasonable expectation of a new domestic contract. Resources to reserves for the 2024 production at the Goedehoop North MRD.

Economic assumptions: Reallocation of reserves to resources outside mine plan at the Isibonelo Colliery from South Pit.

New information: Additional drilling information at Greenside, Mafube and Zibulo underground.

Model refinement: Change in modelling sample density at Isibonelo.

Transfer: Reallocation of reserves to resources outside mine plan at Goedehoop and Zibulo underground due to geological conditions. Mafube reallocation due to adjustment to mine plan. Increase of resources from inventory coal, in areas south of the Ogies Dyke at Goedehoop, meeting Reasonable Prospects for Eventual Economic Extraction requirements. Due to an expired contract, the remaining reserves at Goedehoop South MRD, have been reallocated to resources outside mine plan.

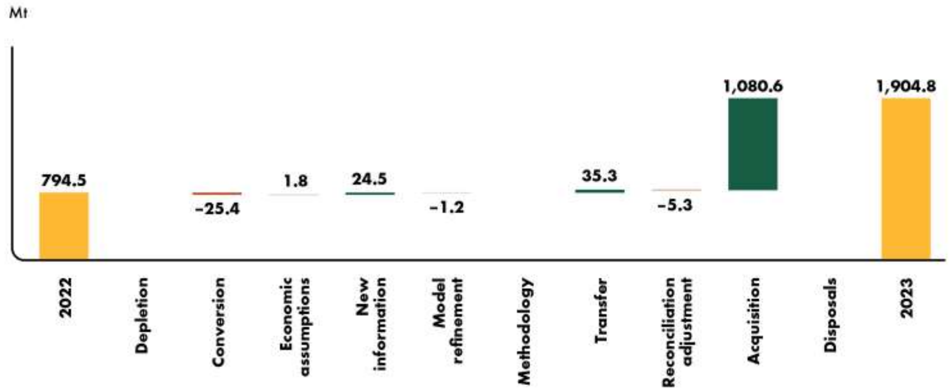
Reconciliation adjustment: Sterilized resources outside mine plan (isolated areas) and loss due to reconciliation of resource estimations.

Acquisition: Acquisition of the Ensham Coal Resources.

RESOURCES AND RESERVES CONTINUED

As at 31 December 2023

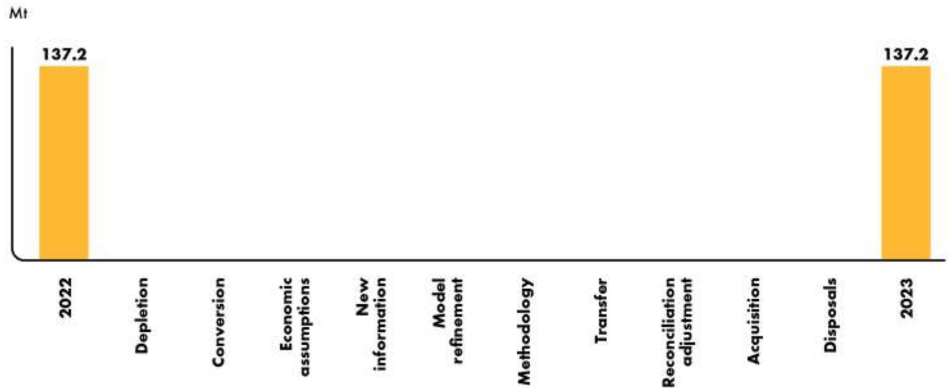
FIGURE 2: OPERATIONS – YEAR-ON-YEAR CHANGES IN COAL RESOURCES OUTSIDE MINE PLAN 2022 VS 2023



The comparison between the total Coal Reserves (Projects) of 31 December 2022 and 31 December 2023 is illustrated in Figure 3.

Both Elders and Zondagsfontein West are reported on an unchanged basis as the life-of-mine was not updated.

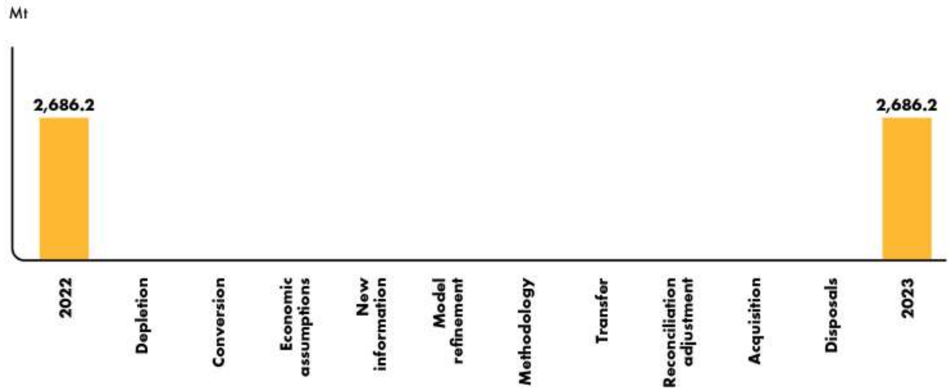
FIGURE 3: PROJECTS – YEAR-ON-YEAR CHANGES IN COAL RESERVES 2022 VS 2023



The comparison between the total Coal Resources (Projects) of 31 December 2022 and 31 December 2023 is illustrated in Figure 4.

Both Elders and Zondagsfontein West are reported on an unchanged basis as the life-of-mine and resource models were not updated.

FIGURE 4: PROJECTS – YEAR-ON-YEAR CHANGES IN COAL RESOURCES 2022 VS 2023



OUR PERFORMANCE

REVIEW OF FINANCIAL PERFORMANCE

For the year ended 31 December 2023

Net profit for the year **R5.0 billion** (2022: R18.2 billion)	Headline earnings per share **R34.97** (2022: R130.82)	Adjusted EBITDA△ **R8.5 billion** (2022: R29.5 billion)
Net cash△ **R10.2 billion** (2022: R14.7 billion)	Total dividend of **R2.8 billion** to shareholders of Thungela	Total dividend per share **R20** 41% of adjusted operating free cash flow△

Our performance demonstrates the strength of our underlying business and highlights our efforts to counter persistent industry headwinds. We have remained steadfastly focused on executing our strategic priorities. This is most clearly evidenced by the acquisition of the Ensham Business in Australia, which has transformed Thungela into an international coal company.

For the third consecutive year, rail performance in South Africa has negatively impacted our profits and cash generation. In 2023, TFR railed 47.9Mt for the industry, reflecting a further decline from the 50.3Mt it railed in 2022. In response, we took several actions to preserve value and capitalise on our differentiated infrastructure advantage. Notwithstanding the decline in industry-wide rail performance, Thungela was able to increase its railings to 12.3Mt in 2023, improving on the 12.1Mt railed in 2022.

Our South African operations recorded export saleable production of 12.2Mt, at the upper end of the guidance range of between 11.5Mt and 12.5Mt, at an FOB cost per export tonne△ of R1,134 (R1,084 per tonne excluding royalties), which is at the low end of the guidance range of between R1,170 and R1,250. This comes mainly as a result of higher than expected domestic revenue offsets. Ensham produced 2.9Mt (on a 100% basis, for the full year) at an FOB cost per export tonne△ of R1,886 (R1,544 per tonne excluding royalties) for the four months since acquisition.

We realised equity export sales from our South African operations of 11.9Mt, which was impacted by vessel slippages of 299kt at RBCT, compared to 12.2Mt in the previous year. At Ensham we realised 0.9Mt of export equity sales for the four months since acquisition, which was impacted by vessel slippages of 255kt at the Port of Gladstone. Vessel slippages at both ports were as a result of late vessel arrivals and queues at the ports, and these sales were realised in January 2024.

Seaborne thermal coal prices decreased significantly in 2023, mainly due to a milder than expected winter in the northern hemisphere, and higher coal and gas stockpile levels across Europe. This is reflected in the decrease in the average Richards Bay Benchmark coal price from USD270.87 per tonne in 2022, to USD121.00 per tonne in 2023. The average discount to the Richards Bay Benchmark coal price narrowed to 14% in 2023, compared to 15% in 2022.

In a demanding context, and against an atypically high comparative net profit of R18.2 billion in 2022, Thungela generated a net profit of R5.0 billion in 2023. This includes the accounting impact of the acquisition of the Ensham Business, which is based on the fair value of the underlying net assets thereof at the acquisition date. The acquisition resulted in the recognition of a non-cash gain on bargain purchase of R565 million, representing the excess of the fair value of the business over the purchase consideration. This was offset by acquisition and integration costs incurred, as well as other non-cash acquisition related accounting adjustments, of R736 million, from the acquisition date to 31 December 2023.

Profit was further impacted by impairment losses of R266 million, recognised predominantly at Greenside and Khwezela, as a result of poor rail performance and softer prices.

Capital expenditure for the Group was R3.3 billion, including R299 million at Ensham. In our South African operations sustaining capital expenditure△ amounted to R1.4 billion, while expansionary capital expenditure of R1.6 billion related to our two ongoing projects.

The Group generated solid adjusted operating free cash flow△ of R6.8 billion for the year and at 31 December 2023 had a net cash△ balance of R10.2 billion, ahead of expectations mainly as a result of better than expected cash collection in December 2023.

ADVANCING OUR GEOGRAPHIC DIVERSIFICATION STRATEGY

The acquisition of the Ensham Business marked a significant milestone on our journey to geographic diversification. The acquisition provides access to new markets, notably Japan and Malaysia, as well as exposure to the Newcastle Benchmark coal price. The Ensham sales book consists of volumes sold against the Newcastle Benchmark coal price, the Japanese Reference Price and fixed price contracts with large utilities in, for example, Taiwan and Malaysia.

The transaction was structured to allow Thungela to start benefiting from the economics of the Ensham Business from 1 January 2023 to the completion date – resulting in a return of R815 million in cash to Sungela. Considering the R376 million of cash acquired in the Ensham Business, as well as final closing adjustments per the agreement, this reduced the net cash outflow related to the transaction from the initial R4.1 billion, to R2.8 billion.

We have progressed well in the integration of the Ensham Business into the Group, finalising the transition of all services from the previous owner by 30 November 2023. Final system transitions are planned throughout 2024, as well as an alignment of appropriate policies, procedures and best practice. We are actively establishing our presence in Australia and engaging with regulators and financial institutions.

The acquisition resulted in a material increase in our coal resource base, with the addition of approximately one billion tonnes in resources. The recently launched resource development programme will identify further opportunities to unlock the full value of this asset beyond the current life of mine and footprint.

Our export marketing team to be based in Dubai will be responsible for overseeing marketing functions for the South African and Australian assets and have already been providing marketing services to Ensham since the completion of the acquisition. The financial impact of the marketing function's transition will be positive as the marketing fee previously paid to AAML will no longer be reflected as a deduction from revenue. Actual costs incurred in marketing our coal will be recognised as operating costs.

REVIEW OF FINANCIAL PERFORMANCE CONTINUED

For the year ended 31 December 2023

CAPITAL PROJECTS UPDATE

Since the listing of our business in 2021, the board has approved two key projects in South Africa – the Elders production replacement project at a cost of R2.0 billion and the Zibulo North Shaft life extension project at a cost of R2.4 billion.

The Elders project will replace volumes from Goedehoop as that mine nears the end of its life. Elders is progressing well and delivered first coal in March 2024. To date, we have spent R1.2 billion on Elders, predominantly on the development of the portal into the coal reserve, as well as on surface infrastructure. Approximately R800 million of capital expenditure is budgeted for 2024. The mine is expected to produce 4.2Mt of run of mine coal per annum when it reaches steady state at the end of 2025.

The Zibulo North Shaft life extension project was approved by the board in June and construction commenced shortly thereafter. We anticipate completion in 2026, which will extend the life of Zibulo's underground operation through to 2038. The mine is expected to produce 8Mt of run of mine coal per annum by the first half of 2026.
At 31 December 2023, we had spent R590 million on the project. We are expecting to spend a further R950 million in 2024 and approximately R870 million in 2025.

We are pleased to report that both projects are on track in meeting expected completion timelines and budgets. Together, these projects will underpin our future competitiveness and extend the life of our South African business, sustaining regional jobs and supporting local suppliers.

CAPITAL ALLOCATION

We continue to set aside funds to cover future environmental liabilities, and in 2023 we contributed a further R205 million into the green fund, as required by the providers of the financial guarantees. We also spent R860 million on ongoing rehabilitation predominantly at the Kromdraai and Umlalazi sites at our Khwezela Colliery. Our environmental liability coverage$^{\triangle}$ for the South African operations has increased to 60%, however when combined with the Ensham Mine, our Group coverage has decreased to 40%. The board has set aside R500 million to be used as cash collateral for the Ensham rehabilitation liability as we pursue acceptance into the Queensland Financial Provisioning Scheme.

We are pleased to reiterate our commitment to shareholder returns through the announcement of a share buyback of up to R500 million, in addition to the declaration of a final ordinary cash dividend of R1.4 billion, or R10 per share. This means that, combined with the interim dividend of R1.4 billion, we are returning R3.3 billion to shareholders, or 49% of adjusted operating free cash flow$^{\triangle}$.

The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will each receive a further R78 million, taking the total contribution to these trusts for the year to R312 million.

Our capital allocation framework allows us to navigate challenges, while prioritising shareholder returns and empowering our people and communities. We remain committed to being disciplined stewards of capital, ensuring that our decisions reflect our purpose to responsibly create value together for a shared future.

FINANCIAL OVERVIEW

Rand million (unless otherwise stated)	2023	2022
Revenue	30,634	50,753
Operating costs	(23,737)	(22,420)
Profit for the reporting period	4,970	18,205
Attributable to non-controlling interests	(192)	1,217
Attributable to the equity shareholders of the Group	5,162	16,988
Earnings per share (cents/share)	3,766	12,708
Headline earnings per share (cents/share)	3,497	13,082
Dividends per share (Rand/share)	20	100
APMs△		
Adjusted EBITDA	8,454	29,530
Adjusted EBITDA margin (%)	28	58
FOB cost per export tonne (Rand/tonne) – South Africa	1,134	1,079
FOB cost per export tonne excluding royalties (Rand/tonne) – South Africa	1,084	929
FOB cost per export tonne (Rand/tonne) – Ensham Business[1]	1,886	—
FOB cost per export tonne excluding royalties (Rand/tonne) – Ensham Business[1]	1,544	—
Adjusted operating free cash flow	6,806	18,096
Net cash	10,176	14,720
Capital expenditure	(3,288)	(1,923)
Environmental liability coverage (%)	40	54

OPERATIONAL OVERVIEW

kt	2023	2022
South Africa		
Run of mine	24,095	25,242
Export saleable production	12,214	13,062
Domestic saleable production	8,087	6,915
Total saleable production	20,301	19,977
Export equity sales	11,926	12,172
Third-party export sales	—	21
Domestic sales from thermal export stockpiles	1,491	—
Other industrial and domestic sales	7,271	6,723
Total sales	20,688	18,916
Ensham		
Run of mine (85%)[1,2]	839	—
Export equity saleable production (85%)[1]	860	—
Commodity purchases from Bowen (15%)[1,3]	152	—
Total saleable production	1,012	—
Export equity sales (100%)[1,4]	884	—
Total sales	884	—

1 Results for the Ensham Business reflect the results for four months from the acquisition date of 31 August 2023, to the end of the year.
2 Run of mine has been reflected at 85% of the run of mine extracted by the Ensham Mine.
3 Commodity purchases from Bowen reflect 15% of the operations of the Ensham Mine, to align to the sales made through Ensham Coal Sales.
4 The sales volume reflects 100% of the coal sold from the Ensham Mine. This includes tonnes sold in Australia at export parity prices, which are considered export equity sales.

The table above reflects the financial results as disclosed in the consolidated financial statements for the year ended 31 December 2023, including the APMs as included in annexure 1 of this document. The Group acquired a controlling interest in the Ensham Business on 31 August 2023, and assumed operational control thereof from 1 September 2023. The results of the Ensham Business have been included in the Thungela consolidated results for four months from 31 August 2023 to the reporting date. Refer to note 2A and note 15 of the consolidated financial statements for further detail.

REVENUE

Revenue reduced by 40% to R30.6 billion (2022: R50.8 billion) as a result of the steep decline (55%) in the Richards Bay Benchmark coal price experienced in 2023.

Our South African operations achieved an average realised export price of USD103.67 per tonne in 2023 compared to USD229.21 per tonne in 2022.

The realised export price as a percentage of the Richards Bay Benchmark coal price averaged 86% for 2023, slightly narrower than the 85% in 2022.

Revenue from the Ensham Business for the four-month period amounted to R2.6 billion. This part of our business achieved an average realised price of USD155.85 per tonne, representing a premium of 11% to the Newcastle Benchmark coal price for the four-month period. The premium is due to a proportion of fixed price agreements in the sales book, which are negotiated early in the year.

The weaker average exchange rate to the US dollar of R18.45 (2022: R16.37) had a positive impact on reported revenue, as the majority of export sales are undertaken in US dollar.

OPERATING COSTS

Operating costs increased by 5.8% to R23.7 billion from R22.4 billion in 2022.

Royalties incurred in South Africa decreased by R1.4 billion year on year, from R2.0 billion in 2022 to R603 million in 2023, as a result of lower prices.

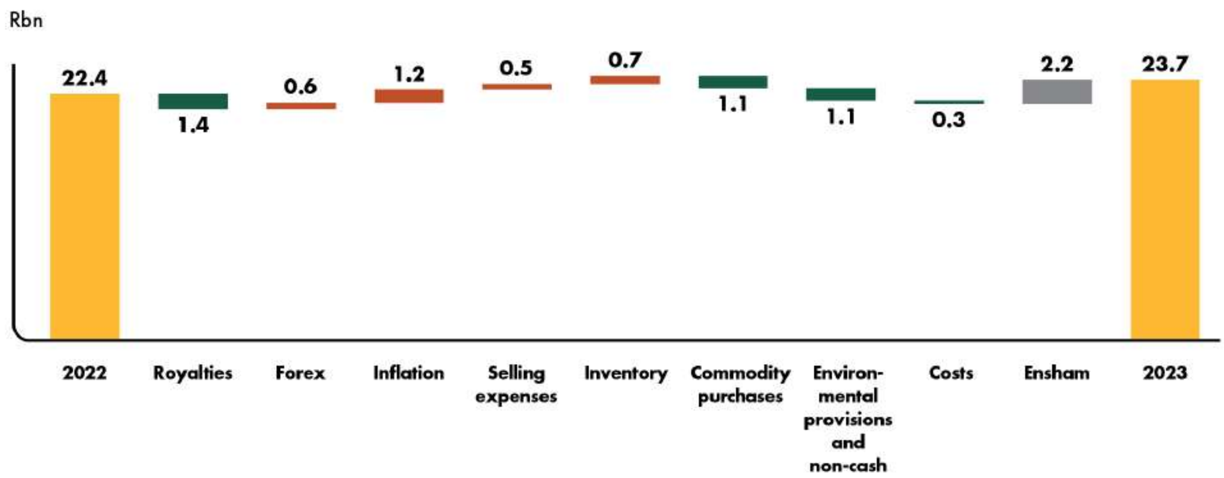
Total operating costs, excluding the impact of royalties, increased by R2.7 billion, of which R2.2 billion relates to the inclusion of the Ensham operating costs for the four months since acquisition.

The South African operations continued to experience a higher level of inflation of 7.1%, while the relatively weaker US dollar exchange rate reduced our realised exchange gains on revenue receipts by R566 million, which conversely increased operating costs.

Selling expenses in South Africa increased by R504 million year on year due to higher port and rail tariffs. Free on truck sales were used to reduce pressure on on-mine stockpiles, resulting in an increase in the inventory movement cost in South Africa of R740 million.

The cost of our commodity purchases were impacted by benchmark coal prices and thus decreased by R1.1 billion, in line with the decrease in the Richards Bay Benchmark coal price.

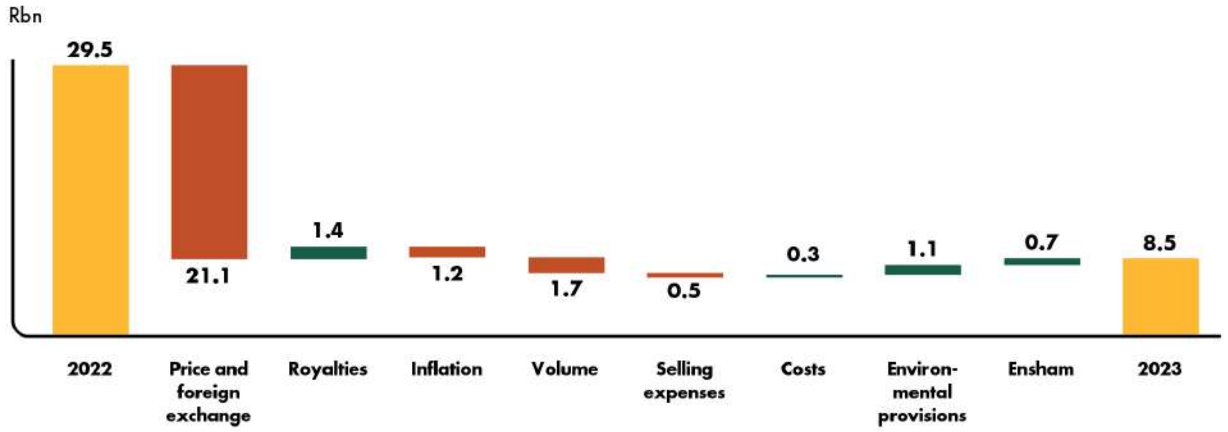
Environmental provisions were impacted by the annual independent cost assessment, as well as the planned timing of rehabilitation work, and the non-cash charge in South Africa amounted to R78 million, R1.0 billion lower than in 2022.



ADJUSTED EBITDA△

The Group generated adjusted EBITDA△ of R8.5 billion (2022: R29.5 billion), at an adjusted EBITDA margin△ of 28%, compared to 58% in 2022. The decline in earnings was mainly driven by lower benchmark coal prices, which was partially offset by the weaker average US dollar exchange rate, and lower royalty expenses.

The impact of inflation on operating costs remains high but was marginally lower than that of the prior year. Positive impacts resulted from the lower non-cash charges for our environmental provisions as well as the consolidation of earnings from the Ensham Business from the acquisition date.



PROFIT

Profit for the reporting period was R5.0 billion (2022: R18.2 billion), mainly due to the Richards Bay Benchmark coal prices, which by June, had fallen to below USD100 per tonne. Prices remained soft for most of the second half of the year, averaging USD100.32 per tonne for December 2023, and USD121.00 for the full year.

Profit attributable to the equity shareholders of the Group was R5.2 billion (2022: R17.0 billion). The proportion of profit attributable to the equity shareholders of the Group increased as a result of our acquisition of the 27% interest in Anglo American Inyosi Coal Proprietary Limited (AAIC) in November 2022. In 2023, non-controlling interests were allocated a loss of R192 million (2022: profit of R1.2 billion) based on losses incurred at the underlying statutory entities.

Profit was impacted by various once-off, non-cash transactions in relation to the acquisition of the Ensham Business. The gain on bargain purchase of R565 million was offset by expenses related to the options granted to the co-investors of R123 million, and losses on acquisition date derivatives of R159 million. Acquisition and integration costs of R454 million were paid in relation to the acquisition and ongoing integration of the Ensham Business into the Group.

The settlement of 181kt in forward coal swap transactions at a weighted average price of USD231.00 per tonne created cash inflows of R221 million in the year. The fair value gains of R97 million on these transactions were driven by the softer Richards Bay Benchmark coal price compared to the contracted prices. At 31 December 2023 there were no open forward coal positions.

The Group recognised impairment losses of R266 million predominantly at Greenside and Khwezela, as a result of poor rail performance and softer prices, and the impact thereof on the recoverable amounts determined.

The Group incurred an income tax expense of R2.2 billion for 2023 which resulted in an effective tax rate of 31% (2022: 25%). This was higher than the statutory tax rate in South Africa of 27% (2022: 28%) and Australia of 30%, due to the impact of the accounting treatment applied to the Ensham Business on the acquisition date, contributions made to the trusts, as well as various items considered to be capital in nature, which are non-deductible for tax purposes.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Profit attributable to the equity shareholders of the Group of R5.2 billion is equivalent to R37.66 per share, compared to R127.08 per share in 2022.

Headline earnings attributable to the equity shareholders of the Group of R4.8 billion was equivalent to R34.97 per share, compared to R130.82 per share in 2022.

To determine the headline earnings for the year, the earnings attributable to the equity shareholders of the Group was adjusted by the after tax impact of the gain on bargain purchase related to the acquisition of the Ensham Business, and the impairment losses recognised.

These per share figures are based on a weighted average number of shares outstanding of 137,056,628 (2022: 133,684,828).

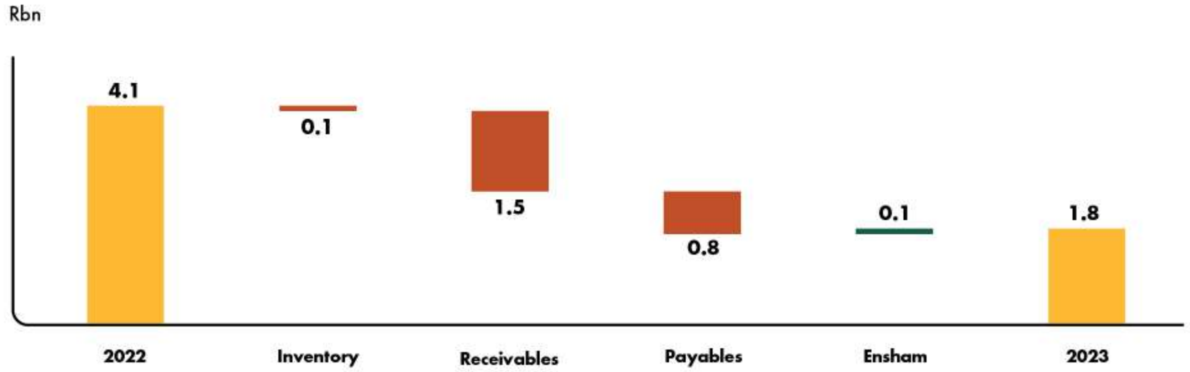
NET WORKING CAPITAL

Net working capital at year end was R1.8 billion (2022: R4.1 billion), reflecting a decrease of R2.3 billion.

We have reduced our stockpiles in South Africa, which was partially offset by a higher average cost of inventory, as well as inventory on hand at Ensham.

The working capital reduction was mainly driven by a reduction in receivables as a result of lower realised export sales prices, and lower sales volumes in December 2023.

Payables have increased due to higher expansionary capital spend in 2023.



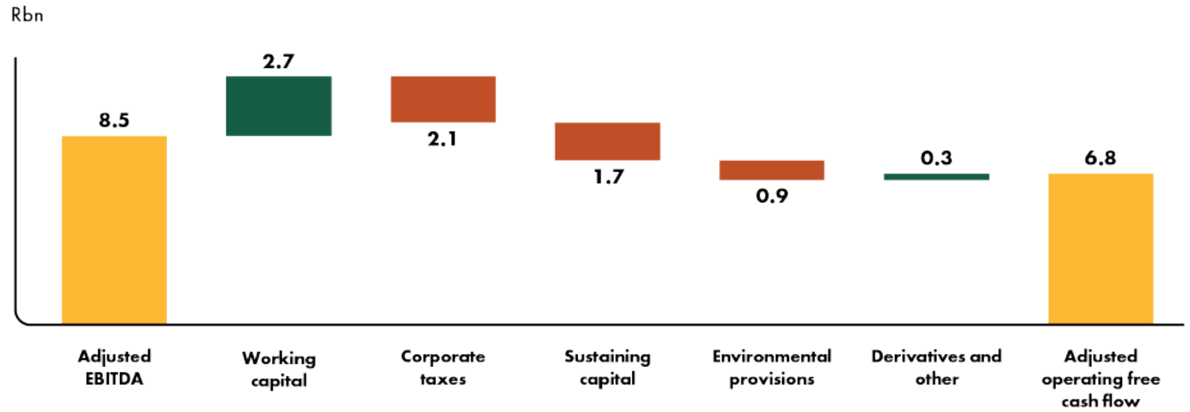
ADJUSTED OPERATING FREE CASH FLOW△ AND CASH AND CASH EQUIVALENTS

The Group generated adjusted operating free cash flow△ of R6.8 billion (2022: R18.1 billion).

The difference between the adjusted EBITDA△ and the adjusted operating free cash flow△ generated is mainly attributable to the release of working capital of R2.7 billion, South African income tax payments of R2.1 billion and sustaining capex△ of R1.7 billion (including sustaining capex△ of R299 million from Ensham).

Amounts applied to reduce environmental provisions of R860 million reflects the continued rehabilitation work focused on our Khwezela Colliery, and also includes R121 million of rehabilitation spend at Ensham.

The Group ended the period with cash and cash equivalents of R11.0 billion. After deducting the cash held in the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust of R717 million, and loans and borrowings of R66 million, net cash△ amounted to R10.2 billion at the end of the year.



SOUTH AFRICAN OPERATIONS

OPERATIONAL PERFORMANCE

Run of mine decreased by 4.5% to 24,095kt (2022: 25,242kt) due to the curtailment of three export production sections in response to the continued poor TFR performance. As a result, export saleable production decreased by 6.5% to 12,214kt (2022: 13,062kt).

Export equity sales declined by 2.0% to 11,926kt (2022: 12,172kt).

In addition to the curtailment of sections, the risk to on-mine stockpile capacity was further mitigated through the sale of lower quality export coal to the domestic market through free on truck sales of 1,491kt (2022: nil).

Domestic saleable production increased by 17% to 8,087kt (2022: 6,915kt) as Isibonelo recovered from operational challenges related to rainfall in the previous year. This was supported by other domestic operations. Domestic sales increased by 8.2% to 7,271kt (2022: 6,723kt).

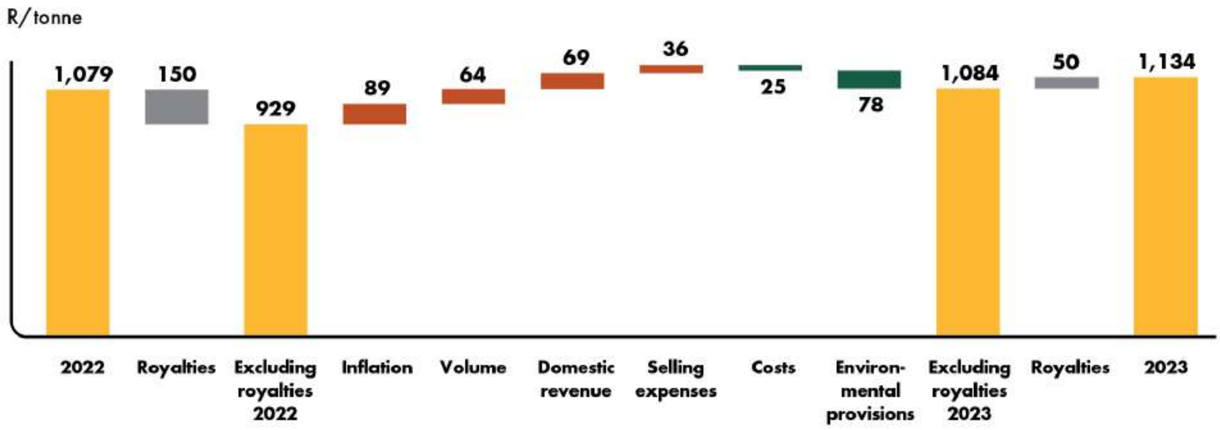
FOB COST PER EXPORT TONNE△

The FOB cost per tonne△ increased by 5.1% to R1,134 per tonne, compared to R1,079 per tonne in 2022. This was mainly due to the impact of lower volumes and inflation on our operating costs, as well as the impact of some of our domestic sales, which are linked to the Richards Bay Benchmark coal price.

The increase in FOB cost per tonne△ was partially offset by a lower royalty cost, and a lower charge related to the annual assessment of the environmental provisions.

Given the weaker price environment and poor rail performance, the Group embarked on a cost curtailment and cash preservation initiative, which yielded approximately R500 million in cost savings. These savings were however partially offset by additional stockpile management and maintenance costs as the year progressed.

The FOB cost per export tonne excluding royalties△ of R1,084 per tonne, was 17% higher than the R929 per tonne in the previous year.



CAPITAL EXPENDITURE

The South African business incurred capital expenditure of R3.0 billion (2022: R1.9 billion) comprising both sustaining capex△ and expansionary capex (mainly from life extension projects).

Stay-in-business capex of R1.4 billion was spent mainly on machine overhauls and rehabilitation related equipment at Kromdraai.

Stripping and development capex was R250 million (2022: R455 million) and was spent on accessing life-of-mine reserves.

Expansionary capex of R1.6 billion included R1.0 billion spent on the Elders production replacement project and a further R590 million on the Zibulo North Shaft project.

ENSHAM BUSINESS

OPERATIONAL PERFORMANCE

Ensham produces high grade coal from four underground mining sections. Run of mine tonnes from the underground sections are conveyed to the surface, where the coal is crushed, sized and stockpiled without any further processing.

Coal is loaded onto trains and transported, via a 13km dedicated rail spur, and then onto approximately 339km of the Blackwater rail system to the Port of Gladstone, where it is exported. We also have the ability to sell into the domestic market, at export parity prices, from the offload station at the Port of Gladstone.

In 2023 Ensham produced 2,867kt of export saleable production (on a full year, 100% basis). For the four months since we have assumed operational control, the mine has produced 860kt of export saleable production (on an 85% basis).

From 1 September 2023, Ensham has recognised 884kt of export equity sales, which includes sales made in Australia at export parity prices or better. The sales tonnes included 152kt tonnes purchased from Bowen in line with their ownership of the Ensham Mine. Approximately 255kt of sales slipped from December 2023 into January 2024 due to inclement weather at the port which resulted in vessel delays and a build up of vessels at anchorage.

FOB COST PER EXPORT TONNE△

For the four months from the acquisition date, the FOB cost excluding royalties△ was R1,544 per tonne. Including royalties, the FOB cost per tonne△ was R1,886.

Royalties in Queensland are linked to the Newcastle Benchmark coal price, and the resultant realised price. The royalty expense is based on a percentage of the realised price, and the royalty applied for the four months reported in 2023 averaged 13% based on the achieved realised price.

The royalty costs in Queensland are calculated as follows:

Average realised price (AU$)	Royalty (%)
0 - 100	7.00
101 - 150	12.50
151 - 175	15.00
176 - 225	20.00
226 - 300	30.00
301 and above	40.00

CAPITAL EXPENDITURE

The Ensham Business has incurred capital expenditure of R299 million (on an 85% basis) from the acquisition date to the reporting date.

Stay-in-business capex was spent mainly on machinery overhauls and building new mining equipment to address operational requirements.

A review of the required capital spend at Ensham is ongoing.

ENVIRONMENTAL PROVISIONS

Environmental provisions are comprehensively assessed on an annual basis and determined with assistance from specialist independent environmental consultants.
The environmental provisions recognised at 31 December 2023 amounted to R11.7 billion (2022: R7.6 billion). This increase is mainly due to the environmental provisions at Ensham.

Investments ringfenced in the environmental rehabilitation trusts and the green fund equated to R4.7 billion (2022: R4.1 billion). Our environmental liability coverage△ for the South African operations has increased to 60%, however when combined with the Ensham Mine, our Group coverage has decreased to 40%. In South Africa, in line with our commitment to the providers of financial guarantees, we contributed R205 million to the green fund in 2023.

In South Africa, environmental provisions are assessed annually, and have been determined using the legal obligations of the existing Mineral and Petroleum Resources Development Regulations (MPRDA Regulations), as a base. This base was then adjusted for the Group's interpretation of the likely increases in costs required to transition to the NEMA Financial Provisioning Regulations, for example, costs related to the ongoing pumping and treatment of polluted or extraneous water. Financial provisioning, which represents the amount of cash collateral required to be set aside based on the MPRDA Regulations amounted to R4.5 billion at 31 December 2023 (2022: R4.4 billion). Environmental provisions of R7.8 billion (2022: R7.6 billion) have been recognised on our statement of financial position based on our current interpretation of the NEMA Financial Provisioning Regulations.

The 2015 NEMA Financial Provisioning Regulations have been subject to numerous amendments, and several drafts of the replacement regulations have been published, most recently in July 2022, with the transition date deferred to 19 February 2024. On 1 February 2024, the Minister published a notice deferring the transition date, but a revised date has not yet been published.

At Ensham, an assessment of the environmental liability for the rehabilitation of the opencast area was previously prepared by an independent third-party consultant. The most recent assessment of the liability was completed in 2022, and forms the basis of the environmental provisions recognised on the statement of financial position at 31 December 2023 of R3.9 billion (on an 85% basis).

Mining companies in Queensland are required to contribute to the Queensland Financial Provisioning Scheme in relation to their regulatory environmental rehabilitation costs.
This contribution can be made by way of a payment into a pooled fund (pool) or the provision of a financial surety, as determined by the scheme manager. The Ensham Mine will no longer be in the pool once legal ownership of the mining tenements has been transferred to Sungela. On this basis, Ensham will be required to obtain financial surety for the environmental rehabilitation costs before the legal transfer of the tenements can take place, until the mine has been accepted into the pool. The required financial surety amounts to R3.4 billion (AUD274 million) on a 100% basis. The Group is in the process of obtaining this surety, which will likely be through a structure similar to the green fund in South Africa, requiring an annual contribution towards cash collateralisation over time. The board has therefore decided to reserve R500 million to be contributed to this green fund in Australia.

CAPITAL ALLOCATION

Thungela has a clear capital allocation framework which seeks to prioritise returns to shareholders while collateralising our environmental liabilities over time.

Our dividend policy, to maintain a dividend payout of at least 30% of our adjusted operating free cash flow△ as a base dividend, is the core principle of our capital allocation framework. The framework then follows a hierarchy to allocate capital to projects or acquisitions which is designed to enhance shareholder returns in the long term. Where we do not have projects or acquisitions that will generate superior returns for shareholders in the long term, we remain committed to returning surplus cash to shareholders through additional dividends or share buybacks.

The Group generated adjusted operating free cash flow△ of R6.8 billion in 2023 and ended the year with net cash△ of R10.2 billion.

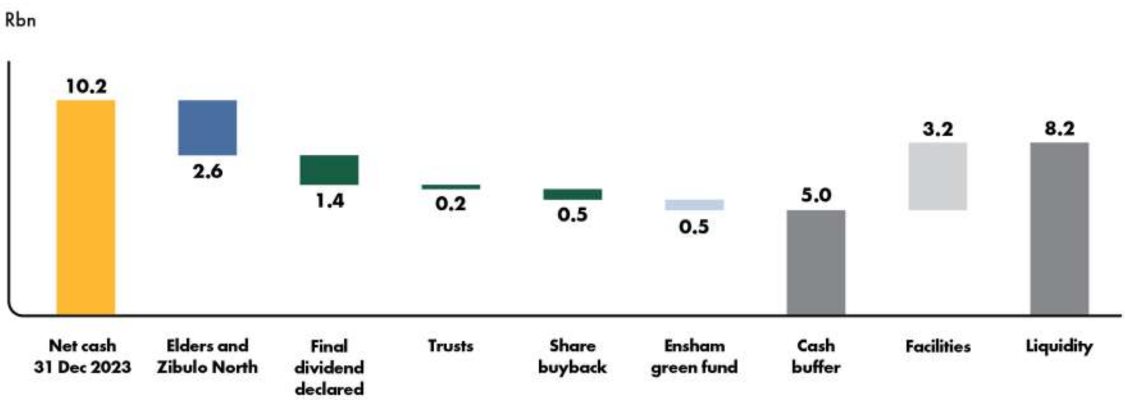
Disciplined capital allocation remains a cornerstone of Thungela's strategy, with our approach guided by the funding needs of our projects and the ongoing uncertainties associated with rail performance in South Africa. Accordingly, the board considers it appropriate to maintain a cash buffer of R5 billion, as well as to continue to reserve R2.6 billion for the ongoing execution of the Elders and Zibulo North Shaft projects.

Due to the fact that Ensham will not yet be in the Queensland Financial Provisioning Scheme when the tenements are transferred, the Group will be required to put financial surety in place against Ensham's regulatory environmental rehabilitation costs. Given that the guarantors for this surety will require partial cash collateralisation of the liability imminently, and that the Group aims to cash collateralise its environmental liabilities over time, the board has determined it appropriate to reserve R500 million to be contributed to the green fund in Australia.

Since listing, Thungela has consistently delivered on and surpassed our commitment to distribute a minimum of 30% of adjusted operating free cash flow△ to shareholders. The board once again reiterates its commitment to returning surplus cash to shareholders through the declaration of a base dividend in line with the policy, additional dividends above the minimum, as well as the announcement of a share buyback. This allows the Group to honour the dividend policy, while providing flexibility in the form of returns, recognising the diverse preferences of our shareholder base.

Accordingly, the board has declared a final ordinary cash dividend of R10 per share (R1.4 billion), which represents 56% of the adjusted operating free cash flow△ generated in the second half of the year. The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust will also receive a further R156 million collectively, adding to the R156 million they received based on our interim results.

Combined with the interim dividend of R10 per share declared in August 2023, the final dividend brings the total dividend declared for 2023 to R20 per share, or R2.8 billion in total. The share buyback will return another R500 million to shareholders (subject to market conditions), bringing total shareholder returns in 2023 to R3.3 billion, which represents approximately 49% of adjusted operating free cash flow△ for the year.



This graph does not reflect historical financial information, other than the net cash△ balance at 31 December 2023. This is accordingly a conceptual representation of the intended utilisation of the net cash△ on hand at the reporting date.

OPERATIONAL OUTLOOK – SOUTH AFRICAN OPERATIONS

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

OPERATIONAL OUTLOOK – ENSHAM BUSINESS

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

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

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

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

SOUTH AFRICAN OPERATIONS

Export saleable production guidance for 2024 is between 11.5Mt and 12.5Mt. This is based on the expected rail performance, considering the performance to date in 2024.

FOB cost per export tonne△ is expected to be between R1,170 and R1,290 excluding royalties. Including royalties, the range is between R1,180 and R1,300 per tonne, using an assumed Richards Bay Benchmark coal price of USD100 per tonne.

Sustaining capital expenditure△ is expected to be between R900 million and R1,100 million. Expansionary capex is expected to be between R1,600 million and R1,900 million as spend on the Elders and Zibulo North Shaft projects continues.

ENSHAM BUSINESS

Export saleable production guidance for 2024 is between 3.2Mt and 3.5Mt (on a 100% basis). This is based on our plans to ramp up production.

FOB cost per export tonne△ is expected to be between AUD130 and AUD140, excluding royalties. Including royalties the range is between AUD150 and AUD160 per tonne, using an assumed Newcastle Benchmark coal price of USD120 per tonne. We have already started to review opportunities for productivity improvement and cost savings at Ensham.

Sustaining capital expenditure△ is expected to be between AUD40 million and AUD70 million (on an 85% basis), which is based on historical sustaining capex△ spend at the Ensham Business. A review of the required sustaining capex△ spend is ongoing. Separately, a resource development plan is being developed, which seeks to unlock the full value of Ensham through the most optimal extraction of the resource.

REVIEW OF OPERATIONAL PERFORMANCE

For the year ended 31 December 2023

UNDERGROUND OPERATIONS

GOEDEHOOP COLLIERY

	2023	2022
Fatalities	—	—
TRCFR	0.38	1.55
Total saleable production (kt)	4,087	3,224
Export saleable production (kt)	2,458	2,356
Domestic production (kt)	1,629	869
FOB cost per tonne△ (Rand/tonne)	1,309	1,271
FOB cost per tonne excluding royalties△ (Rand/tonne)	1,238	1,057
Capex (Rand million)	18	91

Safety

Goedehoop recorded a TRCFR of 0.38 compared to 1.55 for the prior period, as a result of fewer incidents following a focused safety drive.

Performance

Export saleable production of 2,458kt for the year was 4.3% higher than the comparative period due to improved productivity. The mine continued to manage their stockpiles in a manner that enabled additional trains to be loaded at Goedehoop.

Domestic saleable production increased by 87% to 1,629kt as sales contracts from other operations transitioned to Goedehoop.

FOB cost per tonne excluding royalties△ of R1,238 was 17% higher than the comparative period as a result of stockpile management costs and above inflation increases on items such as selling expenses and electricity.

GREENSIDE COLLIERY

	2023	2022
Fatalities	—	—
TRCFR	2.27	2.21
Total saleable production (kt)	1,940	2,586
Export saleable production (kt)	1,940	2,586
Domestic production (kt)	—	—
FOB cost per tonne△ (Rand/tonne)	1,317	1,166
FOB cost per tonne excluding royalties△ (Rand/tonne)	1,271	957
Capex (Rand million)	87	209

Safety

Greenside recorded a marginal deterioration in the TRCFR of 2.27, compared to 2.21 for the prior period.

Performance

Export saleable production of 1,940kt for the year was 25% lower than the comparative period as production was curtailed to reduce pressure on on-mine stockpile capacity in response to poor TFR performance, and the remaining sections mining in more challenging geological conditions.

FOB cost per tonne excluding royalties△ of R1,271 was 33% higher than the comparative period, mainly as a result of the lower production and above inflation increases on items such as selling expenses and electricity.

ZIBULO COLLIERY

	2023	2022
Fatalities	1	—
TRCFR	1.44	0.21
Total saleable production (kt)	4,247	4,479
Export saleable production (kt)	4,247	4,318
Domestic production (kt)	—	161
FOB cost per tonne△ (Rand/tonne)	1,088	1,177
FOB cost per tonne excluding royalties△ (Rand/tonne)	1,077	1,012
Capex (Rand million)	1,017	664

Safety

Regrettably, in February 2023 Breeze Mahlangu tragically passed away following complications after an accident in December 2022. Zibulo recorded a TRCFR of 1.44, compared to 0.21 in the prior year due to a higher number of safety incidents.

Performance

After the removal of an operating section in the underground operation at the end of the first quarter of 2023, export saleable production of 4,247kt in 2023 was 1.6% lower than the prior period. The Zibulo opencast operation was also curtailed in the fourth quarter of 2023, to alleviate pressure on the on-mine stockpiles as a result of the ongoing TFR challenges.

FOB cost per tonne excluding royalties△ of R1,077 is 6.4% higher than the comparative period, mainly as a result of the lower production levels, inflationary pressures on costs, higher stockpile management costs, and increased contractor costs, which were incurred to preserve the flexibility provided by the opencast operation.

ENSHAM MINE

	2023
Total saleable production (kt)	1,012
Export saleable production (kt) (85%)	860
Commodity purchases from Bowen (kt) (15%)	152
Domestic production (kt)	—
FOB cost per tonne△ (Rand/tonne)	1,886
FOB cost per tonne excluding royalties△ (Rand/tonne)	1,544
Capex (Rand million)	289

Performance

As at the date of completion (31 August 2023) the Ensham Mine had produced 1.8Mt (on a 100% basis) for the year to date, representing an annualised run rate of 2.7Mt of export saleable production. Since 1 September 2023, this run rate increased to 3.2Mt (on a 100%, annualised basis) resulting in the Ensham Mine producing 1,012kt of export saleable production in the four-months up to 31 December 2023. This production includes 152kt of commodity purchases from Bowen.

The FOB cost per tonne△ was R1,886 per tonne (R1,544 per tonne excluding royalties).

REVIEW OF OPERATIONAL PERFORMANCE

CONTINUED

For the year ended 31 December 2023

OPENCAST OPERATIONS

KHWEZELA COLLIERY

	2023	2022
Fatalities	—	—
TRCFR	0.49	0.42
Total saleable production (kt)	1,642	2,150
Export saleable production (kt)	1,627	1,597
Domestic production (kt)	15	553
FOB cost per tonne△ (Rand/tonne)	1,371	2,174
FOB cost per tonne excluding royalties△ (Rand/tonne)	1,373	2,146
Capex (Rand million)	422	268

Safety

Khwezela recorded a TRCFR of 0.49 in 2023 compared to 0.42 in the prior period.

Performance

Export saleable production increased marginally by 1.9% to 1,627kt.

Domestic saleable production at 15kt reduced by 97% due to the depletion of reserves from the Umlalazi pit, where the mine activities were redirected to rehabilitation.

The FOB cost per tonne excluding royalties△ of R1,373 has decreased by 36% compared to the prior period, mainly due to the impact of non-cash expenses related to the environmental provisions. In 2023 there was a royalty adjustment relating to the prior year.

MAFUBE COLLIERY (ATTRIBUTABLE)

	2023	2022
Fatalities	—	—
TRCFR	2.15	2.53
Total saleable production (kt)	1,510	1,834
Export saleable production (kt)	1,510	1,834
Domestic production (kt)	—	—
FOB cost per tonne△ (Rand/tonne)	964	955
FOB cost per tonne excluding royalties△ (Rand/tonne)	921	793
Capex (Rand million)	127	150

Safety

Mafube recorded a TRCFR of 2.15 in 2023 compared to 2.53 in the prior period.

Performance

Export saleable production at 1,510kt was 18% lower than the prior period as a result of operational challenges experienced in the first half of 2023, with a notable improvement in the second half of the year.

FOB cost per tonne excluding royalties△ of R921 increased by 16%, mainly due to lower production volumes and the impact of inflation.

ISIBONELO COLLIERY

	2023	2022
Fatalities	—	—
TRCFR	2.86	1.83
Total saleable production (kt)	4,050	3,674
Export saleable production (kt)	—	—
Domestic production (kt) (incl. coal purchases)	4,050	3,674
FOR cost per tonne (Rand/tonne)	516	527
Capex (Rand million)	63	133

Safety

Isibonelo recorded a TRCFR of 2.86 in 2023 compared to 1.83 in the prior year following an increase in the number of incidents on the mine. The mine continues to focus on reducing the number of incidents to zero.

Performance

Domestic saleable production was 10% higher at 4,050kt in 2023. Productivity improved in 2023, which was attributed to improved equipment performance and the impact of lower rainfall compared to the prior year.

The free on rail (FOR) cost per tonne of R516 decreased by 2.1% mainly due to higher volumes, which was partially offset by higher maintenance costs, fuel, and transportation costs related to coal purchases required to meet the contractual obligations.

FINAL ORDINARY CASH DIVIDEND DECLARATION AND SHARE REPURCHASES

Share repurchases

The Group will implement share repurchases (share buyback), subject to market conditions, in the period commencing 19 March 2024 and, unless revised or terminated earlier, ending 3 June 2024, being the last trading day prior to the Group's next AGM which will take place on 4 June 2024. The aggregate purchase price of all shares repurchased will be no greater than R500 million.

The repurchase of Thungela shares will take place on the JSE through the order book operated by the JSE trading system and is being undertaken pursuant to the general authority from Thungela shareholders by way of a shareholders' special resolution passed at the Company's AGM on 31 May 2023, allowing the Group to repurchase up to 10% of the issued share capital of the Company in any one financial year, subject to certain limitations ("Authority"). The repurchases will be made by Thungela Operations Proprietary Limited (TOPL) (a subsidiary of the Group).

Pursuant to the JSE Listings Requirements, the maximum price which may be paid for any repurchase under the Authority may not exceed a price which is 10% above the volume weighted average trading price of the shares on the JSE for the five business days immediately preceding the date of such repurchase.

In compliance with paragraph 11.27 of the JSE Listings Requirements, the Group will announce when share repurchases cumulatively reach 3% of the number of shares in issue as at the date of the Authority, and any 3% increments thereafter.

Final ordinary cash dividend declaration

The Thungela board of directors approved the declaration of a final gross ordinary cash dividend of 1,000.00 cents per share (South African rand). The dividend has been declared from retained earnings accrued during the year ended 31 December 2023. The Company's issued share capital at the declaration date is 140,492,585 ordinary shares.

The salient dates pertaining to the cash dividend are as follows:

	JSE	LSE
Declaration of ordinary cash dividend and currency conversion rate announced	Monday, 18 March 2024	Monday, 18 March 2024
Last day for trading to qualify and participate in the dividend	Tuesday, 16 April 2024	Wednesday, 17 April 2024
Trading ex-dividend commences	Wednesday, 17 April 2024	Thursday, 18 April 2024
Record date to participate in the dividend	Friday, 19 April 2024	Friday, 19 April 2024
Payment date to shareholders	Monday, 22 April 2024	Tuesday, 7 May 2024

No transfers of shareholdings to and from the South African or the United Kingdom (UK) register will be permitted between Tuesday, 16 April 2024 and Friday, 19 April 2024 (both dates inclusive). Share certificates may not be dematerialised or rematerialised between Wednesday, 17 April 2024 and Friday, 19 April 2024 (both dates inclusive). Any changes to the dividend instructions and timetable will be announced on SENS and RNS.

The salient dates have been set as above in order to allow non-South African resident shareholders sufficient time to apply for a reduced rate of dividend withholding tax in the event that they may qualify for this.

The dividend is payable in South African rand to shareholders recorded as such on the register on the record date and whose shares are held through Central Securities Participants and brokers traded on the JSE.

Shareholders on the UK register of members will be paid in Pound sterling. The Pound sterling cash equivalent will be calculated using the following exchange rate: GBP1:ZAR23.91378, being the 5-day (business days) average GBP:ZAR exchange rate (as quoted by Bloomberg) up to Thursday, 14 March 2024.

Shareholders are encouraged to ensure that their bank mandates or international payment instructions have been recorded by their service provider or registrars before the last day to trade for this dividend. Electronic payments ensure more efficient and timely payment. It should be noted that cheques are no longer permitted to be issued or processed by South African banks; in the UK, registrars will still issue and post cheques in the absence of specific mandates or payment instructions.

Tax treatment for shareholders on the South African register

The dividend will have no tax consequences for Thungela but will be subject to 20% withholding tax for shareholders who are not exempt from dividends tax, or who do not qualify for a reduced rate of withholding tax in terms of any applicable agreement for the avoidance of double taxation (DTA) concluded between South Africa and the country of residence of the shareholder.

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 800.00 cents per share (South African rand) – 1,000.00 cents gross dividend per share less 200.00 cents dividend withholding tax per share.

Tax treatment for shareholders on the UK register

Thungela has retained Computershare UK as intermediary to receive and process the relevant prescribed declarations and forms as set out below. Any reference below to documentation which is required to be submitted to Thungela, should therefore be submitted to Computershare UK.

Non-South African tax resident shareholders will be paid the dividend subject to 20% withholding tax for shareholders. Certain non-South African tax resident shareholders may, however, be entitled to a reduced rate of dividends tax due to the provisions of an applicable tax treaty.

Shareholders who qualify for an exemption from dividends tax in terms of section 64F of the South African Income Tax Act 58 of 1962 must provide:

- A declaration that the dividend is exempt from dividends tax.
- A written undertaking to inform the regulated intermediary should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service (SARS) to the regulated intermediary prior to the required date in order to benefit from the exemption. The prescribed form has been transposed onto the Computershare UK format.

Shareholders on the UK register will be sent the required documentation for completion and return to Computershare UK. Qualifying shareholders on the UK register are advised to arrange for the above mentioned documents to be submitted to Computershare UK by Friday, 19 April 2024.

Should dividend withholding tax be withheld at a rate of 20%, the net dividend amount due to shareholders is 33.46 pence per share (Pound sterling) – 41.82 pence gross dividend per share less 8.36 pence dividend withholding tax per share.

REPORTS

DIRECTORS' REPORT

For the year ended 31 December 2023

The directors have pleasure in presenting the Annual Financial Statements of Thungela for the year ended 31 December 2023.

NATURE OF BUSINESS

Thungela is a public company incorporated in South Africa. Thungela is a leading South African thermal coal business, focused exclusively on thermal coal production. It is one of the largest pure-play producers and exporters of thermal coal in South Africa, based on aggregate coal reserves and marketable coal production.

Thungela acquired a controlling interest in the Ensham Business in Queensland, Australia on 31 August 2023, as a key milestone towards achieving our strategic objective of geographic diversification.

ACQUISITION OF THE ENSHAM BUSINESS

In February 2023, Thungela announced the acquisition of the Ensham Business in Queensland, Australia.

The acquisition was subject to a number of conditions precedent, and became unconditional on 31 August 2023. From 1 September 2023, Thungela assumed operational control over the Ensham Business. Thungela has been focused on the transition and integration of the Ensham Business since completion of the transaction, and this is expected to be a critical asset on our path to creating shared value.

Refer to note 2A and note 15 for details of the acquisition of the Ensham Business.

FINANCIAL RESULTS AND ACCOUNTING POLICIES

The consolidated and separate financial statements have been prepared in line with all relevant regulatory requirements, and can be found on pages 60 to 202. A detailed analysis of the financial and operational performance of the Group can be found on pages 24 to 38.

The accounting policies used in the preparation of the consolidated and separate financial statements have been consistently applied and are supported by reasonable judgements and estimates.

A number of amendments to accounting standards were effective for the first time for financial years beginning on or after 1 January 2023. None of these amendments had a material impact on the Group. Refer to note 3 for detail of the new accounting standards adopted in the year.

REGULATORY COMPLIANCE

Thungela was duly incorporated on 5 January 2021 in compliance with the provisions of the Companies Act of South Africa, and has been operating in conformity with the Thungela memorandum of incorporation (MOI) and all relevant regulatory requirements since incorporation.

The Thungela board is responsible for ensuring that the Group complies with all of its statutory obligations as specified in the Thungela MOI, the Companies Act of South Africa, the JSE Listings Requirements, the UK Listing Rules, as applicable to a Standard Listing, the UK Disclosure Guidance and Transparency Rules, and all other regulatory requirements relevant to the jurisdictions where it operates.

The directors endorse King IV and recognise the need to conduct the affairs of the Group with integrity and in accordance with generally accepted international corporate governance practices. In discharging this responsibility, the board applies the principles of King IV in both letter and spirit.

The directors recognise that they are ultimately responsible and accountable for the financial performance of the Group. The directors have proactively taken steps to ensure full compliance with all relevant regulatory requirements.

SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES

The detailed analysis in respect of investments in the subsidiaries, joint operations and associates of Thungela is disclosed in note 38.

AUTHORISED AND ISSUED SHARES AND STATED CAPITAL

The Company's authorised shares of 10,000,000,000 remained unchanged from 2022. The Company has issued 140,492,585 shares, which remained unchanged from 2022.

Further detail on the stated capital is disclosed in note 31.

GOING CONCERN

The financial position of Thungela, its cash flows, net current asset position and net cash△ position are set out in the consolidated financial statements. The Group's net cash△ at 31 December 2023 is R10,176 million (2022: R14,720 million). The Group's net current asset position of R10,955 million (2022: R18,449 million) continues to be robust, despite the continued poor rail performance impacting our ability to rail product to the RBCT for export. The Group has no significant external debt at 31 December 2023.

The directors have considered Thungela's cash flow forecasts for the period to the end of March 2025, under reasonably expected and stressed scenarios, with consideration given to the uncertainty of the current economic environment, as well as the Group's operations. In all of the scenarios assessed, the Group maintains sufficient liquidity throughout the period of assessment.

The directors are satisfied that the Group's forecasts, taking into account reasonably possible changes in performance, show that Thungela will continue to operate for the foreseeable future. For this reason, Thungela has adopted the going concern basis in preparing the consolidated and separate financial statements.

RETURNS TO SHAREHOLDERS

The board recognises the importance of maintaining a consistent dividend policy and clear capital allocation framework, which prioritises the delivery of superior returns to shareholders in the long term, including through dividends and share buybacks.

Returns to shareholders, whether through a dividend or share buyback, proposed by the board in respect of a 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 in order to fund sustaining capital expenditure△ and life extension opportunities without resorting to excessive leverage, recognising the nature of the Group's assets and single commodity price exposure.

Refer to note 33 for detail related to the dividend policy applied by the Group.

The board has announced a share buyback of up to R500 million, in addition to the declaration of a final gross ordinary cash dividend of R10 per share from retained earnings. The dividend will be paid in April 2024 to shareholders on the South African register and May 2024 to shareholders on the UK register.

EVENTS AFTER THE REPORTING PERIOD

All events occurring after the reporting date, which are considered material to the consolidated and separate financial statements, have been considered in note 39.

COMPANY SECRETARY

The company secretary of Thungela is Francois Klem. The business and postal address of the company secretary are set out on the inside back cover. The board conducted its annual review of his performance as per paragraph 3.84(h) of the JSE Listings Requirements and did not note any areas of concern.

INDEPENDENT EXTERNAL AUDITOR

PricewaterhouseCoopers Inc. (PwC) was reappointed as the Group's independent external auditor at the AGM held on 31 May 2023 in accordance with section 90 of the Companies Act of South Africa, in respect of the year ended 31 December 2023.

In accordance with the Companies Act of South Africa, it will be proposed at the next AGM that PwC be reappointed as auditor for the year ending 31 December 2024.

ANNUAL GENERAL MEETING

Thungela's next AGM will be held on 4 June 2024.

DIRECTORS' REPORT CONTINUED

For the year ended 31 December 2023

DIRECTORS

The table below lists the names and position of the directors of the Group. There have been no changes in directors between the reporting date and the date of this report.

Director	Position
SS Ntsaluba	Chairman
J Ndlovu	CEO
GF Smith	CFO
BM Kodisang	Independent non-executive director
KW Mzondeki	Independent non-executive director
TML Setiloane	Independent non-executive director
SG French	Independent non-executive director
YN Jekwa	Independent non-executive director

DIRECTORS' INTERESTS IN THUNGELA SHARES

The directors' beneficial interests in Thungela's issued ordinary shares are shown below:

			2023
Director	Direct	Indirect	Total
SS Ntsaluba	3,710	—	3,710
J Ndlovu[1]	772,764	—	772,764
GF Smith[1]	330,868	—	330,868
KW Mzondeki	788	—	788
SG French	—	26,487	26,487
Total	**1,108,130**	**26,487**	**1,134,617**

[1] This shareholding accounts for shares sold for tax purposes on the vesting of the milestone shares on 4 June 2023 - these trades were correctly disclosed through an announcement on SENS and RNS on 8 June 2023. The shares were erroneously sold from the Thungela treasury account instead of the directors' individual managed accounts. The allocation was corrected in January 2024.

			2022
Director	Direct	Indirect	Total
SS Ntsaluba	1,642	—	1,642
J Ndlovu	963,587	—	963,587
GF Smith	425,136	—	425,136
KW Mzondeki	788	—	788
SG French	—	26,487	26,487
Total	1,391,153	26,487	1,417,640

The movements in the directors' beneficial interests are as follows:

Number of shares	SS Ntsaluba	J Ndlovu	GF Smith	KW Mzondeki	SG French	2023 Total
Balance at the start of the reporting period	1,642	963,587	425,136	788	26,487	1,417,640
Disposal of vested shares[1,2]	—	(204,812)	(102,404)	—	—	(307,216)
Acquisitions[3]	2,068	—	—	—	—	2,068
Thungela 2023 DBS awards[4]	—	13,989	8,136	—	—	22,125
Balance at the end of the reporting period	3,710	772,764	330,868	788	26,487	1,134,617

1 The disposal of shares related to the on market disposal of the Thungela milestone shares awards that vested on 4 June 2023 and the Thungela deferred bonus shares (DBS) awards that vested on 28 March 2023. The shares were sold in order to settle the tax obligation of the directors in relation to the vesting. Refer to note 40 for further detail.
2 This shareholding accounts for shares sold for tax purposes on the vesting of the milestone shares on 4 June 2023 - these trades were correctly disclosed through an announcement on SENS and RNS on 8 June 2023. The shares were erroneously sold from the Thungela treasury account instead of the directors' individual managed accounts. The allocation was corrected in January 2024.
3 The acquisition represents on an market acquisition of Thungela shares.
4 The Thungela 2023 DBS awards granted carry a right to dividends and voting rights. Participants will be entitled to dividends paid on the ordinary shares underlying their awards prior to the vesting date. Refer to note 40 for further details. The Thungela 2023 DBS awards are forfeitable shares and will vest in equal tranches from 22 March 2024 to 22 March 2026.

Number of shares	SS Ntsaluba	J Ndlovu	GF Smith	KW Mzondeki	SG French	2022 Total
Balance at the start of the reporting period	—	1,150,092	578,407	8	40,868	1,769,375
Release of shares[1]	—	—	—	—	5,619	5,619
Disposal of vested shares[2]	—	(202,424)	(101,212)	—	—	(303,636)
Acquisitions[3]	1,642	—	—	780	—	2,422
Disposals[4]	—	—	(60,000)	—	(20,000)	(80,000)
Thungela 2022 DBS awards[5]	—	15,919	7,941	—	—	23,860
Balance at the end of the reporting period	1,642	963,587	425,136	788	26,487	1,417,640

1 The shares awarded were previously held but not allocated to Seamus French related to the demerger scheme of arrangement. These shares were released on the resignation of Seamus French from Anglo American plc (Anglo American).
2 The disposal of shares related to the on market disposal of the Thungela milestone shares awards that vested on 4 June 2022. The shares were sold in order to settle the tax obligation of the directors in relation to the vesting. Refer to note 40 for further detail.
3 The acquisitions represent on market acquisitions of Thungela shares.
4 The disposals represent on market disposals of Thungela shares.
5 The Thungela 2022 DBS awards granted carry a right to dividends and voting rights. Participants will be entitled to dividends paid on the ordinary shares underlying their awards prior to the vesting date. Refer to note 40 for further details. The Thungela 2022 DBS awards are forfeitable shares and will vest in equal tranches from 22 March 2023 to 22 March 2025.

Details of the awards made to directors and prescribed officers in Thungela shares are disclosed in note 32 and note 40.

There were no changes in directors' shareholding between the reporting date and the date of approval of the Annual Financial Statements.

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Refer to note 40 for detail of the remuneration paid to directors and prescribed officers.

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 December 2023

Our audit committee upholds the integrity and transparency of our financial reporting through the monitoring of controls and accounting policies. It provides oversight of all audit functions and ensures ongoing excellence within our finance function.

COMPOSITION

- Kholeka Mzondeki (chairperson)
- Ben Kodisang
- Thero Setiloane

Brief biographies of individual committee members can be found on the Thungela website at www.thungela.com/about-us/who-we-are.

The chairman of the board, CEO, CFO, and members of senior management attend meetings by invitation, together with representatives of the independent external auditor.

COMMITTEE MEETING ATTENDANCE

During the period under review, the audit committee met five times, the details of which are set out below:

	2023 Meeting dates					
Member	10 March	12 April	22 May	16 August	15 November	Number of meetings: 5
KW Mzondeki (chairperson)	√	√	√	√	√	5/5
BM Kodisang	√	√	√	√	√	5/5
TML Setiloane	√	√	√	√	√	5/5

Three additional meetings dealt with ad hoc matters at hand. The audit committee chairperson also meets separately with management and the internal and independent external auditors prior to committee meetings.

ROLE AND RESPONSIBILITIES

The audit committee discharged all of its responsibilities as contained in the audit committee terms of reference including, but not limited to:

- nominating for appointment the external auditor and ensuring its independence of the Group
- determining the independent external auditor's fees and terms of engagement
- ensuring that the appointment of the independent external auditor complies with the provisions of the Companies Act of South Africa and any other relevant legislation
- determining, from time to time, the nature and extent of non-audit services to be provided by our independent external auditor
- overseeing the independent external audit process and evaluating the effectiveness thereof
- overseeing the scope and performance of the internal audit process through the risk and assurance function
- assessing the effectiveness and objectivity of the risk and assurance function
- assessing the effectiveness and independence of the independent external auditor
- ensuring that our risk and assurance function is appropriately resourced and equipped
- preparing a report to be included in the annual financial statements, in compliance with the Companies Act of South Africa
- managing audit-related inquiries and complaints
- making submissions to the board on any matter concerning our accounting policies, internal financial controls, records, and reporting
- ensuring that appropriate financial reporting procedures are established and functional for all entities
- ensuring access to the necessary financial information to allow for effective preparation and reporting on the financial statements
- independently reviewing and monitoring the integrity of our annual financial statements
- managing financial and other risks that affect the integrity of our reports and the effectiveness of our governance and risk management systems and internal financial controls - to the extent delegated by the board
- reporting to shareholders through this report that the audit committee has executed the responsibilities as set out in paragraph 3.84(g) of the JSE Listings Requirements
- ensuring compliance with the statutory duties of the committee as contained in relevant legislation and the JSE Listings Requirements.
- performing such oversight functions as may be determined by the Thungela board
- reviewing the JSE proactive monitoring reports and applying the findings, where applicable

KEY FOCUS AREAS IN 2023

Key focus areas and objectives included:

- evaluating the findings from the JSE's proactive monitoring of annual financial statements
- considering the appropriateness of the expertise and experience of the CFO and the finance function
- considering the appropriateness of the expertise and experience of the risk and assurance function, including the internal assurance plan, reports and resources
- reviewing the Group's significant accounting matters
- reviewing the Interim Financial Statements, the Annual Financial Statements, the Integrated Annual Report, and the Notice of AGM, along with other required documents for publication and recommending these documents for approval by the Thungela board
- reviewing quarterly financial performance against set targets and the impact of decisions on financial statements
- reviewing for board approval the solvency and liquidity, and going concern assessments
- considering the key audit matters included in the independent external auditor's report on the consolidated and separate financial statements
- ensuring that appropriate accounting records are being kept
- considering risk and assurance reports on the Group's internal controls and business risk management
- reviewing the treasury policy and other relevant policies for board recommendation
- considering the quarterly tax, treasury, accounting and insurance updates and making recommendations where necessary
- considering changes to the JSE Listings Requirements, and other relevant laws and regulations, and the impact thereof on Thungela
- reviewing the non-audit services performed by the independent external auditor
- reviewing the 2024 budget process, assumptions and outcomes ahead of board approval
- reviewing and recommending for board approval the independent auditor's report for inclusion in the Annual Financial Statements
- reviewing the accounting treatment and valuation applied to the acquisition of the Ensham Business
- reviewing changes to the Group structure including entities created in other jurisdictions, and the impact on financial reporting
- monitoring the progress of the separation from Anglo American and the impact thereof on the Group

The objectives of the committee were adequately met for the year ended 31 December 2023.

Kholeka Mzondeki
Audit committee chairperson

INTERNAL AUDIT AND INTERNAL CONTROLS

The audit committee established that the risk and assurance function, undertaking the internal audit of the Group, is appropriately resourced. The head of risk and assurance engages with the audit committee chairperson and has a standing invitation to the audit committee meetings. The risk and assurance function reviews and provides assurance on the adequacy and effectiveness of internal controls, including the internal financial controls.

This year, the audit committee:
- reviewed and approved the 2024 internal audit plan
- monitored progress against the 2023 internal audit plan
- reviewed the Thungela risk register for appropriateness
- ensured that proper and adequate accounting records are being maintained
- reviewed the CEO and CFO attestation process related to the system of internal financial controls
- considered the internal audit reports on internal controls and business risk management systems
- met with the head of risk and assurance independently of management
- assessed the adequacy of the internal audit function's performance

The audit committee found nothing to indicate a breakdown in internal financial controls in the audits conducted by the risk and assurance function, nor was there an indication that the internal controls were inadequate in design or implementation.

INDEPENDENT EXTERNAL AUDITOR

The committee:
- requested from the independent external auditor the information detailed in paragraph 3.84(g)(ii) of the JSE Listings Requirements in their assessment of the suitability of the appointment of the audit firm and designated individual audit partner for each year they are appointed
- notwithstanding the provisions of section 90(6) of the Companies Act of South Africa, ensured that the appointment of the auditor was presented and included as a resolution at the AGM pursuant to section 61(8) of the Companies Act of South Africa
- reviewed and supported the appointment of Vuyiswa Khutlang as the lead external audit partner to replace Andries Rossouw with effect from 1 July 2023
- satisfied itself that PwC and Vuyiswa Khutlang in their individual capacities as the appointed independent external audit firm and lead audit partner, respectively, were both accredited and independent
- assessed the independence of the external audit firm
- approved the PwC terms of engagement and fees for the audit for the year ended 31 December 2023, including the review of the Interim Financial Statements for the six months ended 30 June 2023, in consultation with management
- provided oversight of the external audit process
- approved and monitored compliance with the external auditor independence policy
- reviewed the quality and effectiveness of the external audit process and performance against the external audit plan
- reviewed the findings and recommendations by the independent external auditor and confirmed there were no material matters to report
- considered the independent external auditor's suitability assessment in terms of paragraph 3.84(g)(ii) of the JSE Listings Requirements

Meetings, at which concerns could be raised, were held with the independent external auditor in the absence of management.

COMMENTS ON THE KEY AUDIT MATTERS INCLUDED IN THE INDEPENDENT EXTERNAL AUDITOR'S REPORT

The independent external auditor has reported on three key audit matters in respect of their audit for the year, being:

- impairment of property, plant and equipment and intangible assets
- environmental provisions
- acquisition of the Ensham Business

These matters relate to material items in the consolidated financial statements, which required judgement and estimates to be applied by management. The audit committee assessed the methodology, assumptions and judgements applied by management in dealing with the key audit matters. Furthermore, the committee discussed the key audit matters with the independent external auditor to understand their related audit processes and views.

Following this assessment, the audit committee is comfortable with the conclusions reached by management and the independent external auditor.

KEY FOCUS AREAS FOR 2024

Key areas of focus for the audit committee in 2024 will be, among others:

- reviewing financial performance against targets where relevant, including the impact on financial statements
- continued oversight of the external and internal audit process
- continued focus on the robustness of the internal control framework over financial reporting
- assessing the progress and related risk mitigation of the financial and information management transition away from Anglo American
- continued focus on the tracking and resolution of outstanding tax matters
- monitoring and reviewing the integration and related transition activities of the Ensham Business, and the newly established Thungela Marketing International structure
- monitoring compliance with relevant exchange control regulations related to Thungela undertakings in Australia

EXPERTISE OF THE CFO AND FINANCE FUNCTION

The audit committee has reviewed the current performance and future requirements of the financial management of the Group and concluded that the current CFO and finance team have the appropriate skills, experience and expertise required to fulfil their function.

GOING CONCERN

The audit committee reviewed and assessed the basis of the going concern assumption applied by management and concurred with the assessment that Thungela is a going concern, and recommended that the Thungela board approve the consolidated and separate financial statements being prepared on this basis.

RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS FOR APPROVAL BY THE THUNGELA BOARD

The Annual Financial Statements have been prepared using appropriate accounting policies, which conform to IFRS Accounting Standards and other related pronouncements governing financial reporting. The audit committee has recommended the approval of the Annual Financial Statements for the year ended 31 December 2023 to the board.

On behalf of the audit committee

Kholeka Mzondeki
Audit committee chairperson

18 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THUNGELA RESOURCES LIMITED
REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Thungela Resources Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Thungela Resources Limited's consolidated and separate financial statements set out on pages 60 to 187 comprise:
- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, including material accounting policy information.

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 *Auditor's responsibilities for the audit of the consolidated and separate financial statements* 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 Group 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).*

OUR AUDIT APPROACH

OVERVIEW

Overall group materiality
- Overall group materiality: R306 million, which represents 1% of consolidated revenue.

Group audit scope

We conducted full scope audits on 17 components that were considered to be financially significant and specified procedures for one component. Analytical review procedures were performed over the remaining components that were considered to be financially inconsequential.

Key audit matters
- Impairment of property, plant and equipment and intangible assets (including goodwill);
- Environmental provisions; and
- Acquisition of the Ensham Business.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R306 million
How we determined it	*1% of consolidated revenue*
Rationale for the materiality benchmark applied	*We have selected consolidated revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group can be consistently measured when year on year profit before tax is volatile.* *We chose 1%, which is consistent with quantitative materiality thresholds used for profit-oriented companies, where profit/loss before tax is not considered the appropriate benchmark, in this sector.*

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

For purposes of our group audit scope, we have identified each of the reporting units within the Group as a component. In determining the type of work that needed to be performed for purposes of the group audit, we identified those components that were of financial significance to the Group based on the respective component's contribution to key financial statement line items (consolidated profit/loss before taxation, consolidated revenue or consolidated total assets), risk associated with the respective component and known accounting matters related to the component. We conducted full scope audits on 17 components that were considered to be financially significant to the Group. We scoped in one component for specified procedures. Analytical review procedures were performed over the remaining components that were considered to be financially inconsequential.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team and component auditors from other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and intangible assets (including goodwill) **Refer to notes 2B, 7, 12 and 13 of the consolidated financial statements for disclosures in relation to this key audit matter.** The Group assesses property, plant and equipment (PPE) and intangible assets (excluding goodwill) for impairment when indicators are identified. Goodwill is assessed for impairment on an annual basis. In the current year, the decrease in coal prices and reduction in forecast production as a result of Transnet Freight Rail challenges were identified as impairment indicators. Management performed impairment assessments to determine the recoverable amounts of the Goedehoop, Greenside, Isibonelo, Khwezela, Mafube, Rietvlei and Zibulo cash-generating units (CGUs). The recoverable amounts were determined using a combination of discounted cash flow models and valuation of mineral resources beyond approved mine plans. Management recognised an impairment of R266 million, of which R257 million related to PPE and R9 million related to intangible assets. The recoverable amounts of the respective CGUs were determined on a fair value less costs to sell basis, with reference to the life-of-mine forecasted cash flows per the approved financial budgets and, where relevant, a valuation of mineral resources beyond the current life-of-mine. 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 discount rates. We considered the impairment of PPE and goodwill to be a matter of most significance to the current year audit due to the significant judgement applied in determining the recoverable amounts of the CGUs.	Our audit addressed this key audit matter as follows: Through discussions with management, we obtained an understanding of their processes for assessing impairment indicators across PPE and intangible assets as well as the methodologies and models used in making their assessments. We assessed the reasonableness of the impairment indicators identified by management by analysing the financial results of the respective CGUs, paying particular attention to factors that have negatively impacted the Group's operations. We found management's assessment to be reasonable. We assessed the reasonableness of the mineral resources beyond the approved mine plan valuations by comparing them to the competent person's report and found them to be reasonable. We assessed the reasonableness of the budgeting process adopted in deriving the strategic plan, by comparing the current year actual results to the 2023 financial year figures included in the prior year forecast to consider whether the forecasts included assumptions that, with hindsight, had been optimistic. We found management's cash flow forecasts to be mainly consistent with the historical actual results and obtained corroboration from management where the budgeted numbers differed from actuals. In assessing the reasonableness of future cash flows applied in the model, our audit procedures included: • Testing the accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with that of management. No material exceptions were noted. • The significant assumptions used by management in the model were subjected to audit procedures as follows: ◦ With the assistance of our valuations expertise, we assessed the reasonableness of the coal price forecasts (Richards Bay Benchmark coal price and domestic coal contracted selling price) used to benchmark the price and exchange rates against analysts' forecasts. Based on the work performed, we found management's assumptions to be within a reasonable range of each respective CGU. ◦ We agreed long-term coal supply agreement prices used in the fair value less cost to sell models to the underlying agreements. No material exceptions noted. ◦ With the assistance of our valuation expertise we independently recalculated the discount rates used in performing the impairment assessments. These calculations included inspection of 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 the discount rate applied in the model to be within a reasonable range. ◦ We compared the production volumes per the life-of-mine plan assumption to reserves signed off by the Group's competent person and to existing production volumes and approved budgets. We found this to be within reasonable range. ◦ We compared the life-of-mine plan operating costs, capital costs and unit costs to budget for reasonableness. No material exceptions noted.

Key audit matter	How our audit addressed the key audit matter
Environmental provisions **Refer notes 2C and 27 of the consolidated financial statements for disclosure as it relates to this key audit matter.** As at 31 December 2023, the Group recognised environmental provisions amounting to R11,696 million. These provisions are recognised based on the Group's obligation to incur environmental restoration, rehabilitation and decommissioning costs as a result of environmental disturbances caused by the development or ongoing production of mining assets. Significant judgement and estimation was applied by the Group in determining the environmental provisions to be recognised. These judgements relate to the estimated rehabilitation, closure and required post-closure monitoring costs per operation at the reporting date, inflation and discount rates relevant to the calculation, and the expected date of closure of mining activities. We considered the determination of the environmental provisions recognised to be a matter of most significance to our current year audit due to: • The significant judgement and estimation applied by management in the determination of the provisions; and • The magnitude of the environmental provisions in relation to the consolidated financial statements as a whole.	Our audit addressed this key audit matter as follows: Through discussions with management, we obtained an understanding of management's process of determining the environmental provisions. With the assistance of our sustainability and climate change expertise, we performed the following procedures: • We assessed the reasonableness of the process applied by management to determine the closure costs by comparing it to industry practice. We found the process followed by management to be reasonable. • We assessed the objectivity, competence and experience of management's experts by obtaining evidence relating to their qualifications and professional membership. In doing so, we inspected their academic qualifications, service history and field of experience and considered whether the management experts, where applicable, were in good standing with the relevant professional bodies. No aspects requiring further consideration were noted. • 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. No material exceptions were noted. We independently recalculated management's discount rates applied with reference to relevant third-party sources. Where discount rates determined by us differed from that used by management, the impact of the differences was assessed to be immaterial. We tested the mathematical accuracy of the models used by management by performing an independent recalculation and comparing the results of our calculation with management's calculations. We noted no material differences.

Key audit matter	How our audit addressed the key audit matter
Accounting for the acquisition of the Ensham Business **Refer notes 2A and 15 of the consolidated financial statements for disclosure as it relates to this key audit matter.** During the year, the Company through its wholly owned subsidiary, Thungela Resources Australia, acquired a 75% interest in Sungela Holdings Pty Ltd (Sungela Holdings). Sungela Holdings, in turn, through its wholly owned subsidiary Sungela Pty Ltd (Sungela) acquired an 85% interest in the Ensham Business (comprising a number of separate statutory entities). The results of the Ensham Business were consolidated into the results of the Group with effect from 31 August 2023. The Group has accounted for this acquisition in accordance with IFRS 3 - Business Combinations (IFRS 3). The fair value of the Ensham Business (which was identified as a single CGU) at 31 August 2023 has been determined with reference to the life-of-mine forecasted cash flows. The Group applied significant judgement and estimation in determining the acquisition date fair value of the Ensham Mine. These judgements relate to the following: • The expected future cash flows used in the discounted cash flow model; • The key assumptions incorporated into the discounted cash flow model which include life-of-mine and production volumes, coal prices, foreign exchange rates, discount rates, operating costs, capital expenditure and other operating factors and tax and deferred tax implications. We considered the accounting for the acquisition of the Ensham Business to be a matter of most significance to our current year audit due to: • The complexity and judgement applied by management in the accounting for the transaction; • The significant judgement and estimation applied by management in the determination of the fair values of the assets and liabilities; and • The magnitude of the balances in relation to the consolidated financial statements as a whole.	Our audit addressed this key audit matter as follows: Using our accounting expertise we inspected the underlying sale and purchase agreements and reviewed management's accounting paper on the acquisition, to assess the appropriateness of the business combination of the Ensham Business in accordance with IFRS 3. No material inconsistencies were noted. We obtained an understanding of management's process for identifying all the separately identifiable net assets acquired through discussions with management and inspection of relevant acquisition documents (including but not limited to acquisition agreements, board and committee meeting minutes etc.) and Ensham accounts. No aspects requiring further consideration were noted. We assessed the professional competence, objectivity and capabilities of management's external valuations experts involved in the valuation of the Ensham Business at the transaction date. No aspects requiring further consideration were noted. With the assistance of our valuations expertise we assessed the reasonability of the fair value determined for the Ensham Business by performing the following procedures: • Assessing the appropriateness of the assumptions applied in determining the fair value of assets acquired and liabilities assumed with specific focus on the valuation of property, plant and equipment, environmental provisions and mining tenements; • Recalculating the resulting gain on bargain purchase recognised on acquisition; • Assessing the mathematical accuracy of the calculations; • Utilising our valuations expertise, we tested the coal prices, marketable discount rates and exchange rates by benchmarking the assumptions applied against analyst forecasts and independently obtained economic data. The valuation results were found to be within an acceptable range; and • Testing the accuracy of the life-of-mine plan models used by management through an independent calculation and tested the valuation by comparing the forecasted volumes, operating costs, capital costs and unit costs forecasted to historical results. We noted no further matters for consideration.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Thungela Annual Financial Statements 2023"*, which includes the directors' report, report of the audit committee and the certificate by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the *"Thungela Integrated Annual Report 2023"*, *"Thungela Environmental, Social and Governance Report 2023"* and the *"Thungela Climate Change Report 2023"*, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor'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 these consolidated and separate financial statements.

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 consolidated and separate financial statements, 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 Group's and 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS CONTINUED

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Conclude on the appropriateness of the directors' 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 Group's and 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 auditor's report to the related disclosures in the consolidated and separate financial statements 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 auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 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, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

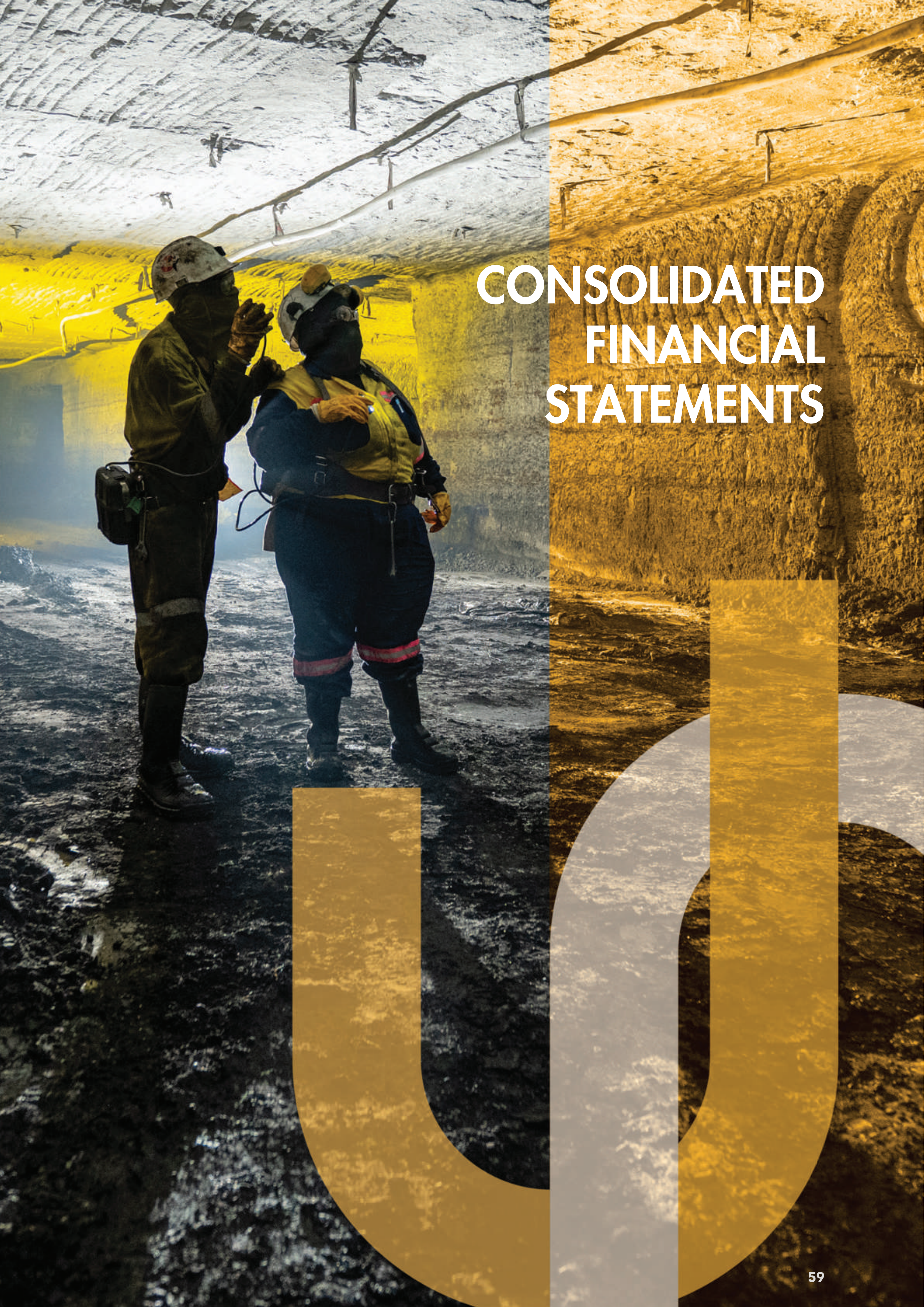
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Thungela Resources Limited for three years. Prior to the incorporation of Thungela Resources Limited, its operations formed part of the Anglo Coal SA operations of Anglo American plc, of which PricewaterhouseCoopers Inc. has been the auditor for one year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: V Khutlang
Registered Auditor
Johannesburg, South Africa
18 March 2024

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

Rand million	Notes	2023	2022
Revenue	4	30,634	50,753
Operating costs	5	(23,737)	(22,420)
Transactions arising from the acquisition of the Ensham Business		(171)	—
Gain on bargain purchase	15	565	—
Acquisition and integration costs	15	(454)	—
Expenses for conditional shares granted to non-controlling interests	15	(123)	—
Fair value adjustments to acquisition related derivatives	15	(159)	—
Impairment losses	7	(266)	(656)
Fair value gains/(losses) on derivative financial instruments	23	97	(3,207)
Fair value loss on derivative asset – capital support	23	—	(347)
Restructuring costs and termination benefits	8	(51)	(29)
Profit before net finance income and tax		6,506	24,094
Net finance income		696	49
Investment income	9	1,394	963
Interest expense	9	(1,024)	(738)
Other net financing gains/(losses)	9	326	(176)
Profit before tax		7,202	24,143
Income tax expense	10	(2,232)	(5,938)
Profit for the reporting period		4,970	18,205
Attributable to:			
Non-controlling interests	35	(192)	1,217
Equity shareholders of the Group		5,162	16,988
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign exchange translation gains		155	—
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	29	25	71
Fair value losses on financial asset investments	21	(3)	—
Related tax	10	(6)	(15)
Other comprehensive income for the reporting period		171	56
Total comprehensive income for the reporting period		5,141	18,261
Attributable to:			
Non-controlling interests	35	(186)	1,217
Equity shareholders of the Group		5,327	17,044
Earnings per share[1]			
Basic (cents/share)	11	3,766	12,708
Diluted (cents/share)	11	3,692	12,487

[1] The earnings per share has been calculated using a weighted average number of ordinary shares outstanding (WANOS) of 137,056,628 (2022: 133,684,828).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

Rand million	Notes	2023	2022
Assets			
Non-current assets			
Intangible assets	12	313	82
Property, plant and equipment	13	19,477	10,656
Environmental rehabilitation trusts	27	3,740	3,446
Investment in associate	14	78	43
Deferred tax assets	30	471	503
Financial asset investments	21	1,054	755
Investment in insurance structure	24	1,445	1,226
Trade and other receivables	18	194	1
Other non-current assets	16	72	65
Total non-current assets		26,844	16,777
Current assets			
Inventories	17	4,011	3,181
Trade and other receivables	18	4,284	4,907
Current tax assets	10	298	231
Financial asset investments	21	24	31
Derivative financial instruments	23	66	149
Cash and cash equivalents	19	10,959	15,299
Total current assets		19,642	23,798
Total assets		46,486	40,575
Equity			
Stated capital		11,323	11,323
Contributed capital		965	965
Merger reserve		2,606	2,606
Treasury shares		(493)	(302)
Share-based payments reserve		214	83
Other reserves		308	145
Retained earnings		9,686	11,453
Equity attributable to the shareholders of the Group		24,609	26,273
Non-controlling interests	35	(13)	(114)
Total equity		24,596	26,159
Liabilities			
Non-current liabilities			
Lease liabilities	28	32	62
Retirement benefit obligations	29	399	405
Deferred tax liabilities	30	1,637	1,421
Environmental and other provisions	27	11,135	7,179
Total non-current liabilities		13,203	9,067
Current liabilities			
Trade and other payables	20	6,537	3,997
Loans and borrowings	22	66	60
Lease liabilities	28	34	31
Environmental and other provisions	27	1,948	1,236
Current tax liabilities	10	102	25
Total current liabilities		8,687	5,349
Total liabilities		21,890	14,416
Total equity and liabilities		46,486	40,575

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Rand million	Notes	Stated capital	Contributed capital	Merger reserve
Balance at 1 January 2022		10,041	965	2,606
Purchase of shares by Group companies	31	—	—	—
Acquisition of additional interest in subsidiary	34	1,282	—	—
Total comprehensive income for the reporting period		—	—	—
Dividends paid	33	—	—	—
Movements in share-based payments reserve[2]	32	—	—	—
Treasury shares issued to employees on vesting of share awards		—	—	—
Balance at 31 December 2022		**11,323**	**965**	**2,606**
Purchase of shares by Group companies	31	—	—	—
Total comprehensive income for the reporting period		—	—	—
Dividends paid	33	—	—	—
Movements in share-based payments reserve[2]	32	—	—	—
Conditional shares granted to the non-controlling interests in the Ensham Business	15	—	—	—
Non-controlling interests arising from the acquisition of the Ensham Business	15	—	—	—
Change in ownership of the Ensham Business	15	—	—	—
Treasury shares issued to employees on vesting of share awards		—	—	—
Balance at 31 December 2023		**11,323**	**965**	**2,606**

1 Includes the financial asset revaluation reserve of Rnil (2022: R3 million), the retirement benefit obligation reserve of R160 million (2022: R142 million) and the foreign currency translation reserve of R148 million (2022: Rnil).

2 Includes movements as a result of share-based payment expenses of R127 million (2022: R113 million) reduced by the impact of the vesting of shares of R71 million (2022: R46 million) under the Thungela share plan.

	Treasury shares	Share-based payments reserve	Other reserves[1]	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
	(183)	16	89	3,039	16,573	1,901	18,474
	(165)	—	—	—	(165)	—	(165)
	—	—	—	1,909	3,191	(3,191)	—
	—	—	56	16,988	17,044	1,217	18,261
	—	—	—	(10,483)	(10,483)	(42)	(10,525)
	—	67	—	46	113	1	114
	46	—	—	(46)	—	—	—
	(302)	**83**	**145**	**11,453**	**26,273**	**(114)**	**26,159**
	(259)	**—**	**—**	**—**	**(259)**	**—**	**(259)**
	—	**—**	**165**	**5,162**	**5,327**	**(186)**	**5,141**
	—	**—**	**—**	**(6,920)**	**(6,920)**	**(1)**	**(6,921)**
	—	**56**	**—**	**71**	**127**	**—**	**127**
	—	**123**	**—**	**—**	**123**	**—**	**123**
	—	**—**	**—**	**—**	**—**	**226**	**226**
	—	**(48)**	**(2)**	**(12)**	**(62)**	**62**	**—**
	68	**—**	**—**	**(68)**	**—**	**—**	**—**
	(493)	**214**	**308**	**9,686**	**24,609**	**(13)**	**24,596**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Rand million	Notes	2023	2022
Cash flows from operating activities			
Profit before tax		7,202	24,143
Net finance income	9	(696)	(49)
Profit before net finance income and tax		6,506	24,094
Non-cash movements relating to the acquisition of the Ensham Business[1]	15	(283)	—
Impairment losses	7	266	656
Fair value loss on derivative asset – capital support	23	—	347
Fair value (gains)/losses on derivative financial instruments	23	(97)	3,207
Depreciation and amortisation	5	1,557	1,197
Share-based payment charges	32	127	113
Increase in provisions[2]		270	1,730
Loss on sale of property, plant and equipment	5	8	17
Other adjustments		47	15
Movements in working capital		2,737	(618)
Decrease/(increase) in inventories		212	(632)
Decrease/(increase) in trade and other receivables		1,581	(381)
Increase in trade and other payables		944	395
Cash flows from operations		11,138	30,758
Amounts applied to reduce environmental and other provisions[3]	27	(860)	(846)
Settlement of derivative financial instruments	23	344	(3,561)
Income tax paid	10	(2,119)	(6,567)
Net cash generated from operating activities		8,503	19,784
Cash flows from investing activities			
Expenditure on property, plant and equipment	4	(3,116)	(1,923)
Purchase of right-of-use assets	28	(48)	—
Expenditure on intangible assets	12	(172)	—
Cash outflow on the acquisition of the Ensham Business	15	(2,770)	—
Purchase of financial asset investments	21	(210)	(443)
Investment in insurance structure	24	(200)	(1,224)
Repayment of loans granted to investees	21	25	31
Loans granted to investees	21	(280)	(8)
(Advance)/repayment of quasi-equity loans by associate	14	(35)	20
Investment income received		1,026	707
Net cash utilised in investing activities		(5,780)	(2,840)
Cash flows from financing activities			
Interest expense paid		(43)	(33)
Capital repayment of lease liabilities	28	(31)	(26)
Repayment of loans and borrowings	22	(1)	(9)
Settlement of derivative related to the acquisition of the Ensham Business	15	(55)	—
Purchase of shares by Group companies	31	(259)	(165)
Dividends paid to the equity shareholders of the Group	33	(6,920)	(10,483)
Dividends paid to non-controlling interests	33	(1)	(42)
Issue of shares by subsidiary to non-controlling interests	15	61	—
Net cash utilised in financing activities		(7,249)	(10,758)
Net (decrease)/increase in cash and cash equivalents		(4,526)	6,186
Cash and cash equivalents at the start of the reporting period		15,299	8,736
Net (decrease)/increase in cash and cash equivalents		(4,526)	6,186
Effects of changes in foreign exchange rates[4]		186	377
Cash and cash equivalents at the end of the reporting period	19	10,959	15,299

1 Non-cash movements relating to the acquisition of the Ensham Business consist of the gain on bargain purchase of R565 million, offset by the expenses for the conditional shares granted to non-controlling interests of R123 million and the fair value adjustments to acquisition related derivatives of R159 million. Refer to note 15 for further detail.
2 Increase in provisions includes amounts recognised in the statement of profit or loss and other comprehensive income in respect of environmental and other provisions of R32 million (2022: R1,302 million) and contributions to the Nkulo Community Partnership Trust of R276 million (2022: R386 million). Refer to note 27 for further detail.
3 Amounts applied to reduce environmental and other provisions represent cash paid to settle these obligations, which is not recognised through the statement of profit or loss and other comprehensive income.
4 Effects of changes in foreign exchange rates consists of foreign exchange gains on cash and cash equivalents of R163 million (2022: R377 million) recognised in net finance income, and the revaluation of the cash balances held in the Ensham Business of R23 million (2022: Rnil) recognised in other comprehensive income.

BASIS OF PREPARATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. BASIS OF PREPARATION

The material accounting policy information relating to specific underlying transactions and balances has been disclosed in their respective notes.

A. Statement of compliance

The accounting policies applied by the Group and Company comply with IFRS Accounting Standards effective for the Group's reporting period as well as the South African Financial Reporting Requirements, as applicable, the Companies Act of South Africa, the JSE Listings Requirements, the UK Listing Rules and the UK Disclosure Guidance and Transparency Rules.

B. Basis of measurement

The consolidated and separate financial statements for the year ended 31 December 2023 have been prepared on the historical cost basis, except for certain assets and liabilities that are measured at fair value. The consolidated and separate financial statements are prepared on the going concern basis and are presented in South African rand, which is the presentation currency of Thungela.

The functional currency of the South African business is South African rand, while the functional currency of the Australian business is Australian dollar.

The preparation of the consolidated and separate financial statements in conformity with IFRS Accounting Standards requires the use of estimates and also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements, are disclosed in note 2.

C. Basis of consolidation

The consolidated financial statements include the results and financial position of Thungela, its subsidiaries, joint operations and associates.

Subsidiaries are entities which the Group controls through its power over the entities, and in respect of which it is exposed, or has rights, to variable returns from its involvement with these entities, and has the ability to affect those returns through its power over those entities.

Joint arrangements are arrangements in which the Group shares joint control with one or more parties. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. The joint arrangements of the Group are accounted for as joint operations. The Group accounts for joint operations by recognising its share of the joint operations' assets, liabilities, revenue and expenses, including its share of such items held or incurred jointly. Refer to note 38 for further detail.

Associates are investments over which the Group 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 the 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 Group's net investment in the associate.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of an acquiree is the fair value of the assets transferred, liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the fair value of the acquiree's net assets.

The results of subsidiaries, joint operations and associates acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group gaining or losing control of the subsidiary are equity transactions. In order to reflect the change in the relative interests in the subsidiary, the carrying amount of the non-controlling interests is adjusted with a corresponding change in equity attributable to the shareholders of the Group. No gain or loss is recognised in the statement of profit or loss and other comprehensive income related to these transactions.

Where necessary, adjustments are made to the results of subsidiaries, joint operations and associates to bring their accounting policies into line with those used by the Group. Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate. Unrealised profits or losses that arise between group entities are also eliminated.

For subsidiaries which are not wholly owned, non-controlling interests are presented in equity separately from the equity attributable to the shareholders of the Group. Profit or loss and other comprehensive income are attributed to the shareholders of the Group and to non-controlling interests, even if this results in the non-controlling interests having a negative balance.

D. Foreign currency transactions and translation

Transactions and balances

South Africa

Export revenue from South Africa is priced using the Richards Bay Benchmark coal price as a basis. This revenue is generated in US dollar, and payments received for export revenue are in US dollar. Foreign currency transactions undertaken by the Group are recognised in South African rand at the exchange rate ruling on the date of the transaction. At each reporting date, monetary items that are denominated in foreign currencies are translated to South African rand at the rates prevailing at that date.

Australia

Revenue generated in Australia is priced using the Newcastle Benchmark coal price as a basis. The revenue is generated either in US dollar or Australian dollar, and payments are received from customers in these currencies. The functional currency of the Australian Business is Australian dollar, and transactions in foreign currency are recognised in Australian dollar at the exchange rate ruling at the date of the transaction. At each reporting date, monetary items that are denominated in foreign currencies are translated to Australian dollar at the rates prevailing at that date.

Gains or losses arising on translation are included in the statement of profit or loss and other comprehensive income and are classified according to the nature of the monetary item giving rise to them.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Consolidation of foreign subsidiaries

On consolidation, the assets and liabilities of the foreign subsidiaries of the Group are translated into South African rand at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the year, where these approximate the rates at the dates of the transactions. Assets and liabilities are translated at the closing rate at the reporting date.

The resultant exchange differences on consolidation are recognised within other comprehensive income and transferred to the Group's foreign currency translation reserve.

The accumulated foreign currency translation reserve is recycled from equity and recognised in profit or loss on disposal of the subsidiary to which it relates.

1. BASIS OF PREPARATION CONTINUED

E. Financial assets

Investments, other than investments in subsidiaries, joint arrangements and associates, are financial assets and are initially recognised at fair value. The Group's financial assets are classified into the following measurement categories: debt instruments at amortised cost, equity instruments designated at fair value through other comprehensive income (FVOCI) and instruments at fair value through profit or loss (FVPL).

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 a provision for expected credit losses, if appropriate.

The Group assesses on a forward-looking basis the expected credit losses, being the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in the credit risk of the asset at the reporting date. Increases in the provisions for expected credit losses are recognised in the statement of profit or loss and other comprehensive income. When a subsequent event causes the amount of the provisions for expected credit losses to decrease, the decrease is reversed in the same way.

Financial assets at FVPL are measured at fair value at each reporting date, with changes in the fair value recognised in profit or loss.

The Group has elected to measure equity instruments, which are not held for trading, at FVOCI as this better reflects the strategic nature of the Group's equity investments. For equity instruments at FVOCI, changes in fair value are recognised in other comprehensive income and there is no subsequent reclassification of the fair value gains and losses to profit or loss. Impairment losses relating to equity instruments at FVOCI are recognised in profit and loss.

2. ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated and separate financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies. These judgements, estimates and assumptions may affect the carrying amounts of assets and liabilities at the date of the consolidated and separate financial statements, and the reported amounts of income and expenses during the year 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 notes.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

A. Acquisition of the Ensham Business

Understanding of the transaction

Thungela, through its wholly owned subsidiary Thungela Resources Australia, acquired a 75% interest in Sungela Holdings. The remaining 25% interest in Sungela Holdings was acquired by Audley Capital and Mayfair, (collectively, the 'co-investors') in equal parts. Sungela Holdings, through its wholly owned subsidiary Sungela, then purchased an 85% interest in the Ensham Mine from Idemitsu, with the remaining 15% stake in the mine held by Bowen. The acquisition delivers on Thungela's strategy to pursue geographic diversification.

The Ensham Mine, which is operated by Ensham Resources, is the primary asset of the Ensham joint venture, and comprises several tenements located in the southern Bowen Basin in Queensland, Australia. The mining tenements and related assets have not yet been legally transferred to Sungela and are still held in the name of Idemitsu, although the process to complete the transfer is in progress. Sungela however took beneficial ownership thereof from the effective date of the transaction.

The SASA was signed with Idemitsu in February 2023, but included several conditions precedent that impacted the effective date of the transaction. The conditions precedent were either met or waived by all parties by 31 August 2023, which is the effective date of the transaction, and the results of the Ensham Business have been consolidated into the Thungela Group results from this date. Thungela assumed operational control of the Ensham Business from 1 September 2023.

The entities acquired are collectively referred to as the 'Ensham Business', which includes several separate statutory entities, as described below:

Entity	Legal shareholding[1] (%)	Effective economic interest[2] (%)	Description
Sungela Holdings[3]	73.5	93.5	Sungela Holdings is an investment holding company, which was registered in Australia in 2023. Thungela Resources Australia holds 73.5% of the shares issued by Sungela Holdings, with the remaining 26.5% being held by the co-investors.
Sungela	100	93.5	Sungela was registered in Australia in 2023, and purchased the 85% interest in the Ensham Mine from Idemitsu. Sungela is required to fund the operations of the Ensham Mine on an ongoing basis, in proportion to its ownership interest. Thungela has an effective economic interest of 93.5% in Sungela, held through Sungela Holdings.
Ensham Resources	100	79.5	Ensham Resources is the operator of the Ensham Mine, an unincorporated joint venture between Sungela and Bowen, who hold 85% and 15% thereof, respectively. Thungela has an effective economic interest of 79.5% in Ensham Resources, being 93.5% of the 85% interest in the Ensham Mine held through Sungela.
Ensham Coal Sales	85	79.5	Ensham Coal Sales manages the sale of all coal extracted from the Ensham Mine, and the net receipts from customers are paid back to Sungela and Bowen in line with their ownership of the joint venture. Thungela has an effective economic interest of 79.5% in Ensham Coal Sales, being 93.5% of the 85% interest held through Sungela.
Nogoa Pastoral	85	79.5	Nogoa Pastoral undertakes small-scale agricultural activity on the surface land owned by the Ensham Business, and is the operator of the Nogoa joint venture, the participants of which are also Sungela and Bowen. Thungela has an effective economic interest of 79.5% in Nogoa Pastoral, being 93.5% of the 85% interest held through Sungela.

1 The legal shareholding represents Thungela's legal shareholding in the relevant statutory entity, either directly or through a subsidiary. This shareholding is as at 31 December 2023, after considering the impact of the vesting of the LTIP shares, and may change based on the repayment of the loan as described below.
2 The effective economic interest represents Thungela's effective economic interest in the earnings of the relevant statutory entity, either directly or through a subsidiary. The economic interest has been determined based on the accounting treatment described in this note. This effective economic interest is as at 31 December 2023, after considering the impact of the vesting of the LTIP shares, and may change based on the repayment of the loan as described below.
3 Thungela Resources Australia subscribed for 75% of the ordinary shares of Sungela Holdings on 31 August 2023. At 31 December 2023, one of the milestones specified in relation to the LTIP shares has vested, meaning the co-investors have been allocated an additional 1.5% of the ordinary shares in Sungela Holdings. Thungela Resources Australia now owns 73.5% of Sungela Holdings. The co-investors only have voting and dividend rights related to the LTIP shares that have vested from 1 January 2024.

The initial purchase price payable as included in the SASA amounted to R4,115 million (AUD340 million), which was paid in advance of the effective date of 31 August 2023. The SASA also included other elements which impacted the total consideration, as defined by IFRS 3, for the Ensham Business, being:

- The economic benefit deed, which provides for a contractually determined portion of the economic benefit earned in the Ensham Business from 1 January 2023 to the acquisition date, to be for the benefit of Sungela. The economic benefit received amounted to R815 million (AUD67 million), which was received by Sungela in December 2023.
- Various adjustments to working capital based on balances at 31 August 2023, as is customary in transactions of this nature. The total amount related to these adjustments, which reduced the initial purchase price, was R128 million (AUD11 million).
- The royalty deed, which provides for a royalty to be paid to Idemitsu on sales of Ensham coal up to 31 December 2024, subject to certain coal price thresholds. At 31 August 2023, the expected value to be paid to Idemitsu related to the royalty deed was R123 million (AUD10 million), based on the forecasted coal prices at that date. An amount of R55 million related to the royalty deed was paid to Idemitsu in December 2023 based on realised coal sales since the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

2. ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

A. Acquisition of the Ensham Business continued

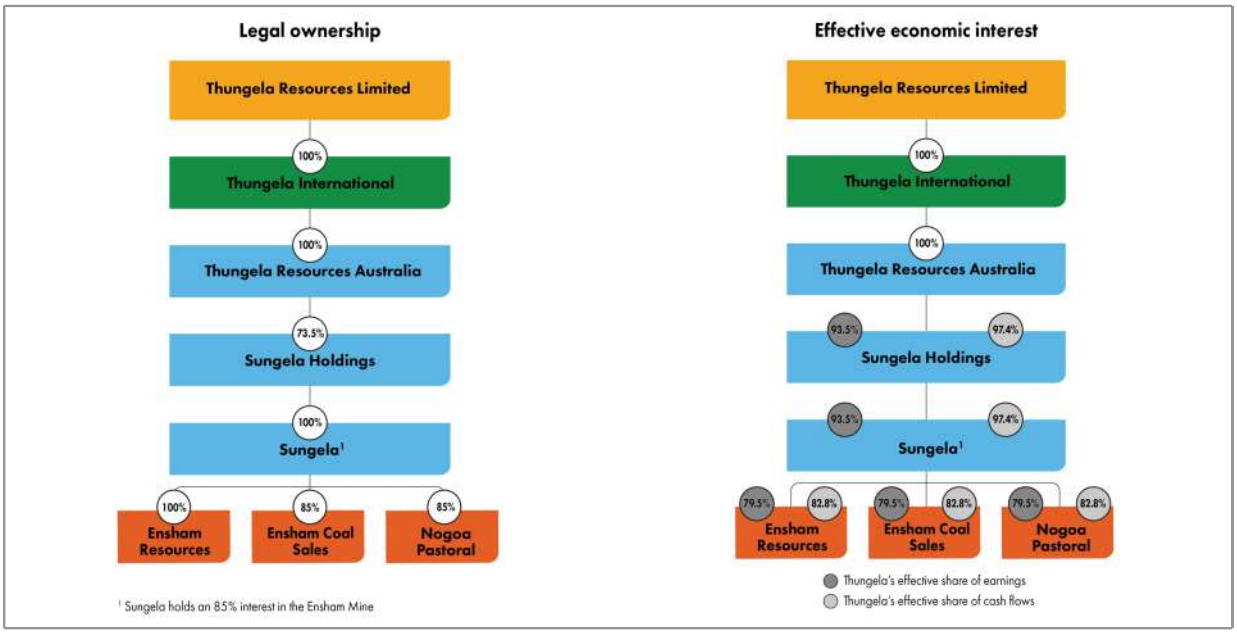
Understanding of the transaction continued

The portion of the purchase price attributable to the shareholding purchased by the co-investors was R1,035 million (25%), of which R809 million (20%) was funded through a loan provided by Thungela International. The loan is interest bearing and is repayable 18 months after the effective date of the transaction, mainly through distributions received by the co-investors from Sungela Holdings. The co-investors are required to apply 90% of all distributions they receive from Sungela Holdings to the repayment of the loan. The loan is secured by shares owned by the co-investors, representing 20% of the shares of Sungela Holdings in issue at the acquisition date. Once 50% of the loan has been repaid, 50% of the secured shares may be released to the co-investors. To the extent that the loan is not repaid by its final repayment date, some of the secured shares may be called as security by Thungela International. Should the loan not be repaid in full, and a portion of the secured shares called, the capital amount of the loan will be considered fully repaid, even if the value of the secured shares called is lower than the value of the outstanding debt at the repayment date, in which case Thungela International may become the legal owner of the shares called as security.

The co-investors were also granted LTIP shares, which currently carry no voting or dividend rights, but could vest and become ordinary shares on the achievement of specific milestones, each of which will enhance the value of the Ensham Business. Should all of the LTIP shares vest, the legal ownership held by the co-investors in Sungela Holdings would increase to 30% on a fully diluted basis. The co-investors will only have rights to earnings and distributions relating to the LTIP shares from 31 December in the year that the milestones are met, and as approved by the Sungela Holdings board. At 31 December 2023, one of the milestones had been met, meaning that LTIP shares amounting to 1.5% of Sungela Holdings have vested. The remaining LTIP shares available to vest reflect 3.5% of the shares of Sungela Holdings.

Ownership structure

The structure of Thungela's ownership in the Ensham Business is shown in the diagram below. Thungela is considered to control all of the entities within this structure.



The remaining 15% interests in Ensham Coal Sales and Nogoa Pastoral, as well as 15% of the Ensham Mine, are held by Bowen.

Ensham Resources is the operator of the Ensham Mine, which is an unincorporated joint venture between Sungela and Bowen, the JV participants, which hold the unincorporated joint venture in proportions of 85% and 15%, respectively. The mining tenements and underlying mining assets are owned by the JV participants directly, and are not owned by Ensham Resources. The operations of Ensham Resources are funded by Sungela and Bowen directly in relation to their participation in the Ensham Mine, being 85% and 15%, respectively.

Ensham Coal Sales manages the sale of all coal extracted from the Ensham Mine, and the net receipts from customers are paid back to Sungela and Bowen in accordance with their contributions to the Ensham Mine.

Nogoa Pastoral undertakes small-scale agricultural activity on the surface land owned by the Ensham Business, and is the operator of the Nogoa joint venture, the participants of which are also Sungela and Bowen.

Accounting treatment

Thungela is considered to control all of the entities within the Ensham Business, and so these entities are consolidated into the operating and financial results of the Group, with the appropriate recognition of non-controlling interests, with specific considerations as noted below.

Ensham Resources is the operator of the Ensham Mine, and recognises all assets, liabilities, income and expenses related to the operation of the mine. However, the underlying assets are owned by the JV participants in proportion to their ownership of the mining tenements. Notably, Ensham Resources does not own any assets in its own right. On this basis, Sungela only has rights to, and obligations for, 85% of the assets and liabilities of the Ensham Mine, and the results of Ensham Resources are thus reflected at 85% on a line-by-line basis in the consolidated financial statements.

Ensham Coal Sales is fully consolidated, with non-controlling interest recognised, representing 15% of the net assets of this entity. As Ensham Coal Sales manages all coal sales from the Ensham Mine, 100% of the revenue from the mine is recognised within the Thungela Group's revenue. The cost for the proportion of coal sales reflecting Bowen's 15% participation in the Ensham Mine is accounted for as a commodity purchase within Ensham Coal Sales, at the realised sales price less specific selling costs incurred.

Nogoa Pastoral is the operator of the Nogoa Pastoral agricultural operation, which is managed on a contractual basis in the same way as Ensham Resources, and so the accounting treatment has been considered in the same way. The results of Nogoa Pastoral are consolidated at 85% on a line-by-line basis.

The loan has been used by the co-investors to fund the acquisition of the majority of their initial 25% share in Sungela Holdings. As described above, the loan is secured by shares representing 20% of Sungela Holdings, and the capital amount of the loan will be considered fully repaid should the secured shares be called and the value of the shares called is less than the principal outstanding. As such, accounting purposes while the loan has not been repaid, the shares are not considered to have been issued. Thungela is instead considered, for accounting purposes only, to have granted the co-investors an option to acquire 20% of the shares in Sungela Holdings, which is exercisable to the extent that the loan is repaid by the repayment date. The option granted is treated as an equity settled share-based payment, as it will be settled in Sungela Holdings shares.

As a result of the accounting treatment and recognition of the option issued to the co-investors, they have enjoyed rights to only 5.0% of the earnings generated by the Ensham Business from the acquisition date up to 31 December 2023. Consequently, the non-controlling interests reflected in relation to the Ensham Business for the year are 5.0%. Following the vesting of the first milestone related to the LTIP shares, the non-controlling interests have increased to 6.5% from 1 January 2024. The proportion of earnings allocated to the non-controlling interests will be adjusted at the loan repayment date to reflect the shares considered to be issued in substance, having regard to the extent to which the loan has been repaid.

The LTIP shares are treated as an equity settled share-based payment, as they will be settled with shares in Sungela Holdings. Should the LTIP shares vest, Thungela will recognise a decrease in its share of Sungela Holdings at the vesting date, and a corresponding increase in the non-controlling interests attributable to the co-investors. There is no requirement for earnings related to the LTIP shares to be attributed to the non-controlling interests before the vesting date, and the change in ownership will be accounted for prospectively from the date of vesting.

Flow of economic benefits

Thungela is entitled to 79.5% of the earnings of the Ensham Mine, through the legal ownership of 73.5% of Sungela Holdings (75%, reduced to 73.5% at 31 December 2023 following the vesting of LTIP shares), and based on the treatment of the non-controlling interests described above.

The co-investors are required to apply 90% of any distributions received from Sungela Holdings to the repayment of the loan, and accordingly, until the loan is repaid Thungela has an effective economic interest of 82.8% in the cash flows generated by the Ensham Mine. If the loan is repaid in full, the economic and cash flow participation for Thungela will reflect the legal ownership structure as described above. Should the loan not be repaid by February 2025, the co-investors' shares held as security for the loan may be called, increasing the legal ownership of Thungela in the Ensham Business.

2. ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

A. Acquisition of the Ensham Business continued

Fair value of the identifiable net assets acquired

The acquisition of the Ensham Business is considered to be a business combination in line with IFRS 3, and the acquisition method of accounting has been applied at the effective date. The fair value of the identifiable net assets acquired was determined using a discounted cash flow model, based on the life-of-mine valuation of the Ensham Mine.

The key assumptions used in the determination of the fair value of the Ensham Business, as well as other elements required to be considered in terms of the acquisition method per IFRS 3, are detailed in note 15.

B. Impairment of assets

The Group assesses at each reporting date whether there are any indicators that its assets or cash-generating units (CGUs) may be impaired, or that an impairment previously recognised may need to be reversed. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flow models, are updated regularly as part of the Group's 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 Group's long-term economic forecasts, market consensus and sensitivity analyses of the discounted cash flow models used to value the Group's assets for the purposes of assessing the impairment thereof.

Assets (other than goodwill) that have been previously impaired must be assessed for indicators of both impairment and impairment reversal at the reporting date. 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.

For CGUs where indicators of impairment or impairment reversal are identified, the Group 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, and their value may be sensitive to a range of characteristics.

The Group applies judgement in determining the assumptions that are reasonable and consistent with those that would be applied by market participants as outlined in note 7.

C. Estimation of environmental provisions

Thungela is obliged to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental impacts are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on our operating sites. These provisions are collectively referred to as the 'environmental provisions'.

Estimates are made in determining the liability in relation to the environmental provisions required as per various environmental regulations and legislation in both South Africa and Australia. These provisions are based on the estimated rehabilitation, closure and required post-closure monitoring costs per operation at the 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 provisions.

Because of the long-term nature of the environmental provisions, the greatest uncertainties in estimating the liabilities are the costs that will be incurred and the discount rates applied.

Environmental provisions have been recognised based on the current environmental disturbances caused at the reporting date and for our current assessment of the risk of latent or residual environmental impacts that may become known in the future. Assessments are annually updated by an independent third party for changes in the environmental footprint across our operations, rates used to determine the costs required for closure, regulations, technology and approaches to conduct rehabilitation. No independent reassessment was performed for the Ensham Mine in the current year, and the environmental provisions at that mine are based on historical models.

These costs have been discounted to present value over the period they are expected to be incurred, which ranges up to 20 years post-closure of the operation. In South Africa, water treatment costs are provided for up to 50 years post-closure of the operation. Discounting of the costs relating to closure at 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 coal reserves per operation, which is assessed on an annual basis.

The Group has provided for water treatment costs at our South African operations using a combination of active and passive water treatment methods, based on activities currently being performed at these operations. The NEMA Financial Provisioning Regulations require the treatment of water to be provided for using the costs of currently available technologies which the DMRE has approved, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements. Thungela is actively working to prove the efficacy of passive treatment technologies in collaboration with academia and the relevant government departments.

On 1 February 2024, the Minister gazetted a notice to defer the transition date of the NEMA Financial Provisioning Regulations from 19 February 2024, however a revised date was not published. Mining companies will not be required to comply with the NEMA Financial Provisioning Regulations until a new transition date, which is to be published by the Minister. The Group has continued to provide for our interpretation of the increase in costs required as a result of these regulations, mostly in relation to the pumping and treatment of polluted or extraneous water.

Refer to note 27 for further detail related to the environmental provisions.

D. Recognition of deferred tax assets

The deferred tax assets reflected at 31 December 2023 are primarily driven by deductible temporary differences arising in the normal course of business. The recognition of the deferred tax assets balance is supported by Thungela's forecasting process which included a detailed calculation of the estimated annual taxable income of each statutory entity owned by the Group for each financial year up to 2025. There is expected to be a substantial taxable income generated in each year, and therefore sufficient future taxable temporary differences against which to utilise these deductible temporary differences.

There are deductible temporary differences and unused tax losses of R139 million (2022: Rnil) for which no deferred tax asset had been recognised in the statement of financial position at year end, based on our assessment of available future taxable temporary differences at the underlying statutory entities owned by the Group.

The appropriateness of the deferred tax assets recognised will be assessed at each reporting date and updated as required.

Refer to note 30 for further detail on the deferred tax assets recognised.

OTHER ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

E. Estimating the useful life of property, plant and equipment

The estimation of the useful life of an asset is a matter of judgement based on the experience of the Group 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.

The estimate is further impacted by management's best estimation of coal resources and coal reserves, and the expected future life of each of the mines within the Group. The forecast production could be different from the actual coal mined, which may impact the future life of each mine.

F. Measurement of retirement benefit obligations

For retirement benefit obligations, the Group is required to make estimates and assumptions about the discount rate, future remuneration changes, and employee attrition rates, among other inputs. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. The funding valuations are carried out every year using the projected unit credit method by independent qualified actuaries and impact the measurement of the retirement benefit obligations.

Refer to note 29 for further detail on the retirement benefit obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Impact of standards issued and effective on 1 January 2023 and adopted by the Group

The following amendments to IFRS Accounting Standards have been adopted by the Group from 1 January 2023, with no material impact on the Group's operating results, financial position or disclosures:

Amendments to IAS 1 – classification of liabilities as current or non-current: narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current
Amendments to IAS 8 – definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates
Amendments to IAS 1 and IFRS Practice Statement 2 – disclosure of accounting policies with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements
Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction that clarify how companies account for deferred tax on transactions, such as leases and decommissioning obligations
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts
Amendments to IFRS 17 – addresses concerns and implementation challenges that were identified after IFRS 17 was published in 2017

Impact of standards and interpretations not yet adopted

At the reporting date, the following relevant new accounting standards were in issue but not yet effective:

	Effective for annual periods commencing on or after
Amendments to IAS 1 – non-current liabilities with covenants to clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability	1 January 2024
Amendments to IFRS 16 – lease liability in a sale and leaseback with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements of IFRS 15 to be accounted for as a sale	1 January 2024
Amendments to IAS 7 and IFRS 7 – supplier finance arrangements to add disclosure requirements to provide qualitative and quantitative information about these arrangements	1 January 2024
Amendments issued by the International Sustainability Standards Board (ISSB) to the Sustainability Accounting Standards Board (SASB) standards – to enhance their international applicability	1 January 2025
Amendments to IAS 21 – lack of exchangeability with amendments to provide guidance on when a currency is exchangeable and how to determine the exchange rate when it is not	1 January 2025

The above standards and amendments are not expected to have a material impact on the consolidated and separate financial statements in future periods, other than as below, however the Group will continue to assess the potential impacts thereof.

The ISSB Standards have been issued to create a standard framework for reporting sustainability related information and its impact on the Group's future financial and operating results. Although these standards have an effective date of 1 January 2025, they are not yet mandatorily applicable in terms of the regulations to which Thungela has to comply. We are in the process of determining the changes that may be required to the consolidated and separate financial statements for these standards. Significant detail of our sustainability related information will be disclosed in our Environmental, Social and Governance Report, as well as our Climate Change Report, to be published in April 2024.

FINANCIAL PERFORMANCE

4. SEGMENTAL INFORMATION

Thungela's segments are aligned to those operations that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The Group executive committee is identified as the chief operating decision maker of Thungela.

Accounting policy

Reportable segments

Operating segments with similar economic characteristics are aggregated into reportable segments. The economic characteristics considered include the geographic location, the performance of key equipment specific to each type of operation and the productivity of the operations measured in volumes and headcount. Thungela has one principal operating activity, which is the operation of opencast and underground thermal coal mines and the processing of coal in South Africa and Australia. The reportable segments are aggregated by the nature of the technology applied by the operations either as an opencast or underground mine, and similar economic characteristics as it relates to the capital and operating structure thereof.

On 31 August 2023, the Group acquired a controlling interest in the Ensham Business, as fully described in note 2A and note 15. After applying the qualitative and quantitative thresholds as described in IFRS 8: Operating Segments, we have identified the Australian business, representing the Ensham Business, as a reportable segment.

The following summary describes each reportable segment:

Reportable segments	Operations
South Africa	
Opencast	Mining operations undertaken in an opencast mine where coal is extracted include the following mining operations: • Isibonelo • Khwezela • Mafube • Rietvlei
Underground	Mining operations undertaken in an underground mine where coal is extracted include the following mining operations: • Zibulo • Greenside • Goedehoop
Services	Operations providing various services to support the ongoing operations of the Group
Australia	
Underground	Mining operations undertaken in an underground mine where coal is extracted at Ensham, as well as the operations providing various services to support the mining operations in that country

Revenue

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 Group 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 in South Africa is comprised of export sales to AAML through the offtake agreement, and domestic sales based on contracts signed with various customers in the areas where the Group mines. Revenue in Australia includes export sales, predominately into Asian markets, as well as specific domestic sales contracts. The domestic sales in Australia are of export quality coal, and at export parity prices. On this basis all revenue in Australia is disclosed as export.

Revenue is measured at the fair value of consideration received or receivable, after deducting discounts and relevant sales taxes. The Group has applied the practical expedient available in IFRS 15: Revenue from Contracts with Customers, and determined that no significant financing component is included in the consideration received. A sale is recognised when control has been transferred, which is usually when title and significant risks have passed to the customer, and the thermal coal has been delivered.

South Africa

Export sales

Revenue derived from South African export sales is recognised when the thermal coal is loaded onto the ship at the RBCT, and the Group is not directly involved in the delivery of thermal coal to its final destination. The transaction price is determined with reference to the average Richards Bay Benchmark coal price in the month of loading, with various adjustments for quality, grade and calorific value, as well as a fee payable to AAML in terms of the offtake agreement. Revenue is not impacted by changes in the Richards Bay Benchmark coal price subsequent to the month of loading during which control transfers.

Domestic sales

Domestic sales are made to various customers in the areas in which the Group operates in South Africa and revenue from these sales is recognised when the thermal coal is delivered to a contractually agreed location, either at the customers' premises, or at the collection point at the operation. The transaction price is contractually agreed based on various inputs and is not always directly impacted by changes in the Richards Bay Benchmark coal price.

Australia

Revenue in Australia is derived from export sales into Asian markets or sales to customers in Australia. Revenue for exported sales is recognised when coal is loaded onto the vessel at the Port of Gladstone, while revenue for sales railed locally is recognised as the coal is delivered to the customers' premises.

The transaction price is determined with reference to the average Newcastle Benchmark coal price for the month of loading, with various adjustments for quality, grade and calorific value. Revenue is not impacted by changes in the Newcastle Benchmark coal price subsequent to the month of loading. Sales contracts with specific customers include fixed prices for sales, which are negotiated based on the Newcastle Benchmark coal price at the start of the year. Revenue for these sales is recognised at the agreed fixed price, and is not impacted by changes in the Newcastle Benchmark coal price throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

4. SEGMENTAL INFORMATION CONTINUED

Profit for the reporting period

The profit for the reporting period by reportable segment can be analysed as follows:

					2023
	South Africa			Australia	
Rand million	Opencast	Underground	Services	Underground[1]	Total
Revenue	10,269	17,776	—	2,589	30,634
Operating costs excluding depreciation and amortisation	(7,447)	(10,200)	(2,682)	(1,851)	(22,180)
Employee costs	(1,238)	(2,797)	(963)	(385)	(5,383)
Commodity purchases	(954)	(97)	—	(389)	(1,440)
Consumables used in production	(1,165)	(804)	(15)	(234)	(2,218)
Maintenance expenditure	(1,205)	(1,731)	(324)	(49)	(3,309)
Production input costs	(1,659)	(1,110)	(569)	(222)	(3,560)
Inventory production movement	(63)	(89)	—	(150)	(302)
Logistics costs	(723)	(2,529)	—	(335)	(3,587)
Royalties	(84)	(519)	—	(294)	(897)
Other	(356)	(524)	(811)	207	(1,484)
Adjusted EBITDA△	2,822	7,576	(2,682)	738	8,454
Depreciation and amortisation	(179)	(1,022)	(46)	(310)	(1,557)
Transactions relating to the acquisition of the Ensham Business	—	—	(80)	(91)	(171)
Gain on bargain purchase	—	—	—	565	565
Acquisition and integration costs	—	—	(5)	(449)	(454)
Expenses for conditional shares granted to non-controlling interests	—	—	(75)	(48)	(123)
Fair value adjustments to acquisition related derivatives	—	—	—	(159)	(159)
Impairment losses	(81)	(185)	—	—	(266)
Fair value gains on derivative financial instruments	—	—	97	—	97
Restructuring costs and termination benefits	—	—	(51)	—	(51)
Net finance (costs)/income	(354)	(74)	1,186	(62)	696
Investment income	330	142	904	18	1,394
Interest expense	(684)	(216)	(75)	(49)	(1,024)
Other financing gains/(losses)	—	—	357	(31)	326
Income tax expense	(775)	(1,363)	(58)	(36)	(2,232)
Profit/(loss) for the reporting period	1,433	4,932	(1,634)	239	4,970

[1] Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.

Rand million	South Africa Opencast	South Africa Underground	South Africa Services	2022 Total
Revenue	18,366	32,387	—	50,753
Operating costs excluding depreciation and amortisation	(10,003)	(9,526)	(1,694)	(21,223)
Employee costs	(1,144)	(2,622)	(984)	(4,750)
Commodity purchases	(2,095)	(19)	—	(2,114)
Consumables used in production	(1,150)	(812)	(33)	(1,995)
Maintenance expenditure	(1,244)	(1,534)	(262)	(3,040)
Production input costs	(3,018)	(1,140)	218	(3,940)
Inventory production movement	(206)	793	—	587
Logistics costs	(820)	(1,962)	—	(2,782)
Royalties	(347)	(1,527)	(81)	(1,955)
Other	21	(703)	(552)	(1,234)
Adjusted EBITDA△	8,363	22,861	(1,694)	29,530
Depreciation and amortisation	(284)	(910)	(3)	(1,197)
Impairment losses	(613)	—	(43)	(656)
Fair value losses on derivative financial instruments	—	—	(3,207)	(3,207)
Fair value loss on derivative asset – capital support	—	—	(347)	(347)
Restructuring costs and termination benefits	—	—	(29)	(29)
Net finance (costs)/income	(319)	(125)	493	49
Investment income	166	73	724	963
Interest expense	(485)	(198)	(55)	(738)
Other financing losses	—	—	(176)	(176)
Income tax (expense)/credit	(778)	(5,439)	279	(5,938)
Profit/(loss) for the reporting period	6,369	16,387	(4,551)	18,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

4. SEGMENTAL INFORMATION CONTINUED

Capital expenditure

Capital expenditure encompasses expenditure (including cash capital expenditure and capital expenditure accruals) to sustain the business and to invest in production replacement and life extension projects.

The capital expenditure per reportable segment can be analysed as follows:

				2023
Rand million	Expansionary	Stay-in-business	Stripping and development	Total
Property, plant and equipment	1,603	1,230	250	3,083
South Africa	1,603	941	250	2,794
Opencast	—	608	7	615
Underground	1,596	309	243	2,148
Services	7	24	—	31
Australia[1]	—	289	—	289
Underground	—	289	—	289
Intangible assets	—	172	—	172
South Africa	—	172	—	172
Services	—	172	—	172
Capital expenditure	1,603	1,402	250	3,255
Reconciliation to the statement of cash flows				
Movement in capital creditors	(12)	45	—	33
South Africa	(12)	35	—	23
Australia[1]	—	10	—	10
Expenditure on property, plant and equipment[2]	1,591	1,447	250	3,288

1 Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.
2 Capital expenditure consists of expenditure on property, plant and equipment of R3,116 million and expenditure on intangible assets of R172 million.

				2022
Rand million	Expansionary	Stay-in-business	Stripping and development	Total
Property, plant and equipment	235	1,272	455	1,962
South Africa	235	1,272	455	1,962
Opencast	—	483	77	560
Underground	205	595	378	1,178
Services	30	194	—	224
Capital expenditure	235	1,272	455	1,962
Reconciliation to the statement of cash flows				
Movement in capital creditors	—	(39)	—	(39)
Expenditure on property, plant and equipment	235	1,233	455	1,923

Revenue

The revenue generated by the Group can be analysed as follows:

Revenue by product and segment

	2023			
	South Africa		Australia	
Rand million	Opencast	Underground	Underground[1]	Total
Thermal export	5,463	17,353	2,589	25,405
Industrial and domestic	4,806	423	—	5,229
Other industrial and domestic	4,271	68	—	4,339
Domestic sales from thermal export stockpiles	535	355	—	890
Total revenue	10,269	17,776	2,589	30,634

1 Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.

	2022		
	South Africa		
Rand million	Opencast	Underground	Total
Thermal export	13,415	32,341	45,756
Industrial and domestic	4,951	46	4,997
Total revenue	18,366	32,387	50,753

Revenue by destination

Rand million	2023	2022
United Kingdom	22,816	45,756
South Africa	5,229	4,997
Taiwan[1]	1,256	—
Australia[1]	611	—
India[1]	326	—
Japan[1]	233	—
Other export destinations[1]	163	—
Total revenue	30,634	50,753

1 Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.

All of the revenue and profit of Thungela is derived from operations based in South Africa and Australia.

Revenue by customer

Rand million	2023	2022
Sales to AAML	22,816	45,756
Other – Australian sales[1,2]	2,589	—
Other – South African domestic customers[1]	5,229	4,997
Total revenue	30,634	50,753

1 No individual customer contributes more than 10% to the total revenue generated by the Group in the years presented.
2 Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.

5. OPERATING COSTS

Operating costs represent the costs incurred in the normal ongoing operations of the Group.

Accounting policy

Operating costs incurred in the ongoing operations of the Group are recognised in the statement of profit or loss and other comprehensive income as incurred.

Exploration expenditure is the cost of exploring coal resources other than that occurring at existing operations and projects and comprises of various studies, drilling and developments. Evaluation expenditure includes the cost of conceptual and pre-feasibility studies and evaluation of coal resources at existing operations. Exploration and evaluation expenditure is expensed in the year in which it is incurred. Upon the studies proving that the projects are feasible and commercially viable, subsequent and directly attributable expenditures are capitalised within property, plant and equipment.

Operating costs can be analysed as follows:

Rand million	Notes	2023	2022
Employee costs	6	(5,383)	(4,750)
Depreciation	13	(1,532)	(1,169)
Amortisation	12	(25)	(28)
Commodity purchases		(1,440)	(2,114)
Consumables used in production		(2,218)	(1,995)
Maintenance expenditure		(3,309)	(3,040)
Production input costs		(3,560)	(3,940)
Inventory production movement		(302)	587
Logistics costs		(3,587)	(2,782)
Demurrage and other expenses		(270)	(216)
Movement in provisions for expected credit losses	18	(12)	(51)
Royalties		(897)	(1,955)
Exploration and evaluation[1]		(63)	(54)
Exploration expenditure		(29)	(28)
Evaluation expenditure		(34)	(26)
Foreign exchange gains		266	835
Loss on sale of property, plant and equipment		(8)	(17)
Audit fees		(17)	(6)
Fees paid to PwC for audit services		(10)	(6)
Fees paid to PwC for non-audit services		(6)	—
Fees paid to other auditors for audit services[2]		(1)	—
Professional fees		(286)	(144)
Learnership and development expenses		(268)	(254)
Information management expenses		(299)	(292)
Temporary staff		(187)	(173)
Contributions to the Nkulo Community Partnership Trust	27	(276)	(386)
Recharged costs from Anglo American		(207)	(256)
Administration expenses		(159)	(239)
Operating expenses		(48)	(17)
Other administration income/(expenses)		180	(128)
Other operating expenses		(37)	(92)
Total operating costs		**(23,737)**	(22,420)

[1] Exploration and evaluation expenditure excludes associated employee costs, which are considered immaterial.
[2] Fees paid to other auditors for audit services represents fees paid to the independent external auditor of the Ensham Business.

6. EMPLOYEE COSTS

The Group incurs various costs in relation to our employees, including various long-term and short-term benefits.

Accounting policy

The cost of short-term employee benefits, including allocations made through the Sisonke Employee Empowerment Scheme, is recognised during the period in which the employees render the related service. Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses and annual leave represents the amount which the Group has a present legal or constructive obligation to pay as a result of the employees' services provided up to the reporting date.

The employee costs incurred by the Group can be analysed as follows:

Rand million	Notes	2023	2022
Wages and salaries		4,529	3,827
Social security costs		105	94
Post-employment benefits		429	395
Share-based payment expenses	32	127	113
Allocations made through the Sisonke Employee Empowerment Scheme		283	380
Total employee costs		5,473	4,809
Less – employee costs capitalised		(90)	(59)
Employee costs included in operating costs	5	5,383	4,750

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. Refer to note 29 for further detail.

Employee costs capitalised relate to costs incurred for employees dedicated to work performed on capital projects.

Sisonke Employee Empowerment Scheme

The Group founded the Sisonke Employee Empowerment Scheme (also referred to as the trust) in June 2021, which subscribed for 5.0% of the ordinary shares, as well as an E preference share, issued by South Africa Coal Operations Proprietary Limited (SACO). The trust is managed by a board of trustees comprised of both employer and employee representatives.

The E preference share entitles the participating employees of the Sisonke Employee Empowerment Scheme to receive a fixed minimum payment of R4,000 per employee per year over the first three years of the plan, a variable payment over the full term of the plan and a potential lump-sum payment at the end of the life-of-mine of the current asset portfolio, at which point the trust will likely be wound up. Eligible employees are defined in the trust deed as permanent employees at specific levels who are employed by one of the specified employer companies on the first day of the month in which SACO declares a dividend to the trust. The trust deed includes rules in relation to good and bad leavers, which may impact the payment of allocations.

The variable payment to eligible employees is dependent on the value of the dividends declared by SACO on its ordinary shares, given the shareholding that the trust has in SACO. Allocations to the trust are paid to eligible employees within three months of the SACO dividend payment date.

At a Thungela Group level, the grants made to employees are considered to be part of their remuneration, and recognised within operating costs as they are incurred, in relation to the amount of the allocation that is expected to vest.

In the year ended 31 December 2023, SACO declared ordinary dividends amounting to R276 million (2022: R386 million) to the Sisonke Employee Empowerment Scheme. Combined with amounts remaining in the trust from previous dividend declarations, employees were paid total allocations, including the associated tax, of R283 million (2022: R380 million).

7. IMPAIRMENT LOSSES

The Group is required to assess whether assets may be impaired, or an impairment previously recognised may need to be reversed, at each reporting date. The impairment losses recognised are determined based on the Group's judgements around the recoverable amount of each identified CGU.

Accounting policy

Any impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Goodwill arising on business combinations is allocated to the CGUs that are expected to benefit from synergies of the combination and represents the lowest level at which goodwill is monitored by the Group's leadership team for internal management purposes. The CGUs to which goodwill has been allocated are tested for impairment annually, or when events or changes in circumstances indicate that they may be impaired. An impairment of goodwill is not subsequently reversed.

At each reporting date, the Group 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 those assets is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group 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. In addition, when assessing assets for impairment, management allocates centrally held assets, which do not generate independent cash flows, to the CGUs on an appropriate basis.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use, assessed using discounted cash flow models. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a 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.

Subsequent changes to the CGU allocation, to the timing of the forecasted cash flows or to the assumptions used to determine the forecasted cash flows could impact the recoverable amounts of the respective CGUs. For the year ended 31 December 2023, a new CGU was identified, being Elders. Elders is currently in the project phase and has not yet commenced production, however due to the progression of the project and the expected timing of the commencement of production, the CGU has been separately identified and assessed for impairment.

The impairment information included in the note below applies to Thungela's South African operations only. Refer to note 15 for impairment considerations related to the Ensham Business.

Impairment losses recognised

The impairment losses recognised relate to the Greenside, Khwezela and Rietvlei operations. In the year ended 31 December 2022, the impairment losses comprised an impairment in relation to the Isibonelo operation, as well as an appropriate allocation of centrally held assets.

Impairment losses recognised in the year can be analysed as follows:

Rand million	Notes	**2023**	2022
Property, plant and equipment	13	**257**	648
Intangible assets	12	**9**	8
Impairment losses		**266**	656
Tax impact	30	**(62)**	(167)
Net impairment losses		**204**	489

Goodwill impairment testing

Goodwill is tested at least annually for impairment by assessing the recoverable amounts of the related CGUs. The recoverable amounts of the CGUs have been determined based on their fair value less costs of disposal using discounted cash flow models. The recoverable amount of Greenside, which is the only operation with a remaining goodwill balance, is determined on the same basis as the remaining export operations.

Assessing impairment indicators

Export operations

The mining operations carried out at Goedehoop, Khwezela, Greenside, Mafube, Zibulo and Elders represent the export operations of the Group. All export sales are made to AAML as per the offtake agreement. The price realised on export sales is determined using the Richards Bay Benchmark coal price as a base, with specific adjustments made for quality, grade, volume and content. These CGUs do supply limited quantities into the domestic market, but domestic sales are not a key value contributor to the CGUs.

Domestic operations

The mining operations carried out at Isibonelo and Rietvlei represent the domestic operations of the Group. These operations sell to domestic customers under fixed-term offtake agreements. Contractual prices are escalated annually with reference to various input cost indices. Changes in the Richards Bay Benchmark coal price therefore do not directly impact the life-of-mine revenue assumptions at these operations.

Centrally held assets

Assets that are held centrally are allocated to the CGUs on an appropriate basis. The centrally held assets allocated to CGUs which have been impaired are allocated a proportionate share of that impairment loss, where appropriate.

Determining recoverable amounts

The recoverable amounts are determined on a fair value less costs of disposal basis with reference to the life-of-mine forecasted cash flows per the approved financial budgets and, where relevant, a valuation of in-situ coal resources beyond the current life-of-mine plan.

Expected future cash flows used in the discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including coal resources and coal reserves and production volumes, together with economic factors such as the forecasted Richards Bay Benchmark coal price, forecasted exchange rates, discount rates, 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.

Where in-situ coal resources beyond the current life-of-mine plan are included in the recoverable amount, an appropriate risk adjustment is made, or alternatively, the fair value is determined on a comparable transaction basis and added to the recoverable amount.

The discounted cash flow models incorporate a number of key assumptions which can be analysed as follows:

Coal prices

The estimated coal prices used are based on the latest internal forecasts, benchmarked with external sources of information, to ensure that they are within the range of available external forecasts. The estimated realised price for export operations is calculated using the forecasted Richards Bay Benchmark coal price, with adjustments to reflect the quality and calorific value of the product, to reflect the estimated realised price at each CGU. The forecasted Richards Bay Benchmark coal prices in real terms used in the estimation of cash flows over the forecast period range from USD94 per tonne to USD109 per tonne (2022: USD91 per tonne to USD210 per tonne).

In estimating the forecasted cash flows, the Group also considers the expected realised prices from existing contractual arrangements for the domestic operations, where relevant, ranging from R580 per tonne to R680 per tonne (2022: R450 per tonne to R540 per tonne) over the forecast period.

7. IMPAIRMENT LOSSES CONTINUED

Determining recoverable amounts continued

The discounted cash flow models incorporate a number of key assumptions which can be analysed as follows continued:

Foreign exchange rates

Foreign exchange rates are based on the latest internal forecasts, benchmarked with external sources of information. For the year ended 31 December 2023, the estimated foreign exchange rates were based on external forecasts in real terms, in line with the approved budget assumptions. The foreign exchange rates used in the estimation of cash flows over the forecast period range from R17.45:1USD to R18.24:1USD. For the year ended 31 December 2022, the estimated foreign exchange rates utilised ranged from R14.44:1USD to R15.81:1USD over the forecast period. Operations supplying solely into the domestic market are not directly exposed to fluctuations in the foreign exchange rate.

Discount rate

The discounted cash flow models used to determine the recoverable amounts are discounted based on a real post-tax discount rate, assessed annually, of 9.5% (2022: 9.5%). Adjustments to the discount rate are made for any risks that are not reflected in the underlying cash flows, including the risk profile of the CGU.

Operating costs, capital expenditure and other operating factors

Operating costs and capital expenditure are based on the approved financial budgets. Forecasted cash flows beyond the budget period are based on approved life-of-mine plans and internal forecasts. Cost assumptions incorporate the Group's experience and expectations, as well as the nature and location of the operation and the risks associated therewith (for example, due to varying geological conditions over time and unforeseen operational issues).

Climate change

The Group 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, the impact on the cost of capital, the impact on forecasted Richards Bay Benchmark coal prices and the increased cost of adhering to applicable regulatory requirements, in addition to physical risks caused by climate change.

The life-of-mine models assume that there will be a market for thermal coal over the expected life-of-mine after assessing local and global demand forecasts. The prices and other key assumptions represent the Group's best estimate of key market factors, including climate change related scenarios.

The cost of carbon related emissions has been considered and incorporated into the discounted cash flow models, based on enacted legislation and expectations for carbon prices based on the latest internal forecasts, benchmarked with external sources.

The promulgation of the Carbon Tax Act 15 of 2019 on 1 June 2019 introduced a carbon tax on identified affected sectors based on their greenhouse gas emissions. On 5 January 2023 National Treasury promulgated the 2022 Taxation Laws Amendment Act, seeking to align South Africa's carbon tax rate with global carbon tax prices. The annual carbon tax rate for 2023 is R159 per tonne of carbon dioxide equivalent, escalating to R462 per tonne of carbon dioxide equivalent in 2030. The Group has expensed a total of R4 million in 2023 (2022: R4 million) in relation to carbon tax.

A carbon tax levy on fuel was introduced under the Customs and Excise Act 91 of 1964, from 5 June 2019. From 5 April 2023, the carbon tax levy on diesel increased to 11c per litre, and on petrol to 10c per litre. The carbon tax levy is excluded from the diesel refund regime.

Impairment loss assessments

Export operations

The export operations are largely dependent on the ability to rail coal to the RBCT in order to realise the sales forecast for each of the CGUs, and this has a concomitant impact on the forecasted production of the CGUs. Thungela continues to be hampered by the inconsistent and poor performance of TFR, which has effected the forecasted saleable production in the export operations.

Over the past number of years, the export operations have encountered problems in railing coal to the RBCT due to the continued underperformance of TFR. The rail operator's performance challenges are attributable to theft of infrastructure and equipment failures mainly related to locomotives. This has continued to impact our forecasted production across the operations. We have undertaken sales of lower quality export product into the domestic market, which has helped to manage our stockpile volumes. However, this does not fully mitigate the impact of the poor TFR performance on our forecasted production.

There has been a significant decrease experienced in the Richards Bay Benchmark coal price in the year ended 31 December 2023 based on the high gas and coal inventories in Europe, which has resulted in a decline in the coal consumption demand in the short to medium term. This decrease has effected the forecasted coal prices utilised in the discounted cash flow models. This, combined with the effect of the constrained rail capacity, has resulted in impairment indicators being identified at all of our export operations, and impairment losses of R60 million and R185 million being recognised at Khwezela and Greenside, respectively, at 31 December 2023.

At 31 December 2022, we did not identify any impairment indicators for our export operations based on the improved market conditions, particularly in relation to the increased Richards Bay Benchmark coal price, in that year.

The carrying amounts of the CGUs that are not impaired can be analysed as follows:

Rand million	Reporting segment	2023 Carrying amount[1]
Zibulo	Underground	**5,617**
Goedehoop	Underground	**307**
Elders	Underground	**1,245**
Mafube	Opencast	**1,628**
Total		**8,797**

[1] The carrying amount comprises other intangible assets and property, plant and equipment.

Rand million	Reporting segment	Goodwill	2022 Carrying amounts other than goodwill[1]
Zibulo	Underground	—	5,290
Greenside	Underground	9	2,029
Goedehoop	Underground	—	352
Mafube	Opencast	—	1,853
Khwezela	Opencast	—	268
Total		9	9,792

[1] Carrying amounts other than goodwill comprise other intangible assets and property, plant and equipment.

7. IMPAIRMENT LOSSES CONTINUED

Impairment loss assessments continued

Export operations continued

Sensitivities

The recoverable amounts, based on the discounted cash flow models, are sensitive to changes in input assumptions, particularly in relation to the forecasted Richards Bay Benchmark coal price and foreign exchange rates. Given the continued impact of the rail constrained environment, the recoverable amounts have become more sensitive to forecasted saleable production in the short to medium term. 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 discounted cash flow models are the short to medium-term forecasted Richards Bay Benchmark coal price used to calculate the estimated realised prices across the CGUs, discount rates applied and forecasted saleable production across the CGUs. Due to the decline experienced in the Richards Bay Benchmark coal price throughout 2023, the sensitivity related to price has been adjusted to reflect a more narrow range of reasonably possible movements.

The impact on the estimated recoverable amounts, for reasonably possible changes to the key assumptions used, keeping other assumptions constant, can be analysed as follows:

			2023			2022
Rand million	5.0% decrease in saleable production	5.0% decrease in estimated prices	0.5% increase in discount rate	10% decrease in saleable production	10% decrease in estimated prices	0.5% increase in discount rate
Zibulo	(1,734)	(2,713)	(145)	(1,861)	(3,159)	(80)
Greenside	(359)	(660)	(22)	(1,139)	(1,886)	(18)
Goedehoop	(186)	(251)	—	(634)	(1,138)	(18)
Khwezela	(470)	(734)	(11)	(1,113)	(1,748)	28
Mafube	(545)	(1,122)	(119)	(1,251)	(1,931)	(35)
Elders	(628)	(631)	(145)	—	—	—
Total	**(3,922)**	**(6,111)**	**(442)**	(5,998)	(9,862)	(123)

For the year ended 31 December 2023, the impact of the sensitivities shown above is as follows:
- Decrease in saleable production of 5.0%: This sensitivity would result in an impairment possibly being recognised at Zibulo and Goedehoop, and an increase in the impairment recognised for Greenside and Khwezela (limited to its carrying amount).
- Decrease in estimated prices of 5.0%: This sensitivity would result in an impairment possibly being recognised at Zibulo and Goedehoop, and an increase in the impairment recognised for Greenside and Khwezela (limited to its carrying amount).
- Increase in discount rate of 0.5%: This sensitivity would result in an increase in the impairment recognised for Greenside and Khwezela.

For the year ended 31 December 2022, the impact of the sensitivities shown above is as follows:
- Decrease in saleable production of 10%: This sensitivity would result in an impairment possibly being recognised at Khwezela (limited to its carrying amount), and a reduction of headroom at the remaining CGUs.
- Decrease in estimated prices of 10%: This sensitivity would result in an impairment possibly being recognised at Khwezela (limited to its carrying amount), and a reduction of headroom at the remaining CGUs.
- Increase in discount rate of 0.5%: This sensitivity would not result in an impairment at any of the CGUs.

The recoverable amounts are the most sensitive to changes in the estimated prices and production used over the forecast period. The Group has continued to prioritise higher margin production across our operations throughout 2023 to ensure that higher margin products are railed to the RBCT. We have also reduced the number of sections at our underground operations, without being able to fully remove the associated cost. The cost we incur to maintain larger stockpiles across a broader distribution network, having utilised third-party sidings, also continues to add costs to our business. This increases the cost base used as part of the determination of the recoverable amounts. There has been a significant decline in the Richards Bay Benchmark coal price in the year, as well as the forward-looking views on pricing based on various macroeconomic factors, which also impacted the determination of the recoverable amounts.

Domestic operations

Rietvlei has a fixed-term coal supply agreement in place with its customer, and throughout 2023 it delivered on its contractual commitment. Rietvlei is currently in the process of evaluating alternative markets for coal supply to supplement its fixed-term agreement and increase the optionality at the operation. As the coal supply agreements are still being evaluated, a conservative view has been applied and the CGU has been valued at its resource value at the reporting date, assuming no further mining takes place until a contract is signed. This has resulted in an impairment of R21 million being recognised at Rietvlei for the year ended 31 December 2023.

Isibonelo's sales are made under a fixed-term offtake agreement with committed production per year. Prices are contractually agreed and impacted by mining inflation and other inputs. The forecasted production is sufficient to meet the committed production per year. We have not identified any impairment indicators for the Isibonelo CGU at 31 December 2023. At 31 December 2022, there was an increase in the cost profile of the mine based on geological factors continuing to influence production, as well as a decrease in the forecasted production based on achieved rates. Based on the impairment assessment performed, an impairment loss of R613 million was recognised at Isibonelo in 2022.

Sensitivities

As domestic sales prices are largely fixed with annual input cost inflation adjustments, recoverable amounts are the most sensitive to production volumes and cost increases not catered for in the annual sales price adjustment.

The impact on the estimated recoverable amounts, for reasonably possible changes to the key assumptions used, keeping other assumptions constant, can be analysed as follows:

	2023		2022	
Rand million	**5.0% increase in operating expenditure**	**5.0% decrease in saleable production**	10% increase in operating expenditure	10% decrease in saleable production
Isibonelo	**(100)**	**(125)**	(363)	(411)
Rietvlei[1]	**—**	**—**	(261)	(327)
Total	**(100)**	**(125)**	(624)	(738)

[1] No sensitivity has been shown for Rietvlei as the recoverable amount has been determined as the resource value at 31 December 2023, and so is not impacted by changes to these inputs.

For the year ended 31 December 2023, the impact of the sensitivities shown above is as follows:
- Increase in operating expenditure of 5.0%: This would result in a potential impairment at Isibonelo.
- Decrease in saleable production of 5%: This would result in a potential impairment at Isibonelo.

For the year ended 31 December 2022, the impact of the sensitivities shown above is as follows:
- Increase in operating expenditure of 10%: This would have resulted in an additional impairment at Isibonelo, limited to the carrying amount of the CGU, and a potential impairment at Rietvlei.
- Decrease in saleable production of 10%: This would result in an additional impairment at Isibonelo, limited to the carrying amount of the CGU, and a potential impairment at Rietvlei.

Centrally held assets

The assets held centrally by the Group are allocated to all CGUs on an appropriate proportionate basis. For 2022, due to the impairment recognised at Isibonelo, impairment losses of R43 million were recognised on these centrally held assets. No impairment losses were recognised on the centrally held assets in 2023 based on the allocation performed to the appropriate CGUs.

8. RESTRUCTURING COSTS AND TERMINATION BENEFITS

The Group incurs various costs in relation to restructuring costs and termination benefits, based on changes in the underlying structure of the Group.

Accounting policy

Restructuring costs are recognised as an expense at the earlier of the date that the costs are incurred or when the Group is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed restructuring plan. Benefits that are expected to be wholly settled more than one year after the end of the reporting period are discounted to their present value.

Expenses related to the demerger are incurred directly in relation to the ongoing transition of services away from Anglo American, and are recognised as expenses as incurred.

The restructuring costs and termination benefits can be analysed as follows:

Rand million	2023
Demerger related costs	51
Total restructuring costs and termination benefits	**51**

Rand million	2022
Demerger related costs	29
Total restructuring costs and termination benefits	29

Demerger related costs for the years presented relate to the ongoing transition of services away from Anglo American in line with the transitional services agreements signed in preparation for the demerger.

9. NET FINANCE INCOME

The Group's net finance income includes investment income relating to the investing activities of the Group, the unwinding of the discount on environmental and other provisions as well as foreign exchange gains and losses, and other financing costs.

Accounting policy

Interest income is recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method.

Growth on the environmental rehabilitation trusts' assets and other environmental investments represents the growth on the unit trusts and other investments held in order to mitigate the Group's exposure to environmental provisions, and is recognised in the statement of profit or loss and other comprehensive income as it is earned.

Interest expenses, other than the unwinding of discount on environmental and other provisions, are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred. The unwinding of the discount on environmental and other provisions is recognised in the statement of profit or loss and other comprehensive income over the life of the relevant provision, based on the expected outflow of economic benefits in future periods.

Foreign exchange gains and losses relate to the translation of cash and cash equivalents held by the Group, denominated in US dollar and Australian dollar.

Fair value losses on derivative financial instruments relate to losses on foreign exchange contracts (FECs) entered into in order to manage the Group's exposure to exchange rate volatility.

Net finance income can be analysed as follows:

Rand million	Notes	2023	2022
Investment income			
Interest income on cash and cash equivalents		1,000	775
Growth on environmental rehabilitation trusts' assets	27	294	158
Growth on other environmental investments	27	65	16
Fair value movement on investment in insurance structure	24	19	2
Other interest income		16	12
Total investment income		1,394	963
Interest expense			
Interest and other finance expenses		(66)	(35)
Net interest costs on retirement benefit obligations	29	(47)	(48)
Unwinding of discount on environmental and other provisions	27	(911)	(655)
Total interest expense		(1,024)	(738)
Other financing gains/(losses)			
Foreign exchange gains on cash and cash equivalents		163	377
Fair value movements on derivative financial instruments	23	163	(553)
Total other financing gains/(losses)		326	(176)
Net finance income		696	49

10. INCOME TAX EXPENSE

The income tax expense comprises current tax charged in line with relevant legislation, and deferred tax determined in line with IAS 12: Income Taxes.

Accounting policy

The income tax expense comprises the sum of current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or in equity.

Current tax and deferred tax is recognised in other comprehensive income or in equity if the taxation relates to items that are recognised, in the same or a different period, in other comprehensive income or in equity.

The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

10. INCOME TAX EXPENSE CONTINUED

Analysis of income tax expense

Rand million	Note	2023	2022
Current tax expense		(2,128)	(6,057)
Charged in respect of the current reporting period		(2,093)	(6,000)
Charged in respect of prior reporting periods		(35)	(57)
Deferred tax (expense)/credit		(104)	119
(Charged)/credited in respect of deferred tax assets	30	(26)	156
Charged in respect of deferred tax liabilities	30	(78)	(37)
Total income tax expense		(2,232)	(5,938)

The South African corporate tax rate was reduced from 28% to 27% with effect from 1 January 2023. The Australian corporate tax rate is 30%.

Australia has a tax consolidation regime that, when elected, allows wholly owned groups of companies operating within Australia to be taxed as one entity. We have elected to apply the tax consolidation regime, with the head company being Sungela Holdings and the wholly owned group of companies being Sungela and Ensham Resources.

The Group is following developments relating to the impact of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion rules as part of the Two-Pillar solution to assess the potential impact thereof.

Factors affecting income tax expense

The income tax expense has been impacted by various transactions and can be analysed as follows:

Rand million	2023	2022
Profit before tax	**7,202**	24,143
Tax at the applicable rate (South African corporation tax rate) of 27% (2022: 28%)	**(1,945)**	(6,760)
Adjusted for the tax effects of:		
Items non-deductible for tax purposes	**(403)**	(383)
Depreciation of mineral rights	**(9)**	(8)
Impairment of mineral rights and land	**(5)**	(10)
Royalty and carbon tax prior year adjustment	**(2)**	(10)
Fair value losses on biological assets	**(3)**	(5)
Fair value loss on derivative asset – capital support	**—**	(97)
Non-deductible items considered capital in nature	**(61)**	(26)
Expenses related to contributions to the trusts[1]	**(152)**	(214)
Expenses not incurred in the production of income	**(11)**	(7)
Transactions related to the acquisition of the Ensham Business[2]	**(154)**	—
Accounting adjustments not deductible	**(6)**	(6)
Items non-taxable for tax purposes	**226**	15
Contribution to other environmental investments	**1**	1
Accounting adjustments not taxable	**57**	14
Exempt income	**15**	—
Gain on bargain purchase arising on the acquisition of the Ensham Business	**153**	—
Other items	**(127)**	1,206
Effect of higher tax rates for trusts	**—**	(1)
Effect of tax rates on foreign jurisdictions	**(4)**	—
Tax rate change	**—**	31
Deferred tax assets previously not recognised	**—**	1,177
Deferred tax assets not recognised	**(131)**	—
Other	**8**	(1)
Prior year adjustments	**17**	(16)
Current tax	**(35)**	(57)
Deferred tax	**52**	41
Total income tax expense	**(2,232)**	(5,938)

[1] Expenses related to contributions to the trusts relates to contributions made to the Nkulo Community Partnership Trust and the Sisonke Employee Empowerment Scheme. Refer to note 6 and note 27 for further detail.

[2] Transactions related to the acquisition of the Ensham Business relate to the tax impact of various elements of the acquisition, which are considered non-deductible based on the application of the tax laws in Australia.

The effective tax rate for the year of 31% (2022: 25%) is higher than the applicable statutory rate of corporation tax in South Africa of 27% (2022: 28%). This is primarily due to non-deductible expenses incurred throughout the Group.

The prior year tax adjustments relate to adjustments required to align with the final tax returns as submitted to the SARS.

10. INCOME TAX EXPENSE CONTINUED

Tax amounts included in other comprehensive income

The tax impact of the individual items presented in other comprehensive income can be analysed as follows:

Rand million	2023	2022
Tax expense on items that will not be reclassified to profit or loss		
Remeasurement of retirement benefit obligations	(7)	(15)
Fair value losses on financial asset investments	1	—
Total income tax expense recognised in other comprehensive income	(6)	(15)

Current tax assets and liabilities

The current tax assets and liabilities are only offset to the extent that the Group has the ability and intention to settle these amounts simultaneously.

The current tax assets and liabilities can be analysed as follows:

Rand million	2023	2022
Current tax assets	298	231
Current tax liabilities	(102)	(25)
Net current tax assets	196	206

Income tax paid

The income tax paid for the year can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	206	(232)
Income tax – current tax charge	(2,128)	(6,057)
Interest capitalised	(1)	3
Reclassification	—	(75)
Balance at the end of the reporting period	(196)	(206)
Income tax paid	(2,119)	(6,567)

11. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Earnings per share has been calculated in line with the requirements of IAS 33: Earnings per Share. Headline earnings has been determined in line with Circular 1/2023: Headline Earnings issued by SAICA (Circular 1/2023) and the JSE Listings Requirements.

Accounting policy

The Group calculates and presents basic and diluted earnings per share and basic and diluted headline earnings per share for its ordinary shares.

Headline earnings is calculated by adjusting the profit attributable to the equity shareholders of the Group for all separately identifiable remeasurements which are excluded from headline earnings as defined in Circular 1/2023, net of related tax (both current and deferred) and related non-controlling interests. The headline earnings is then divided by the WANOS to calculate headline earnings per share. Disclosure of headline earnings is not a requirement of IFRS Accounting Standards, but it is a commonly used measure of earnings in South Africa that is more closely aligned to the operating activities of an entity.

Diluted earnings per share and headline earnings per share are determined by adjusting the basic and headline earnings attributable to the equity shareholders of the Group and the WANOS for the effects of all dilutive potential ordinary shares at the reporting date, which comprise share awards granted to employees.

Number of shares

The WANOS used in the calculation of earnings per share and headline earnings per share can be analysed as follows:

Number of shares	**2023**	2022
Net shares in issue at the start of the reporting period	**137,549,449**	133,599,202
Adjusted for the weighted average impact of shares:		
Issued in the reporting period	**—**	366,534
Acquired in the reporting period[1]	**(982,824)**	(673,262)
Disposed of in the reporting period[2]	**2,751**	—
Vested in the reporting period	**487,252**	392,354
WANOS at the end of the reporting period	**137,056,628**	133,684,828
Adjusted for dilutive potential ordinary shares relating to:		
Conditional share awards	**2,467,564**	1,547,889
Forfeitable share awards	**280,078**	812,771
Diluted WANOS at the end of the reporting period	**139,804,270**	136,045,488
Number of shares in issue	**140,492,585**	140,492,585
Treasury shares held by Group companies	**(3,592,017)**	(2,943,136)
WANOS	**137,056,628**	133,684,828
Diluted WANOS	**139,804,270**	136,045,488

1 Shares acquired in the reporting period relate to shares purchased in line with the requirements of the Thungela share plan. Refer to note 32 for further detail.
2 Shares disposed of in the reporting period relate to share awards forfeited in line with the requirements of the Thungela share plan, which were subsequently sold.

11. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE CONTINUED

Earnings per share

Earnings per share can be analysed as follows:

Rand million (unless otherwise stated)	2023	2022
Profit attributable to the equity shareholders of the Group	5,162	16,988
Profit used in the calculation of diluted earnings per share[1]	5,162	16,988
Earnings per share		
Basic (cents/share)	3,766	12,708
Diluted (cents/share)	3,692	12,487

[1] There were no adjustments to the profit attributable to the equity shareholders of the Group used in the calculation of diluted earnings per share relating to the potential ordinary shares.

Headline earnings per share

Profit attributable to the equity shareholders of the Group has been reconciled to headline earnings as follows:

Rand million (unless otherwise stated)	Notes	2023	2022
Profit attributable to equity shareholders of the Group		5,162	16,988
Adjusted for:			
Excluded remeasurements		(291)	673
Impairment of property, plant and equipment	7	257	648
Impairment of intangible assets	7	9	8
Gain on bargain purchase arising from the acquisition of the Ensham Business	15	(565)	—
Loss on disposal of property, plant and equipment	5	8	17
Tax effects of excluded remeasurements		(64)	(172)
Impairment of property, plant and equipment	7	(62)	(165)
Impairment of intangible assets	7	—	(2)
Loss on disposal of property, plant and equipment		(2)	(5)
Non-controlling interests related to excluded remeasurements		(14)	—
Impairment of property, plant and equipment		(14)	—
Headline earnings		4,793	17,489
Headline earnings used in the calculation of diluted headline earnings per share[1]		4,793	17,489
Headline earnings per share			
Basic (cents/share)		3,497	13,082
Diluted (cents/share)		3,428	12,855

[1] There were no adjustments to headline earnings used in the calculation of diluted headline earnings per share relating to the potential ordinary shares.

CAPITAL BASE

12. INTANGIBLE ASSETS

Intangible assets comprise goodwill and other intangible assets, being a servitude related to the Zibulo Colliery and software implemented by the Group.

Accounting policy

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, and any impairment is recognised as an expense in the statement of profit or loss and other comprehensive income.

Other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives of between five and 20 years. The amortisation period is determined as the period over which the Group 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.

Capital work-in-progress is measured at cost less any accumulated impairment losses. Amortisation will commence when the assets can operate in the manner intended by management, at which point they will be transferred to the appropriate asset class.

Refer to note 7 for detail of the impairment assessment performed by the Group.

Intangible assets can be analysed as follows:

				2023
Rand million	Goodwill	Other	Capital work-in-progress	Total
Cost				
Balance at the start of the reporting period	98	311	—	409
Additions	—	—	172	172
Reclassifications	—	—	101	101
Balance at the end of the reporting period	98	311	273	682
Accumulated amortisation and impairment losses				
Balance at the start of the reporting period	(90)	(237)	—	(327)
Amortisation charge	—	(25)	—	(25)
Impairment losses	(8)	(1)	—	(9)
Reclassifications	—	1	(9)	(8)
Balance at the end of the reporting period	(98)	(262)	(9)	(369)
Carrying amount				
Balance at the start of the reporting period	8	74	—	82
Balance at the end of the reporting period	—	49	264	313

Rand million	Goodwill	Other	2022 Total
Cost			
Balance at the start of the reporting period	98	311	409
Balance at the end of the reporting period	98	311	409
Accumulated amortisation and impairment losses			
Balance at the start of the reporting period	(90)	(201)	(291)
Amortisation charge	—	(28)	(28)
Impairment losses	—	(8)	(8)
Balance at the end of the reporting period	(90)	(237)	(327)
Carrying amount			
Balance at the start of the reporting period	8	110	118
Balance at the end of the reporting period	8	74	82

The goodwill relates to Greenside which arose through historical transactions, and has been impaired in the current year. All other goodwill balances were fully impaired in previous years.

The servitude is amortised over a useful life of 20 years. The remaining useful life is 10 years. The computer software is amortised over a useful life of five years. The remaining useful life is two years.

Capital work-in-progress relates to upgrades to the Group's information management environment, based on the ongoing transition of services away from Anglo American.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises tangible assets which are critical to Thungela's operations. These include acquired mineral rights, capitalised waste stripping and mine development costs, processing plant and infrastructure, vehicles and other equipment.

Accounting policy

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost is the fair value of the consideration required to acquire and develop the asset and includes the purchase price, acquisition of mineral rights, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of any decommissioning provisions.

Gains or losses on the disposal of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of the assets disposed. The gains or losses are recognised in the statement of profit or loss and other comprehensive income when the disposal becomes effective.

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 a 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 one year after the stripping costs are incurred. 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.

The removal of waste material after the point at which mining properties are available for use is referred to as production stripping. 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 and other comprehensive income as operating costs in accordance with the principles of IAS 2: Inventories.

Right-of-use assets

Right-of-use assets are included within property, plant and equipment, and on commencement of the lease are recognised at the amount of the corresponding lease liability, adjusted for any lease payments made on or before the lease commencement date, plus any direct costs incurred, an estimate of costs for dismantling, removing, or restoring the underlying asset and less any lease incentives received.

Refer to note 28 for detail related to the leasing activities of the Group.

Depreciation

Mining properties and items of plant and equipment for which the consumption of economic benefits is linked to production are depreciated to their residual values using the unit of production method based on proved and probable coal reserves. Mining properties include the value of the mining tenement acquired with the Ensham Business, which is depreciated on a straight-line basis over the estimated remaining reserve life.

Land is not depreciated. 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.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease, or, if shorter, the useful life of the asset.

Capital work-in-progress is measured at cost less any impairment losses. Depreciation commences when the assets can operate in the manner intended by management, at which point they are transferred to the appropriate asset class.

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.

The property, plant and equipment can be analysed as follows:

							2023
		Land and buildings		Plant and equipment			
Rand million	Mining properties	Owned	Right-of-use	Owned	Right-of-use	Capital work-in-progress	Total
Cost							
Balance at the start of the reporting period	7,089	1,356	55	26,891	107	5,369	40,867
Acquisition of the Ensham Business[1]	2,716	1,281	—	2,636	—	586	7,219
Additions	—	—	—	—	—	3,083	3,083
Additions to right-of-use assets	—	—	3	—	48	—	51
Disposals	—	(5)	—	(854)	—	—	(859)
Transfers of capital work-in-progress	106	33	—	1,708	—	(1,847)	—
Reclassifications	—	—	—	(35)	—	2	(33)
Adjustments to decommissioning assets	—	—	—	76	—	—	76
Currency movements	81	38	—	80	—	21	220
Balance at the end of the reporting period	9,992	2,703	58	30,502	155	7,214	50,624
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(5,140)	(873)	(36)	(20,634)	(35)	(3,493)	(30,211)
Depreciation charge	(299)	(57)	(4)	(1,161)	(11)	—	(1,532)
Impairment losses	(38)	(3)	(1)	(209)	(5)	(1)	(257)
Disposals	—	4	—	848	—	—	852
Reclassifications	—	—	2	6	—	—	8
Currency movements	(2)	(1)	—	(4)	—	—	(7)
Balance at the end of the reporting period	(5,479)	(930)	(39)	(21,154)	(51)	(3,494)	(31,147)
Carrying amount							
Balance at the start of the reporting period	1,949	483	19	6,257	72	1,876	10,656
Balance at the end of the reporting period	4,513	1,773	19	9,348	104	3,720	19,477

[1] Refer to note 15 for further detail related to the acquisition of the Ensham Business.

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The property, plant and equipment can be analysed as follows continued:

							2022
		Land and buildings		Plant and equipment			
Rand million	Mining properties	Owned	Right-of-use	Owned	Right-of-use	Capital work-in-progress	Total
Cost							
Balance at the start of the reporting period	6,863	1,305	58	25,577	107	5,606	39,516
Additions	—	—	—	—	—	1,962	1,962
Disposals	(9)	—	—	(524)	—	—	(533)
Transfers of capital work-in-progress	281	23	—	1,896	—	(2,200)	—
Reclassifications	(46)	28	—	25	—	1	8
Adjustments to decommissioning assets	—	—	—	(83)	—	—	(83)
Other movements	—	—	(3)	—	—	—	(3)
Balance at the end of the reporting period	7,089	1,356	55	26,891	107	5,369	40,867
Accumulated depreciation and impairment losses							
Balance at the start of the reporting period	(4,856)	(820)	(31)	(19,725)	(24)	(3,492)	(28,948)
Depreciation charge	(240)	(16)	(4)	(898)	(11)	—	(1,169)
Impairment losses	(71)	(37)	(1)	(539)	—	—	(648)
Disposals	9	—	—	506	—	—	515
Reclassifications	18	—	—	22	—	(1)	39
Balance at the end of the reporting period	(5,140)	(873)	(36)	(20,634)	(35)	(3,493)	(30,211)
Carrying amount							
Balance at the start of the reporting period	2,007	485	27	5,852	83	2,114	10,568
Balance at the end of the reporting period	1,949	483	19	6,257	72	1,876	10,656

14. INVESTMENT IN ASSOCIATE

The Group holds an investment in RBCT, over which it is considered to exercise significant influence.

Accounting policy

Associates are investments over which the Group 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 the 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 Group's 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.

The investment in associate can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	43	63
Advance/(repayment) of quasi-equity loans	35	(20)
Balance at the end of the reporting period	78	43

The Group holds a 23% (2022: 23%) ownership interest in RBCT. The principal business activity of RBCT is the export of coal from South Africa. RBCT operates on the basis that all costs incurred are recovered from shareholders in proportion to their throughput through the terminal, hence no profit or loss is recognised under the equity method of accounting. The Group's total investment in associate includes loans of R59 million (2022: R23 million) which in substance form part of Group's net investment in the associate.

The Group has assessed these loans for impairment based on the expected repayment of the loan and risk of default by RBCT, taking into account both forward-looking and historical information available and determined that no impairment is required.

15. ACQUISITION OF THE ENSHAM BUSINESS

Thungela acquired a controlling interest in the Ensham Business from Idemitsu, with an effective date of 31 August 2023, as fully described in note 2A.

The acquisition is considered to be a business combination in line with IFRS 3, and the acquisition method of accounting has been applied.

Accounting policy

Goodwill, or a gain on bargain purchase, is determined by comparing the fair value of the consideration transferred (including contingent consideration) to the fair value of the Group's share of identifiable net assets at the acquisition date. Where this difference is positive, it reflects goodwill, and where it is negative, it results in a gain on bargain purchase.

Goodwill is recognised as an intangible asset, while a gain on bargain purchase is recognised directly in the statement of profit or loss and other comprehensive income on the acquisition date.

Transactions which are not considered to be part of the business combination are recognised separately in line with the relevant IFRS Accounting Standards considerations, and do not impact the goodwill or gain on bargain purchase recognised.

Acquisition and integration costs relate to costs incurred in relation to the business combination, or subsequent integration of the business into the Group, and are expensed as incurred.

15. ACQUISITION OF THE ENSHAM BUSINESS CONTINUED

Critical judgements applied in determining the fair value of the Ensham Business

The fair value of the Ensham Business at the acquisition date has been determined with reference to the life-of-mine forecasted cash flows, in line with the specific requirements of IFRS 3. The Ensham Business was identified as a single CGU based on the operations thereof, and the generation of cash flows in the business.

Expected future cash flows used in the discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including coal resources and coal reserves, expected production volumes and costs, forecasted capital expenditure, as well as economic factors such as the Newcastle Benchmark coal price, foreign exchange rates, and discount rates. 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.

The discounted cash flow model used to determine the fair value of the Ensham Business at the acquisition date was based on the model underlying the sale process, and was adjusted based on our best estimate of various inputs.

The key assumptions used in the discounted cash flow model can be analysed as follows:

Life-of-mine and production volumes

The life-of-mine used in the determination of the fair value of the Ensham Business is reflective of our current estimate of the operations of the Ensham Mine. This includes an assumption that mining leases over certain areas of the mine will be extended past their current expiry date, and that mining will continue until 2032. While the extension to these leased areas was not granted at the acquisition date, it is considered to be appropriate to include the extension in determining a market participant view of Ensham. Production volumes included in the cash flow model are based on demonstrated rates and internal forecasts, as approved in the normal operating cycle.

Coal prices

The estimated coal prices used are based on the latest internal forecasts, benchmarked with external sources of information to ensure that they are within the range of available external forecasts. The estimated price is calculated using the forecasted Newcastle Benchmark coal price, with adjustments to reflect the quality and calorific value of the product. Where the Ensham Business has negotiated fixed price contracts with customers, the estimated price for these sales volumes reflects the agreed fixed price. The forecasted Newcastle Benchmark coal price used in the cash flow model ranged from USD85 per tonne to USD143 per tonne. When combined with the fixed prices agreed with customers on specific contracts, the estimated prices used in the cash flow model ranged from USD85 per tonne to USD206 per tonne.

Foreign exchange rates

Foreign exchange rates are based on the latest internal forecasts, benchmarked against external sources of information. Sales for the Ensham Business are made in both US dollar and Australian dollar, however the majority of costs are incurred in Australian dollar. The cash flow model is thus sensitive to fluctuations in the US dollar to Australian dollar exchange rate, which is more stable than the fluctuations of these currencies to the South African rand. The real exchange rates used in the cash flow model ranged from AUD1.43:USD1 to AUD1.52:USD1.

Discount rates

The discounted cash flow model used to determine the fair value of the Ensham Business is based on a real post-tax discount rate of 12%, based on risks specific to the business and the Australian economic environment. The fair value of the environmental provisions was determined using a risk-free discount rate of 4.1%.

Operating costs, capital expenditure and other operating factors

Operating costs and capital expenditure are based on the financial budgets as included in the initial seller model. Forecasted cash flows beyond the budget period are based on approved life-of-mine plans and internal forecasts. Cost assumptions incorporate the Group's experience and expectations of costs to be incurred.

Tax and deferred tax

The tax and deferred tax impact included in the cash flow model is based on the tax laws and regulations in place in Queensland at the acquisition date, and the expected tax to be paid by the Ensham Business on the forecasted cash flows. The deferred tax liability at the acquisition date was determined using the adjusted tax bases of the assets and liabilities acquired based on the purchase price paid to Idemitsu.

Determining the total consideration

The total consideration for the acquisition of the Ensham Business can be analysed as follows:

Rand million	2023
Initial purchase price	4,115
Completion adjustments	(128)
Economic benefit deed	(815)
Royalty deed	123
Total consideration	3,295

Initial purchase price

The initial purchase price as included in the SASA amounted to R4,115 million which was settled by Sungela, through funding received from Sungela Holdings. The initial purchase price was paid in two tranches, the first being a deposit of R169 million paid in March 2023, and the remaining amount paid in advance of the effective date of the transaction, being 31 August 2023.

Completion adjustments

The SASA provided for two completion adjustments which impact total consideration, based on the working capital position of the Ensham Business at the acquisition date, as is customary in transactions of this nature. An estimated completion adjustment was determined prior to the acquisition date, and adjusted the amount paid by Sungela at that date. A final completion adjustment was determined after the acquisition date, based on the actual working capital position of the Ensham Business, and is considered a measurement period adjustment. Both of the completion adjustments reduced the total consideration by a total of R128 million. The final completion adjustment was received by Sungela in December 2023.

Economic benefit deed

The SASA provided that Sungela would have a right to, or obligation for, a contractually determined portion of the net economic benefit generated by the Ensham Business from 1 January 2023 until the effective date of the acquisition - referred to as the economic benefit deed. The economic benefit deed reflects Sungela's benefit in the Ensham Business before the effective date, and the calculation of the related economic benefit was subject to specific and detailed contractual provisions.

The economic benefit deed is directly related to the acquisition of the Ensham Business, and is determined based on the performance of the business up to the acquisition date. As such, it is considered a measurement period adjustment, and impacts the total consideration for the acquisition. The value of the economic benefit deed was determined in line with the contractual provisions to be R815 million, which was received by Sungela in December 2023.

15. ACQUISITION OF THE ENSHAM BUSINESS CONTINUED

Determining the total consideration continued

Royalty deed

The SASA also provided for a royalty deed, in which Sungela would be liable to pay a royalty amount to Idemitsu, based on sales of Ensham coal up to 31 December 2024. The royalty is payable on a quarterly basis, only to the extent that the average realised price for sales per quarter exceeds USD170 per tonne in 2023, and USD150 per tonne in 2024.

As the royalty deed is directly related to the acquisition of the Ensham Business, and is determined based on factors arising after the acquisition date (being the actual realised price on sales up to 31 December 2024), it is considered to be contingent consideration. The fair value of the royalty deed at the acquisition date, being R123 million, based on the forecasted coal prices used to determine the fair value of the Ensham Business at that date, was added to the total consideration.

Sungela paid R55 million to Idemitsu in December 2023 in relation to the royalty deed, based on sales from the acquisition date to the reporting date, which is reflected as a cash flow from financing activities, being the settlement of contingent consideration after the acquisition date.

The royalty deed is considered to be a derivative liability as defined in IFRS 9: Financial Instruments (IFRS 9) and is measured at its fair value, which is the value expected to be paid under the deed based on the forecasted realised prices up to 31 December 2024.

Subsequent changes to the valuation of the royalty deed will be recognised in profit or loss and will not affect the total consideration. At 31 December 2023, the Group assessed the fair value of the royalty deed based on the forecasted Newcastle Benchmark coal price up to 31 December 2024. The forecasted Newcastle Benchmark coal price is lower than the threshold specified in the contract, and the Group does not expect any further amounts to be payable to Idemitsu on this basis. The fair value of the royalty deed at the reporting date is thus considered to be Rnil, which has resulted in a fair value gain of R72 million being recognised in the statement of profit or loss and comprehensive income.

Impact on the statement of cash flows

The amounts recognised in the statement of cash flows relating to the acquisition of the Ensham Business can be analysed as follows:

Rand million	2023
Payment of initial purchase price	4,115
Receipt of completion adjustments	(128)
Receipt of economic benefit deed	(815)
Realised foreign exchange gains	(26)
Net cash outflow related to total consideration	**3,146**
Less: cash acquired in the Ensham Business[1]	(376)
Net cash outflow on the acquisition of the Ensham Business	**2,770**

[1] The cash acquired in the Ensham Business relates to cash on hand in the underlying statutory entities at the acquisition date.

Fair value of the net assets of the Ensham Business

Thungela has accounted for the acquisition of the Ensham Business by consolidating the fair value of the net assets acquired on a line-by-line basis. As detailed in note 2A, the results of Ensham Resources and Nogoa Pastoral are included in the consolidated financial statements at 85% of the underlying entities performance, based on Sungela's rights in terms of the mining tenements. The fair values of the assets and liabilities acquired are considered to be final, and no further measurement period adjustments are expected.

The acquisition date fair values of the net assets of the Ensham Business can be analysed as follows:

Rand million	2023
Assets	
Non-current assets	
Property, plant and equipment	7,219
Trade and other receivables	8
Other non-current assets	23
Total non-current assets	7,250
Current assets	
Inventories	1,013
Trade and other receivables	807
Derivative financial instruments	227
Cash and cash equivalents	376
Total current assets	2,423
Total assets	9,673
Liabilities	
Non-current liabilities	
Environmental and other provisions	3,727
Deferred tax liabilities	133
Total non-current liabilities	3,860
Current liabilities	
Trade and other payables	1,563
Environmental and other provisions	369
Total current liabilities	1,932
Total liabilities	5,792
Fair value of net assets acquired	3,881

Property, plant and equipment

The Group primarily used the cost approach to determine the fair value of the property, plant and equipment. By using this approach, we recognised the contributory value associated with the necessary installation, engineering, and set up costs related to the installed complement of equipment. The market approach was applied where we had sufficient information in respect of comparable sales and offering data in the market place.

Property, plant and equipment includes R2,716 million relating to the fair value of the mining tenements, which were not previously recognised. The fair value of the mining tenements was determined based on the residual business fair value, adjusted for the fair value of the net assets acquired.

At the reporting date, management performed an impairment indicator assessment to determine whether the property, plant and equipment of Ensham may be impaired. The discounted cash flow model used for the fair value determination at the acquisition date was used for this purpose, with updates applied only for known factors. The most significant input into the model is the forecasted Newcastle Benchmark coal price, which was updated to the latest available forecasts at the reporting date. Based on the assessment performed, no indicator of impairment for the property, plant and equipment was identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

15. ACQUISITION OF THE ENSHAM BUSINESS CONTINUED

Fair value of the net assets of the Ensham Business continued

Inventories

Inventories acquired include consumables and finished products, being coal inventory. Consumables were measured at cost, considered to reflect their fair value at the acquisition date. Coal inventory was measured at net realisable value, which is reflective of its fair value at the acquisition date. The coal inventory on hand at the acquisition date has been sold, and the remaining inventory on hand at the reporting date has been measured at the lower of cost or net realisable value.

Trade and other receivables

Trade and other receivables were reflected at the book value thereof at the acquisition date. Thungela considers the gross contractual amounts receivable to be equal to the fair value of the receivables.

Derivative financial instruments

The Ensham Business has a number of contracts with agreed fixed prices for coal sales over a specified period of time. The prices in these contracts were agreed in early 2023, when the Newcastle Benchmark coal price was significantly higher than the levels experienced throughout the second half of 2023. The fixed price element of these contracts was considered to be an above-market transaction, which required the recognition of an appropriate asset at the acquisition date. The value of the favourable customer contracts was determined using the same forecasted Newcastle Benchmark coal price as noted above, and resulted in a derivative asset being recognised at the acquisition date. The contracts include a fixed price for a calendar year, after which the pricing is renegotiated. As such, the asset related to the favourable customer contracts has been reversed at the reporting date.

Trade and other payables

Trade and other payables were reflected at the book value thereof at the acquisition date. Thungela considers the gross contractual amounts payable to be equal to the fair value of the payables.

Environmental and other provisions

Environmental provisions

The SASA noted that the sale of the Ensham Business included the assumption of the liability to perform rehabilitation activities related to past mining activities. The environmental provisions have been determined in line with the relevant regulations in Australia, as detailed in note 27. The value of the environmental provisions at the acquisition date reflects our current estimate of the closure costs for the Ensham Mine.

Other provisions

Other provisions reflect the acquisition date fair values of contingent liabilities which are required to be recognised in line with IFRS 3. This includes a provision for a take-or-pay contract with a rail provider, where forecasted railage is below the committed railage, as well as various ongoing litigation matters at the Ensham Mine.

The value of these provisions at the acquisition date reflects our best estimate of the costs to be incurred.

Sensitivity analysis

The discounted cash flow model used to determine the fair value of the Ensham Business at acquisition date is sensitive to changes in input assumptions, particularly in relation to life-of-mine assumptions, discount rates, forecasted Newcastle Benchmark coal prices and costs. In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in key assumptions.

The impact on the estimated fair value, for reasonably possible changes to the key assumptions used, keeping other assumptions constant, can be analysed as follows:

Rand million	2023
Decrease of life-of-mine to 2028	194
Increase of 5.0% in forecasted costs	(472)
Increase of 0.5% in discount rate	(85)
Decrease of 5.0% in forecasted saleable production	(992)
Decrease of 5.0% in forecasted Newcastle Benchmark coal price	(956)

The fair value of the Ensham Business is the most sensitive to changes in the forecasted saleable production and forecasted coal prices. Since we have assumed operational control of the Ensham Mine, the average production run rate has increased and there are plans to further increase production going forward. The Newcastle Benchmark coal price used is in line with our price modelling used for key investment decisions, and is considered to be a reasonable basis on which to determine the fair value of the Ensham Business.

Gain on bargain purchase

The gain on bargain purchase is determined by comparing the total consideration to the fair value of the net assets acquired in the business combination, adjusted for the appropriate non-controlling interests.

The gain on bargain purchase recognised on the acquisition of the Ensham Business can be analysed as follows:

Rand million	2023
Total consideration	3,295
Non-controlling interest acquired[1]	21
Fair value of net assets acquired	(3,881)
Gain on bargain purchase	**(565)**

[1] This represents non-controlling interest in Ensham Coal Sales only.

As required by IFRS 3, various inputs into the determination of the fair value of the Ensham Business were reassessed to determine that the recognition of a gain on bargain purchase is appropriate. The significant contributors to the gain on bargain purchase recognised relate to the life-of-mine assumptions applied, which assume the extension of certain mining leases past their current expiry date, as well as the economic benefit deed received by Sungela. Given the extent of time between the signing of the SASA and the effective date of the transaction, the economic benefit deed resulted in Sungela receiving eight months of operational benefit from the Ensham Business, which reduced the total consideration for the acquisition.

The gain on bargain purchase has been included as a separate line item in the statement of profit or loss and other comprehensive income.

Contribution of the Ensham Business

The Ensham Business has contributed revenue of R2,589 million and net profit of R448 million, including acquisition related fair value adjustments, to the Group for the period from the acquisition date to 31 December 2023.

If the acquisition had occurred on 1 January 2023, the Ensham Business would have contributed revenue and net profit of R9,764 million and R2,056 million for the year, respectively, to the Group. These amounts have been calculated using the management accounts of the Ensham Business.

15. ACQUISITION OF THE ENSHAM BUSINESS CONTINUED

Transactions recognised separately from the acquisition of the Ensham Business

Various transactions have been undertaken in support of the acquisition of the Ensham Business, which are not directly related to the acquisition. These transactions have been separately recognised in line with the relevant IFRS Accounting Standards requirements as detailed below.

Financing provided to the co-investors

The co-investors acquired a 25% shareholding in Sungela Holdings as part of the acquisition of the Ensham Business. The portion of the purchase price attributable to the shareholding purchased by the co-investors was R1,035 million, of which R809 million, or 20%, was funded through a loan provided by Thungela International. The loan is interest bearing and is repayable 18 months after the effective date of the transaction, mainly through distributions received by the co-investors from Sungela Holdings. The co-investors are required to apply 90% of all distributions they receive from Sungela Holdings to the repayment of the loan.

The loan is secured by shares owned by the co-investors, representing 20% of the shares of Sungela Holdings in issue at the acquisition date. Once 50% of the loan has been repaid, 50% of the secured shares may be released to the co-investors. To the extent that the loan is not repaid by its final repayment date, some of the secured shares may be called as security by Thungela International. Should the loan not be repaid in full, and a portion of the secured shares called, the capital amount of the loan will be considered fully repaid, even if the value of the secured shares called is lower than the value of the outstanding debt at the repayment date, in which case Thungela International may become the legal owner of the shares called as security.

As the shares are held as security for the loan, and the loan will be considered fully repaid even to the extent that the value of the shares is less than the capital amount outstanding, for accounting purposes only, the shares are not considered to have been issued while the loan has not been repaid. Thungela International is instead considered, for accounting purposes, to have granted the co-investors an option to acquire 20% of the shares in Sungela Holdings, which is exercisable to the extent that the loan is repaid at its repayment date.

The grant of the option to the co-investors is treated as an equity settled share-based payment transaction, as it will be settled using the shares of Sungela Holdings, to the extent that the loan is repaid. The fair value of the option granted was measured at its grant date, being 31 August 2023, and will not be remeasured after grant date. As the option does not have vesting conditions attached to its exercise, the full value of the option has been recognised as an expense at the grant date.

The option payout depends on the interaction between the loan interest and the dividends paid on the underlying Sungela Holdings shares held as security, producing a path dependent payout structure. As a result, the Group used the Monte Carlo model where the payoff of the option emulates that of a call option, with the loan balance resembling the variable strike price, being the outstanding debt balance of the option at the repayment date.

The inputs used in the measurement of the fair value of the option at grant date are as follows:

	2023
Grant date	31 August 2023
Fair value at grant date (Rand million)	75
Maturity date	28 February 2025
Expected volatility (%)	60
Risk free rate (%)	1.0 – 4.2
Margin on loan (%)	14
Dividend yield (%)	1.7 – 10

The Group has recognised an expense for this option granted to the non-controlling interests of R75 million, with a corresponding increase in the share-based payments reserve.

Long-term incentive plan shares

The co-investors were granted LTIP shares, which currently carry no voting or dividend rights, but could vest and become ordinary shares on the achievement of specific milestones, each of which will enhance the value of the Ensham Business. Should all of the LTIP shares vest, the legal ownership held by the co-investors in Sungela Holdings would increase to 30%. The co-investors only have rights to earnings and distributions relating to the LTIP shares from 31 December in the year in which a milestone has been met, and as approved by the Sungela Holdings board.

The LTIP shares are reflected as separate classes of shares and at the point that the LTIP shares are considered to vest, these shares will be given the same voting and economic rights as ordinary shares. Thungela Resources Australia will not sell any of its existing equity shares in Sungela Holdings on the vesting of the LTIP shares, but its shareholding will reduce through the rights afforded to these shares on their vesting dates, should they vest in line with the related milestones.

The grant of the LTIP shares is treated as an equity settled share-based payment transaction, as it will be settled in the shares of Sungela Holdings on vesting.

The LTIP shares have been measured at fair value on the grant date, being 31 August 2023, calculated based on the discounted cash flow model used to determine the fair value of the Ensham Business at that date, and will not be remeasured after the grant date. The expense related to the LTIP shares will be recognised in each reporting period based on the number of shares expected to vest in line with the achievement of the vesting conditions.

At 31 December 2023, one of the milestones has been met, meaning LTIP shares reflective of 1.5% of shares issued by Sungela Holdings have vested. As a result, an expense for the conditional shares granted to the non-controlling interests of R48 million has been recognised in the statement of profit or loss and other comprehensive income.

The vesting of the LTIP shares resulted in an increase in non-controlling interests of R62 million, to correctly reflect the proportion of the non-controlling interests' share of the Ensham Business.

Acquisition and integration costs

Costs directly attributable to the acquisition and subsequent integration of the Ensham Business into Thungela, amounting to R454 million, have been recognised for the year ended 31 December 2023. This includes stamp duty payable in Australia of R182 million, and various advisory and professional fees. Fees from the independent external auditor of the Ensham Business of R8 million related to work performed to support the acquisition are included in the acquisition and integration costs.

Non-controlling interests in the Ensham Business

As a result of the accounting treatment applied to the option issued to the co-investors, they only have rights to 5.0% of the earnings of the Ensham Business from the acquisition date up to 31 December 2023. Consequently, the non-controlling interests reflected in relation to the Ensham Business for the year are 5.0%, which have increased to 6.5% from 31 December 2023, post the vesting of the first milestone related to the LTIP shares. The proportion of earnings allocated to the non-controlling interests will be adjusted at the loan repayment date, to reflect the shares considered to be issued in substance, having regard to the extent to which the loan has been repaid.

The non-controlling interests acquired on the acquisition of the Ensham Business amounts to R226 million, reflecting their proportionate share of the fair value of the net assets acquired. These non-controlling interests arise on the consolidation of Sungela Holdings, rather than that of the Ensham Mine, and so this in not taken into account in determining the gain on bargain purchase recognised.

The non-controlling interests recognised in relation to Ensham Coal Sales represents Bowen's right to 15% of the net assets of that entity. Ensham Coal Sales manages the sale of all coal from the Ensham Mine and distributes the net sales proceeds back to Sungela and Bowen - the entity thus retains only minimal profit. The attribution of earnings to non-controlling interests in Ensham Coal Sales does not materially change Thungela's interest in the Ensham Business.

16. OTHER NON-CURRENT ASSETS

Other non-current assets comprise biological assets.

Accounting policy

Biological assets are measured at fair value less cost to sell, with any changes recognised in profit or loss.

Other non-current assets can be analysed as follows:

Rand million	2023	2022
Biological assets	72	65
Total other non-current assets	**72**	65

Biological assets

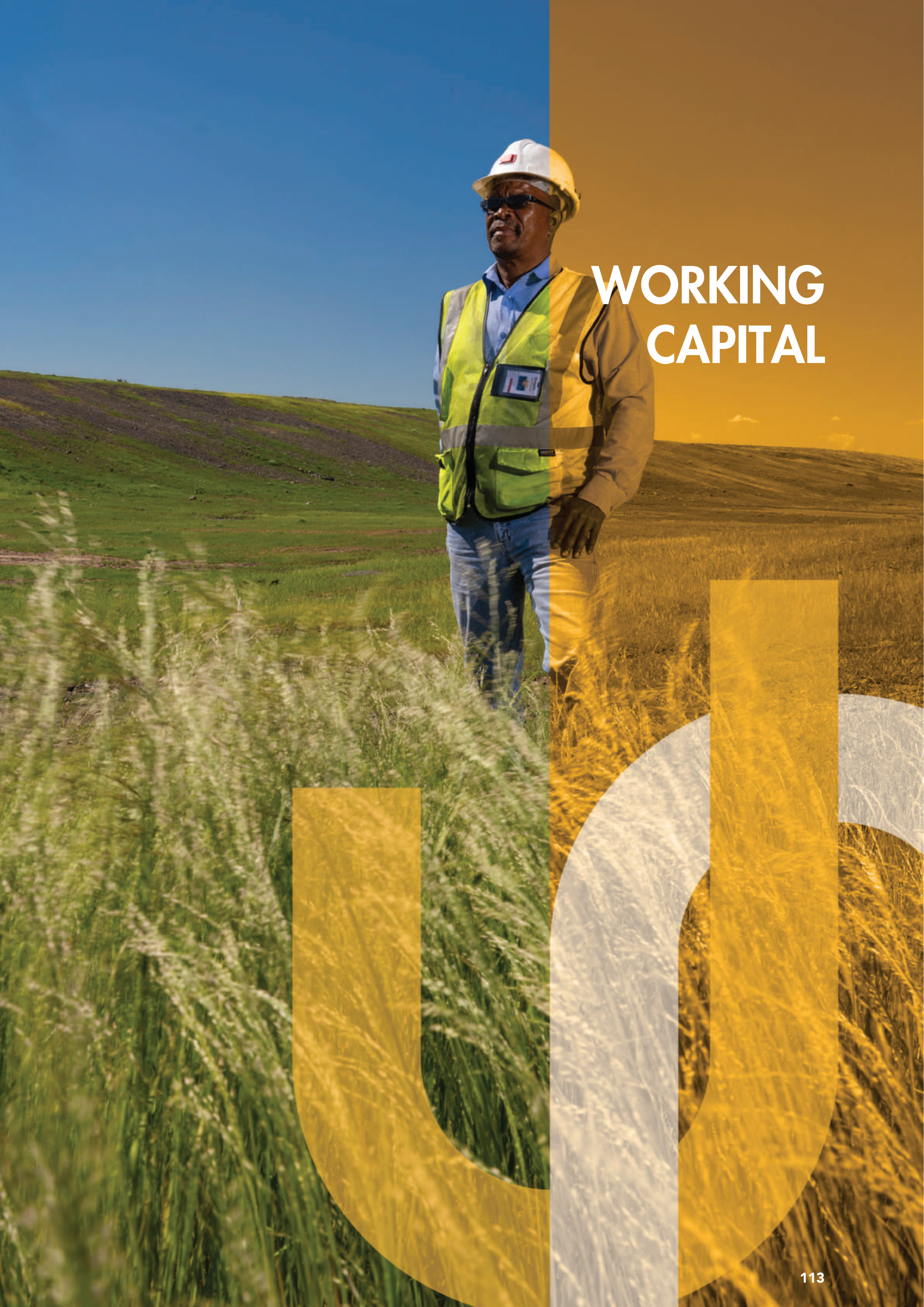
Biological assets include different species such as buffalo, sable and cattle, which are actively managed and bred on estates owned by the Group.

The carrying amount of the biological assets can be analysed as follows:

Rand million	Note	2023	2022
Balance at the start of the reporting period		65	83
Acquisition of the Ensham Business	15	23	—
Fair value losses		(17)	(18)
Currency movements		1	—
Balance at the end of the reporting period		**72**	65

The fair value of the biological assets is measured based on auction prices (level 1 in the fair value hierarchy) obtained at each reporting date. There is no reasonably possible change in the inputs into the fair value calculation that would have a material impact on the consolidated financial statements.

WORKING CAPITAL



17. INVENTORIES

Inventories comprise consumables to be used in the production process and finished products being coal stockpiled at the mine or awaiting export at the port, either in South Africa or Australia.

Accounting policy

Inventory is measured at the lower of cost and net realisable value. 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 basis.
- Finished products, being coal stock held at the mine or awaiting export at the port, are measured at production costs and transport costs where relevant, on a weighted average cost basis.
- Where product is required to be beneficiated after extraction, run of mine stockpiles are not included in the inventory value. This is due to the fact that the costs required to convert the run of mine stock into finished products are significant, and the product is not saleable until these are incurred.
- Where product is not required to be beneficiated after extraction, inventory is considered saleable after extraction, and run of mine stockpiles are appropriately valued at production costs on a weighted average cost basis.

Inventory is recognised as a current asset as it is consumed within the normal business cycle.

The estimation of volumes of stock on hand and the measurement of production costs are calculated by engineers using available industry, engineering and scientific data based on average costs in line with the production period. These are periodically reassessed considering ongoing technical analysis and historical performance.

The net realisable value per product is estimated using actual realised prices for the month, based on the quality, grade and calorific value of the finished products, and deducting costs to sell, including transport costs from the mine to the port, where relevant. Any write down to net realisable value is recognised in profit or loss in the month incurred.

Inventories can be analysed as follows:

Rand million	2023	2022
Consumables	1,054	654
Finished products	2,957	2,527
Total inventories	**4,011**	3,181

The cost of inventories recognised as an expense and included in operating costs amounted to R19,948 million (2022: R17,519 million).

The write-down of inventories to net realisable value recognised throughout the reporting period amounted to R64 million (2022: Rnil) based on the lower Richards Bay Benchmark coal price environment experienced throughout the year.

The Group's ability to rail coal to the RBCT continues to be severely hampered by the inconsistent and poor performance of TFR over the past number of years. The South African coal industry has continued to engage TFR in an effort to improve performance, however the availability of rail capacity remains constrained. Thungela continues to work closely with TFR in order to resolve these challenges.

The Group will continue to maintain our focus on utilising the available rail capacity as efficiently as possible to manage stockpile capacity across our operations in South Africa. In addition, where we have identified opportunities to sell lower quality product from export stockpiles into the South African domestic market, we have used these opportunities to manage our stockpile volumes through short-term contracts with domestic customers.

18. TRADE AND OTHER RECEIVABLES

Trade receivables comprise amounts due from Thungela's customers for the sale of thermal coal. Other receivables include amounts receivable for value added tax (VAT) and other indirect taxes, prepaid expenses and amounts receivable for other transactions not related to the sale of thermal coal.

Accounting policy

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Trade receivables do not incur any interest, are principally short-term in nature and are measured at their nominal value, net of the appropriate provision for expected credit losses.

Expected credit losses

For trade receivables only, the simplified expected credit loss approach included in IFRS 9 is applied, which requires lifetime expected losses to be recognised from the initial recognition of the receivables. Expected credit losses are in general recognised where there is a failure to make contractual payments for a period of greater than 60 days, along with an appropriate assessment of forward-looking information.

The Group will write off trade and other receivables where there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery of the asset, for example, when the customer has been placed under liquidation or entered into bankruptcy proceedings. Trade receivables are written off at the earlier of management receiving legal confirmation that the outstanding amount is irrecoverable, or when a partial settlement has been reached with the customer, or where the cost of recovery procedures outweighs the benefit of recovering the outstanding amount.

Trade and other receivables can be analysed as follows:

Rand million	2023	2022
Net trade receivables	2,234	3,216
Trade receivables	2,333	3,339
Provision for expected credit losses	(99)	(123)
Other tax receivables[1]	1,476	1,105
Prepayments	191	314
Employee benefits	200	—
Net other receivables	377	273
Other receivables	480	359
Provision for expected credit losses	(103)	(86)
Total trade and other receivables	**4,478**	4,908
Classified as:		
Current	4,284	4,907
Non-current	194	1

[1] Other tax receivables include VAT, diesel rebates and other taxes receivable from the SARS and the Australian Tax Office.

The Group applies the simplified expected credit loss model to its trade receivables, and the lifetime 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 R1,241 million (2022: R2,496 million) due from AAML, which represents 53% (2022: 75%) of the total trade receivables balance outstanding. As per the contractual terms with AAML, all trade balances should be settled within 15 days of invoicing. There have historically been no defaults on payments from AAML, hence it is assessed that the credit risk of the AAML trade receivable is low.

18. TRADE AND OTHER RECEIVABLES CONTINUED

Trade receivables also included R334 million (2022: Rnil) due from customers related to sales from the Ensham Business. As per the contractual terms with these customers, payments are due within 30 days after invoicing, and there have historically not been material defaults in payments. Sales to these customers are supported by appropriate letters of credit, or approved credit terms, and so the risk of default is considered to be low.

Given the nature of the South African domestic customers, the amounts due from these customers are considered recoverable. The historical level of customer default is low and as a result, the credit quality of the trade receivables is considered to be high.

Prepayments include, among other items, insurance premiums of R46 million (2022: R79 million) and ordinary course deposits to secure supply of critical consumables of R54 million (2022: R128 million).

Employee benefits relate to the employer claims reimbursement from the Coal Long Service Leave Funding Corporation, which is an Australian Government corporation established to regulate and manage long service leave entitlements on behalf of eligible employees of the black coal mining industry.

Other receivables include various amounts receivable by the Group which are not related to the sale of thermal coal. No items included in other receivables are considered individually material, however agreements with relevant counterparties are made in relation to repayment terms. A provision for expected credit losses has been recognised on these receivables as considered appropriate in relation to the specific circumstances applicable to each counterparty.

Refer to note 26 for further detail on our exposure to credit risk.

The provision for expected credit losses on trade receivables can be analysed as follows:

			2023
Rand million	Gross carrying amount – trade receivables	Expected loss rate (%)	Provision for expected credit losses
Current	2,206	0.8	(18)
Between 1 – 2 months	11	9.1	(1)
Between 3 – 4 months	—	—	—
Between 5 – 12 months	29	3.4	(1)
Greater than 12 months	87	91	(79)
Total trade receivables	**2,333**	**4.2**	**(99)**

			2022
Rand million	Gross carrying amount – trade receivables	Expected loss rate (%)	Provision for expected credit losses
Current	3,043	0.3	(9)
Between 1 – 2 months	157	8.3	(13)
Between 3 – 4 months	10	10	(1)
Between 5 – 12 months	84	68	(57)
Greater than 12 months	45	96	(43)
Total trade receivables	3,339	3.7	(123)

The movement in the provisions for expected credit losses can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	(209)	(158)
Movements in provisions for expected credit losses	(12)	(51)
Trade receivables	18	(24)
Other receivables	(30)	(27)
Bad debts written off	19	–
Trade receivables	6	–
Other receivables	13	–
Balance at the end of the reporting period	**(202)**	(209)

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held in bank and short-term investments held with the primary purpose of managing the short-term liquidity requirements of the Group.

Accounting policy

Cash and cash equivalents comprise cash held in bank and short-term investments. Cash and cash equivalents are measured at amortised cost.

Cash and cash equivalents can be analysed as follows:

Rand million	2023	2022
Short-term investments	2,449	11,918
Cash held in bank	7,793	2,862
Cash held in trusts	717	519
Total cash and cash equivalents	**10,959**	15,299

Short-term investments

Short-term investments are held with the primary purpose of managing the short-term liquidity requirements of the Group. Liquidity is a key consideration when selecting appropriate investment options for the funds to ensure they can be readily accessed for operational activity.

The investments are held in low-risk interest bearing instruments, across three of the five largest South African banks, with an appropriate liquidity spread to support the Group's requirements. The spread of funds between banks was done in order to partially mitigate counterparty risk, and the global credit ratings for these investments range between AA- and AA+. The investments earn interest at rates of between 8.1% – 9.6% (2022: 6.8% – 7.9%).

Cash held in bank

Cash held in bank includes cash held in South Africa and Australia based on the operations of the Group.

South Africa

Cash held in bank in South Africa is held across two of the major South African banks, with global credit ratings of AA+, and comprises:

- cash held in US dollar of R3,885 million or USD212 million (2022: R2,202 million or USD129 million)
- cash held in South African rand of R1,837 million (2022: R660 million)

19. CASH AND CASH EQUIVALENTS CONTINUED

Cash held in bank continued

Australia

Cash held in bank in Australia is held across two of the major Australian banks, with global credit ratings of AA- and A+, and comprises:

- cash held in US dollar of R1,137 million, or USD62 million (2022: Rnil)
- cash held in Australian dollar of R934 million, or AUD75 million (2022: Rnil)

Cash held in trusts

Cash held in trusts represents cash held in the Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust, which is not available for the general use of the Group and so is considered restricted cash.

The trusts are entitled to 10% collectively of the dividends declared on ordinary shares by SACO. For the year ended 31 December 2023, SACO declared ordinary dividends of R552 million to the trusts (2022: R773 million). Refer to note 6 and note 27 for detail of the allocation of these amounts to beneficiaries.

The cash balances in the trusts are to be used at the discretion of the trustees, as specified in the underlying trust deeds, for the benefit of the relevant beneficiaries.

20. TRADE AND OTHER PAYABLES

Trade and other payables include amounts owed to suppliers, tax authorities and other parties that are typically due to be settled within one year of the reporting date.

Accounting policy

Trade and other payables are initially measured at fair value. Trade and other payables are not interest bearing, are subsequently measured at nominal value, and are derecognised when the associated obligation has been discharged, cancelled or has expired.

Trade and other payables can be analysed as follows:

Rand million	**2023**	2022
Trade payables	**3,287**	2,089
Accruals	**1,446**	946
Other tax and employee related payables	**1,482**	838
Other payables	**322**	124
Total trade and other payables	**6,537**	3,997

Included within other payables is deferred income of R191 million (2022: R23 million) which represents monies received from customers but for which the associated performance obligation has not yet been satisfied. These amounts will be recognised as revenue as the performance obligations are satisfied. No other items included in other payables are considered individually material.

FINANCIAL INSTRUMENTS

21. FINANCIAL ASSET INVESTMENTS

Financial asset investments comprise investments which do not give the Group control, joint control or significant influence over the investees. These assets also include loans granted to investees, and instruments held with various financial institutions.

Accounting policy

Investments, other than investments in subsidiaries, joint arrangements and associates, are financial assets and are initially recognised at fair value. The Group's financial assets are classified into the following measurement categories: debt instruments at amortised cost, equity instruments designated at FVOCI and instruments at FVPL.

Financial asset investments 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 of the risks and rewards of ownership.

Financial asset investments at amortised cost comprise loans to various investees from which the Group will collect payments of solely principal and interest.

Financial asset investments at FVPL comprise investments held in relation to the ongoing environmental obligations of the Group, and the fair value movements on these investments are reinvested to further improve the environmental liability coverage△. Refer to note 27 for further detail.

Financial assets at FVOCI comprise equity investments in various investees.

Financial asset investments can be analysed as follows:

				2023
Rand million	At amortised cost	At FVPL	At FVOCI	Total
Balance at the start of the reporting period	95	658	33	786
Additions[1]	—	210	—	210
Repayment of loans by investees	(25)	—	—	(25)
Loans granted to investees[2]	280	—	—	280
Fair value gains/(losses)	—	65	(33)	32
Interest capitalised	(8)	—	—	(8)
Reclassifications[2]	(180)	—	—	(180)
Other movements	(17)	—	—	(17)
Balance at the end of the reporting period	145	933	—	1,078
Classified as:				
Current	24	—	—	24
Non-current	121	933	—	1,054

1 The additions to the financial asset investments at FVPL include the investment in other environmental investments, through the green fund, of R205 million as detailed in note 27.
2 Loans granted to investees include R180 million provided to Sungela Holdings before the completion of the acquisition of the Ensham Business. On completion of the acquisition, this amount became intercompany and is eliminated in the Group results.

				2022
Rand million	At amortised cost	At FVPL	At FVOCI	Total
Balance at the start of the reporting period	122	199	33	354
Additions[1]	—	443	—	443
Repayment of loans by investees	(31)	—	—	(31)
Loans granted to investees	8	—	—	8
Fair value gains	—	16	—	16
Interest capitalised	10	—	—	10
Reclassifications	(14)	—	—	(14)
Balance at the end of the reporting period	95	658	33	786
Classified as:				
Current	31	—	—	31
Non-current	64	658	33	755

[1] The additions to the financial asset investments at FVPL include the investment in other environmental investments, through the green fund, of R438 million as detailed in note 27.

Financial asset investments at amortised cost

The financial asset investments at amortised cost comprise various loans granted to investees in the normal course of business, with counterparties which the Group has long standing relationships.

Included in financial asset investments at amortised cost are the following amounts:

- An amount of Rnil (2022: R30 million) owing by Pamish Investments No. 66 Proprietary Limited (Pamish), and R49 million (2022: R39 million) owing by Nasonti Technical Proprietary Limited. These amounts will be repaid through proceeds on contractually committed saleable product to be purchased by TOPL and thus the credit quality of this loan is considered to be high. In the current year, the contractual arrangement with Pamish was amended, resulting in TOPL obtaining all product produced by Pamish, further increasing the credit quality of this loan.
- An amount of R81 million (2022: Rnil) owing by a contractor providing services at the Elders Colliery. The outstanding amount will be recovered through reduced payments to the contractor in the final year of the contract. The credit quality of this loan is considered to be high.

No other amounts included in this balance are considered to be individually material.

The Group has assessed the provisions for expected credit losses required for these loans based on the expected repayment thereof and risk of default by the counterparties, taking into account both forward-looking and historical information available. Based on the assessment performed, it has been determined that any potential expected credit losses on these loans is not material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

22. LOANS AND BORROWINGS

Loans and borrowings comprise of loans in relation to specific capital investment activities where required.

Accounting policy

Loans and borrowings are initially measured at fair value, net of transaction costs incurred. Loans and borrowings are interest bearing and are subsequently stated at amortised cost, using the effective interest rate method. Loans and borrowings are derecognised when the associated obligation has been discharged, cancelled or has expired.

The loans and borrowings held by the Group can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	60	63
Cash movements	(1)	(9)
Loans repaid	(1)	(9)
Non-cash movements	7	6
Interest capitalised	7	6
Balance at the end of the reporting period	66	60

Loans and borrowings are short term in nature, have no fixed terms of repayment and attract interest at prime plus 1.0%. These loans are held through Butsanani Energy Investment Holdings Proprietary Limited (Butsanani Energy) and were used for the initial investment into the Rietvlei Colliery.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments consist of assets and liabilities related to forward coal swap transactions, entered into with the intention for settlement net in cash and contracts for the forward sale of foreign currency.

Accounting policy

Derivative financial instruments are classified as at FVPL. The fair value gains and losses on subsequent measurement are recognised in profit or loss at each reporting date. All derivatives are held in the statement of financial position and they are classified as current or non-current depending on the contractual maturity of the derivative.

Capital support agreement

As part of Anglo American's commitment to provide financial assistance to Thungela over the post demerger period, on 6 March 2021 the Group and Anglo South Africa Proprietary Limited entered into a capital support agreement. It was arranged as a free-standing contract to provide financial assistance by way of minimum price support for all export sales made to AAML from 1 June 2021 until 31 December 2022. The contract came to an end on 31 December 2022, and no amount of the capital support was utilised by the Group over the contractual period.

Forward coal swap transactions

The Group is exposed to volatility in the Richards Bay Benchmark coal price due to the significant volume of export sales made from South Africa to AAML. In order to manage our exposure to the volatility in the Richards Bay Benchmark coal price, particularly at our higher-cost operations, the Group has continued our price risk management programme, consisting of forward financial coal swap transactions. The Thungela board approved a mandate in relation to this price risk management programme which commenced in November 2021, and specifies the volume allowed to be financially traded, the minimum margin to be targeted per transaction, and the type of instruments which can be used to manage our risk in this area. These transactions are settled net in cash, in US dollar, with no intention for the counterparty to take physical delivery of the coal.

The forward coal swap transactions are derivative instruments and are measured at FVPL. The fair value is determined on the basis of comparing the pre-determined price at which the forward coal swap transactions were entered into, and the forward curve of the Richards Bay Benchmark coal price at the reporting date. The fair value is determined in conjunction with the counterparties to the transactions, using external sources of information. Forward coal swap transactions have been entered into using both the Richards Bay Benchmark coal price, as well as the benchmark price reference for 6,000kcal/kg thermal coal at point of discharge in Northwest Europe (South African Secondary index price).

Fair value gains of R97 million (2022: fair value losses of R3,207 million) have been recognised on the forward coal swap transactions in the year. These fair value movements are based on fluctuations in the forward curve of the Richards Bay Benchmark coal price from the date the transactions were entered into, to the settlement date of the transactions or to the reporting date for open transactions.

There has been continued volatility experienced in the Richards Bay Benchmark coal price in the year, which has reduced significantly from the levels experienced in 2022. This has also led to a reduction in the liquidity of the market for the forward coal swap transactions, leading to reduced levels of transactions undertaken in the year. The Thungela board continues to monitor the approved mandate in line with current market conditions, as well as production levels, which have been impacted by the ongoing rail constraints. All forward coal swap transactions were settled in the year, and there are currently no open transactions.

Details of the forward coal swap transactions settled in the year can be analysed as follows:

			2023
	Richards Bay Benchmark coal price swaps	**South African Secondary index price swaps**	**Total**
Volume settled (kt)	**76**	**105**	**181**
Weighted average committed price (US$/tonne)	**269**	**204**	**231**
Settlement dates	**December 2022 – June 2023**	**December 2022 – March 2023**	**December 2022 – June 2023**
Weighted average actual price on settlement (US$/tonne)	**165**	**171**	**168**
Cash inflow on settlement (Rand million)	**158**	**63**	**221**

			2022
	Richards Bay Benchmark coal price swaps	South African Secondary index price swaps	Total
Volume settled (kt)	640	875	1,515
Weighted average committed price (US$/tonne)	155	151	153
Settlement dates (2022)	January – November	January – November	January – November
Weighted average actual price on settlement (US$/tonne)	277	296	288
Cash outflow on settlement (Rand million)	(1,209)	(1,774)	(2,983)

23. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Forward coal swap transactions continued

Details of the open forward coal swap transactions at the reporting date can be analysed as follows:

			2022
	Richards Bay Benchmark coal price swaps	South African Secondary index price swaps	Total
Volume committed (kt)	76	105	181
Weighted average committed price (US$/tonne)	269	204	231
Settlement dates	December 2022 – June 2023	December 2022 – March 2023	December 2022 – June 2023
Weighted average forward curve at the reporting date (US$/tonne)	181	199	192
Fair value gains on derivative financial instruments (Rand million)	118	6	124

Forward sales of foreign currency

The Group is exposed to fluctuations in the US dollar exchange rate as our South African export revenue to AAML is settled in US dollar. The Group's expenses are predominantly in South African rand, meaning the amounts received in US dollar are required to be converted to South African rand to fulfil our ongoing liquidity requirements. In order to manage our risk exposure on these conversions, various contracts are entered into to convert the US dollar held in cash to South African rand at future dates.

The conversions are predominantly done through FECs as well as collar transactions, which will settle at a future date. These contracts are considered to be derivative financial instruments and are measured at FVPL, with the fair value movements being recognised in net finance income. The fair value is determined by comparing the contractual rate at which the transaction was entered into, to the forward exchange rate curve as at the reporting date for open positions, or the actual exchange rate at the settlement date. These contracts are short term in nature, and may be extended before settlement date based on market conditions at the time.

Fair value gains of R163 million (2022: fair value losses of R553 million) have been recognised on these contracts based on the volatility of the South African rand against the US dollar during the year ended 31 December 2023.

Details of the forward sales of foreign currency settled in the year can be analysed as follows:

	2023	2022
Total currency contracted (US$ million)	**905**	845
Contractual conversion rate (ZAR:US$)	**17.25 – 20.14**	15.71 – 18.54
Spot rate on settlement (ZAR:US$)	**17.16 – 19.66**	16.54 – 18.28
Settlement dates	**January 2023 – December 2023**	July 2022 – November 2022
Cash inflow/(outflow) on settlement (Rand million)	**123**	(578)

Details of the open forward sales of foreign currency at the reporting date can be analysed as follows:

	2023	2022
Total currency contracted (US$ million)	140	55
Contractual conversion rate (ZAR:US$)	18.75 – 19.70	17.25 – 17.81
Forward exchange rate at the reporting date (ZAR:US$)	18.39 – 18.48	17.02
Settlement dates	January 2024 – March 2024	January 2023
Fair value gains on derivative financial instruments (Rand million)	66	25

Impact of derivative financial instruments

The amounts recognised in the statement of profit or loss and other comprehensive income in relation to the derivative financial instruments can be analysed as follows:

Rand million	2023	2022
Amounts included in profit before net finance income and tax	97	(3,554)
Fair value loss on capital support agreement	—	(347)
Fair value gains/(losses) on forward coal swap transactions	97	(3,207)
Amounts included in net finance income	163	(553)
Fair value gains/(losses) on forward sales of foreign currency	163	(553)
Total fair value gains/(losses) on derivative financial instruments	**260**	(4,107)

The amounts recognised in the statement of financial position in relation to the derivative financial instruments can be analysed as follows:

Rand million	2023	2022
Derivative financial instruments	66	149
Forward coal swap transactions	—	124
Forward sales of foreign currency	66	25
Total derivative financial instruments	**66**	149

The amounts recognised in the statement of cash flows in relation to the derivative financial instruments can be analysed as follows:

Rand million	2023	2022
Cash inflow/(outflow) on settlement of forward coal swap transactions	221	(2,983)
Cash inflow/(outflow) on settlement of forward sales of foreign currency	123	(578)
Total cash inflow/(outflow) on settlement of derivative financial instruments	**344**	(3,561)

24. INVESTMENT IN INSURANCE STRUCTURE

The Group has invested in a self-insurance structure with an independent financial institution through a cell captive mechanism. This was completed through an investment in preference shares in an identifiable cell captive with the financial institution.

Accounting policy

The Group does not have control of the insurance cell captive arrangement, referred to as the 'cell', based on the rights conferred by the preference shares and underlying agreements. The results of the cell have not been consolidated on this basis.

The terms of the agreements related to the cell do not result in the Group being exposed to insurance risk, as cover is limited to a maximum of the amount contributed, adjusted for movements in the fair value of the cell. The transaction is thus considered an investment in preference shares and is a financial asset measured at FVPL.

The investment in preference shares is measured at fair value at each reporting date, with changes in the fair value recognised within net finance income.

The investment in the insurance structure can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	1,226	—
Investment in the reporting period	200	1,224
Fair value movements	19	2
Balance at the end of the reporting period	**1,445**	1,226

In December 2022, Thungela, through its wholly owned subsidiary Thungela Treasury Proprietary Limited (Thungela Treasury), entered into a self-insurance arrangement through an investment into the preference shares of a separately identifiable cell captive structure. The cell is managed by an external financial institution and provides insurance cover for first-party risks, up to a maximum amount of the total contributions, adjusted for changes in the fair value of the underlying investment.

An initial investment of R1,224 million was made into the cell in 2022, for a minimum period of insurance of three years, which can be extended at the end of the current term. Each year, the Group, along with the financial institution, will reassess the value of assets held in the cell against the required levels of insurance cover, and make additional contributions as needed. On the basis of the assessment performed in the current year, an additional contribution of R200 million was made into the cell. Additional contributions may also be required to the extent that claims are made. If the value of claims made exceed the total assets held in the cell, the Group will have the option to either recapitalise the cell, or to unwind the structure.

The cell may enter into reinsurance agreements to cover potential losses, which will either impact the fair value of the investment, or be expensed as incurred by the Group.

The amount contributed by the Group into the cell is pooled by the financial institution with other available funds to maximise the return on investment. Fair value movements on the investment may comprise interest, dividends and capital growth, and are externally confirmed at the reporting date.

Sensitivity analysis

The Group's investment in the insurance structure is exposed to interest rate fluctuations, income tax rate changes and other market factors linked to the contributed funds that are pooled by the financial institution.

The impact that reasonably possible changes in these inputs would have on the statement of profit or loss and other comprehensive income can be analysed as follows:

Rand million	2023	2022
1.0% increase in interest rate	1	—
1.0% increase in income tax rate	(3)	—

25. FINANCIAL INSTRUMENTS

The Group is a party to a number of financial instruments, which have been disclosed in notes 18 to 24, 27 and 28, as well as in the note below.

Accounting policy

For financial assets and liabilities that are traded on an active market, such as listed investments, fair value is determined by reference to the market price. 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 that is readily available (for example, forward exchange rates, interest rates or commodity price curves).

Where discounted cash flow models based on the Group'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.

The financial instruments held by the Group can be analysed as follows:

					2023
		Financial assets		Financial liabilities at amortised cost	
Rand million	Notes	At amortised cost[1]	At FVPL		Total
Financial assets					
Environmental rehabilitation trusts	27	—	3,740	—	3,740
Financial asset investments	21	145	933	—	1,078
Investment in insurance structure	24	—	1,445	—	1,445
Derivative financial instruments	23	—	66	—	66
Trade and other receivables[2]	18	2,811	—	—	2,811
Cash and cash equivalents	19	10,959	—	—	10,959
Total financial assets		13,915	6,184	—	20,099
Financial liabilities					
Lease liabilities	28	—	—	(66)	(66)
Loans and borrowings	22	—	—	(66)	(66)
Trade and other payables[3]	20	—	—	(4,864)	(4,864)
Total financial liabilities		—	—	(4,996)	(4,996)
Net financial assets		13,915	6,184	(4,996)	15,103

1 The carrying amounts of the financial assets held at amortised cost are deemed to approximate their fair values.
2 Trade and other receivables exclude prepayments and other tax receivables.
3 Trade and other payables exclude other tax and employee related payables, and deferred income.

25. FINANCIAL INSTRUMENTS CONTINUED

The financial instruments held by the Group can be analysed as follows continued:

						2022
		Financial assets			Financial liabilities at amortised cost	
Rand million	Notes	At amortised cost[1]	At FVPL	At FVOCI		Total
Financial assets						
Environmental rehabilitation trusts	27	—	3,446	—	—	3,446
Financial asset investments	21	95	658	33	—	786
Investment in insurance structure	24	—	1,226	—	—	1,226
Derivative financial instruments	23	—	149	—	—	149
Trade and other receivables[2]	18	3,489	—	—	—	3,489
Cash and cash equivalents	19	15,299	—	—	—	15,299
Total financial assets		18,883	5,479	33	—	24,395
Financial liabilities						
Lease liabilities	28	—	—	—	(93)	(93)
Loans and borrowings	22	—	—	—	(60)	(60)
Trade and other payables[3]	20	—	—	—	(3,136)	(3,136)
Total financial liabilities		—	—	—	(3,289)	(3,289)
Net financial assets		18,883	5,479	33	(3,289)	21,106

1 The carrying amounts of the financial assets held at amortised cost are deemed to approximate their fair values.
2 Trade and other receivables exclude prepayments and other tax receivables.
3 Trade and other payables exclude other tax and employee related payables, and deferred income.

Fair value hierarchy

IFRS 13 defines a fair value hierarchy to be applied to financial instruments measured at fair value based on the inputs used to measure their fair value.

The financial assets carried at fair value can be analysed in terms of the fair value hierarchy as follows:

			2023
Rand million	**Level 2**	**Level 3**	**Total**
Financial assets			
Environmental rehabilitation trusts	**3,740**	**—**	**3,740**
Financial asset investments at FVPL	**933**	**—**	**933**
Investment in insurance structure	**—**	**1,445**	**1,445**
Derivative financial instruments	**66**	**—**	**66**
Total financial assets carried at fair value	**4,739**	**1,445**	**6,184**

Rand million	Level 2	Level 3	2022 Total
Financial assets			
Environmental rehabilitation trusts	3,446	—	3,446
Financial asset investments at FVOCI	—	33	33
Financial asset investments at FVPL	658	—	658
Investment in insurance structure	—	1,226	1,226
Derivative financial instruments	149	—	149
Total financial assets carried at fair value	4,253	1,259	5,512

There were no transfers of financial instruments between level 2 and level 3 in the years presented.

The fair value hierarchy as included in IFRS 13 is as follows:

Fair value hierarchy	Valuation technique
Level 1	The fair value is based on quoted prices in active markets for identical financial instruments
Level 2	The fair value is determined using directly observable inputs other than level 1 inputs
Level 3	The fair value is determined on inputs not based on observable market data

The movements in the fair value of the level 3 financial assets can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	1,259	33
Additions	200	1,224
Fair value (losses)/gains	(14)	2
Balance at the end of the reporting period	1,445	1,259

For the level 3 financial assets at FVOCI, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly in the years presented. For the investment in insurance structure, refer to note 24 for detail on the inputs to the valuation.

26. FINANCIAL RISK MANAGEMENT

The Thungela board and the Group executive committee approve and monitor the risk management processes, including documented treasury policies, counterparty limits and reporting structures.

The types of risk exposure, the way such exposure is managed and quantification of the level of exposure in the statement of financial position is monitored by the Group on an ongoing basis.

Credit risk

Credit risk is the risk that a counterparty to a financial asset will cause a loss to the Group by failing to pay its obligation.

The Group's maximum exposure to credit risk from its financial assets can be analysed as follows:

Rand million	Notes	2023	2022
Environmental rehabilitation trusts	27	**3,740**	3,446
Financial asset investments at FVPL	27	**933**	658
Financial asset investments at amortised cost	21	**145**	95
Investment in insurance structure	24	**1,445**	1,226
Trade and other receivables[1]	18	**2,811**	3,489
Cash and cash equivalents	19	**10,959**	15,299
Total financial assets exposed to credit risk		**20,033**	24,213

[1] Trade and other receivables exclude prepayments and other tax receivables.

The environmental rehabilitation trusts' assets are managed by a reputable fund manager under an agreed mandate. The mandate is formulated to be consistent with the Group's risk management policies and hence investments are only made in high quality instruments and adequate diversity is maintained. Refer to note 27 for further detail.

Financial asset investments at FVPL, being the other environmental investments, relate to long-term investments held through two financial institutions. These are held in order to secure the guarantees required to further fund the financial provisioning requirements of the DMRE in relation to the environmental provisions in South Africa. Refer to note 27 for further detail.

The investment in insurance structure relates to Thungela's subscription to preference shares issued by a financial institution, in a separately identifiable cell captive structure. Refer to note 24 for further detail.

Thungela has a level of concentration risk on its trade and other receivables balance, as a result of its exposure to one major customer, being AAML. The amount outstanding from AAML of R1,241 million (2022: R2,496 million) represents 53% (2022: 75%) of the total outstanding trade receivables balance of R2,333 million (2022: R3,339 million). However, amounts owed by AAML are due for payment 15 days after invoice date, and there has been no historical default on payments due from AAML. The credit risk of the AAML receivable is considered to be low, and thus the concentration risk does not increase the overall credit risk exposure of the Group. The Group does not have significant concentration of credit risk in respect of domestic trade receivables.

Sales to customers of the Ensham Business are due for payment within 30 days of invoicing. The sales are either supported by letters of credit or approved credit terms. Credit terms are only offered based on a detailed credit review, to ensure correct risk management and mitigate against defaults. To date, there have been no defaults on payments due from these customers.

The historical level of default on both export and domestic customers has been low, and the credit quality of the trade receivables is considered to be high. 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 18.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Thungela's 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 Group's reputation. We review the cash flow forecasts of the Group on a regular basis taking into consideration the adequacy of reserves and banking facilities, including under stressed scenarios impacted by coal price and foreign exchange rate volatility, TFR rail and infrastructure performance levels, and other reasonably possible risk scenarios.

The Group has undrawn facilities of R3,200 million (2022: Rnil) held with reputable financial institutions. These are unsecured facilities, with an average maturity of 2.2 years, with a possible extension period of one year.

The ultimate responsibility for liquidity risk management rests with the Thungela board of directors, which has built appropriate liquidity risk management tools for the management of the Group's short, medium and long-term liquidity management requirements. The Group has no long-term external borrowings, given its robust financial position at 31 December 2023.

The Group is exposed to liquidity risk through its financial liabilities including trade and other payables, loans and borrowings and lease liabilities, as follows:

- All trade and other payables are due within one year. The remaining contractual cash outflows are the same as the carrying amount at the reporting date.
- The loans and borrowings relate to Butsanani Energy and have no fixed repayment terms. The carrying amount of R66 million (2022: R60 million) 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 28.

Commodity risk

South Africa

Export revenue in South Africa is recognised once the coal is loaded onto the vessel at the RBCT, and is based on the average Richards Bay Benchmark coal price for the month of loading, adjusted for specific grade and quality discounts. Pricing is not adjusted post the month of sale, and thus trade receivables are not subject to changes in value based on subsequent changes in the Richards Bay Benchmark coal price.

In order to manage the Group's exposure to volatility in the Richards Bay Benchmark coal price, a number of forward coal swap transactions were entered into. These transactions are intended to be settled net in cash, and represent a targeted approach to manage the commodity risk the Group is exposed to, particularly at higher-cost operations. These forward coal swap transactions do not adjust the export revenue earned on sales to AAML, and are treated as free standing derivative contracts. The Group does not apply hedge accounting to these transactions. Refer to note 23 for further detail.

Australia

Revenue in Australia is recognised once the coal is loaded onto the vessel at the Port of Gladstone, or once coal is delivered to the customers' premises for delivery in Australia. Sales prices for selected customers are contractually fixed each year, and are negotiated based on the Newcastle Benchmark coal price at the start of the year. The remaining revenue is determined with reference to the average Newcastle Benchmark coal price in the month of loading, with various adjustments for quality, grade and calorific value. Pricing is not adjusted post the month of sale, and thus trade receivables are not subject to changes in value based on subsequent changes in the Newcastle Benchmark coal price.

The Ensham Business is a party to the royalty deed with Idemitsu as detailed in note 15. Should the Newcastle Benchmark coal price increase above the contractual threshold in 2024, the Group may need to settle an amount to Idemitsu. Based on the forecasted Newcastle Benchmark coal price up to 31 December 2024, no amount is expected to be due under the royalty deed.

26. FINANCIAL RISK MANAGEMENT CONTINUED

Foreign exchange risk

The Group is exposed to fluctuations in the US dollar exchange rate as a result of revenue, trade receivables balances, cash and cash equivalents balances and, to a lesser extent, capital expenditure that is not denominated in South African rand. Payments from AAML are received in US dollar, which is converted to South African rand as required in line with the liquidity requirements of the Group. In order to manage our risk exposure to fluctuations in the exchange rate on these conversions, the Group enters into various contracts to convert US dollar to South African rand at future dates. The conversions are predominantly done through FECs which will settle at a future date. Refer to note 23 for further detail.

The Group is also exposed to fluctuations in the Australian dollar following the acquisition of the Ensham Business. The functional currency of the Ensham Business is Australian dollar, and their results are translated to South African rand on a monthly basis using the prevailing exchange rate for the month. The material exposure to the Australian dollar is as a result of the net assets of the Ensham Business. Revenue earned by the Ensham Business is denominated in both US dollar and Australian dollar, and so there is also exposure to fluctuations in the US dollar to Australian dollar exchange rate. However, this exchange rate is more stable than the rates of these currencies to the South African rand, and so fluctuations in this exchange rate are not considered material.

The Group's exposure to foreign currency risk can be analysed as follows:

	2023	2022
Trade receivables (US$ million)	68	147
Cash and cash equivalents (US$ million)	274	129
Cash and cash equivalents (AU$ million)	75	—
Net asset value of the Ensham Business (AU$ million)[1]	283	—

[1] The net asset value of the Ensham Business is reflected net of cash and cash equivalents held in Australian dollar and US dollar. The impact of the exposure to foreign currency risk on the net asset value would be recognised in other comprehensive income, through the foreign currency translation reserve.

Sensitivity analysis

The following analysis is intended to illustrate the sensitivity of the Group's financial instruments at 31 December to changes in the US dollar and Australian dollar exchange rates, with the impact on the statement of profit or loss and other comprehensive income being as follows:

Rand million	2023	2022
10% increase in the US dollar exchange rate	626	469
10% increase in the AU dollar exchange rate	446	—

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 underlying balances. The effect of a 10% decrease in the US dollar or Australian dollar exchange rate to the South African rand will have an equal but opposite effect at the reporting date.

Capital management

The capital structure of the Group consists of cash and cash equivalents, equity attributable to the shareholders of the Group, which comprises stated capital, retained earnings and other reserves disclosed in the consolidated statement of changes in equity, and debt, consisting of lease liabilities and loans and borrowings.

The Group's capital management objective is to safeguard our ability to meet our liquidity requirements (including commitments in respect of capital expenditure) and continue as a going concern.

On an annual basis, Thungela updates our long-term business plan and these outputs are then incorporated into the budget process. The Group's capital expenditure included in the budget process is targeted to be funded from cash generated from operations. In accordance with the credit facility agreements in place, the Group is subject to specific covenant obligations. The credit facilities remain undrawn at the reporting date and the Group has complied with all covenants for the period under review.

Any capital that exceeds the operational and liquidity requirements will be assessed against all available opportunities by applying our investment evaluation criteria and, where appropriate, we may make additional distributions to shareholders. These decisions will be evaluated through Thungela's internal decision-making structures before being approved by the board where required.

Offset 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.

LIABILITIES

27. ENVIRONMENTAL AND OTHER PROVISIONS

The Group has raised several provisions in relation to our obligations at the reporting date. These comprise environmental provisions in relation to our obligation to perform rehabilitation and decommissioning activities, contributions to the Nkulo Community Partnership Trust, and various other provisions in relation to contractual obligations.

Accounting policy

Environmental provisions

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when environmental disturbances are caused by the development or ongoing production of a mining asset. Costs for the restoration of site disturbances, rehabilitation, remediation and environmental monitoring activities, including water treatment costs where required, are estimated using the work of external consultants in conjunction with internal experts.

Such costs arising from the decommissioning of infrastructure 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 these costs arises. These costs are recognised in the statement of profit or loss and other comprehensive income over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for the restoration of subsequent site disturbances, which are created on an ongoing basis during production, are provided for at their net present values and recognised in the statement of profit or loss and other comprehensive income as extraction progresses.

The amount recognised as a provision represents the Group's best estimate of the costs required to complete the restoration and rehabilitation activities, the application of the relevant regulatory framework and the timing of expenditure. These estimates are inherently uncertain and could materially change over time. Changes in the measurement of the provision relating to the decommissioning of infrastructure 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 provision exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of profit or loss and other comprehensive income. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed on the asset.

Environmental rehabilitation trusts

Contributions have historically been made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation and restoration activities for premature closure and end of life closure of the relevant mine, and as required thereafter. The Group 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 held in unit trusts through a reputable investment manager and are classified as FVPL financial assets. Fair value gains and losses are recognised as they are generated within net finance income.

Other environmental investments

The Group has agreements with financial institutions to provide financial guarantees dedicated to funding the costs of rehabilitation and restoration activities. A portion of the premium contributions made under these agreements is invested and held as collateral against the financial guarantees. These contributions are largely invested in money market funds and are classified as FVPL financial assets.

The other environmental investments are recognised as financial asset investments, as disclosed in note 21, and fair value gains and losses are recognised as they are generated within net finance income.

Nkulo Community Partnership Trust

The Group founded the Nkulo Community Partnership Trust (also referred to as the trust) in June 2021, which subscribed for 5.0% of the ordinary shares, as well as a C preference share, issued by SACO. The trust is managed by a board of trustees comprised of both Thungela and community representatives.

The C preference share entitles the trust to a preference dividend of a minimum of R6 million per annum up to 2024, subject to the availability of cash flows in SACO. The trust is also entitled to 5.0% of the dividends declared by SACO on ordinary shares. The Group recognises a provision for the constructive obligation it has to the beneficiaries of the Nkulo Community Partnership Trust at the point that the dividends on ordinary shares or preference dividends are declared by SACO.

Other provisions

Other provisions in relation to contractual obligations are recognised when the Group has an obligation as a result of past events. Other provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date taking into account the time value of money where relevant.

Environmental and other provisions can be analysed as follows:

	2023				
	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Trust contributions[1]	Other	Total
Balance at the start of the reporting period	6,987	579	392	457	8,415
Acquisition of the Ensham Business[2]	3,898	—	—	198	4,096
Amounts charged/(credited)[3]	137	(142)	276	37	308
Adjustments to decommissioning assets	13	63	—	—	76
Unwinding of discount	845	62	—	4	911
Amounts applied[4]	(860)	—	—	—	(860)
Currency movements	114	—	—	6	120
Other movements	—	—	—	17	17
Balance at the end of the reporting period	11,134	562	668	719	13,083
Classified as:					
Current	648	11	668	621	1,948
Non-current	10,486	551	—	98	11,135

1 Contributions to the Nkulo Community Partnership Trust represent amounts contributed to the trust, but not yet distributed to beneficiaries.
2 Refer to note 15 for further detail related to the acquisition of the Ensham Business.
3 Amounts charged/(credited) to provisions relate to amounts recognised through the statement of profit or loss and other comprehensive income in relation to changes in the provisions in the reporting period.
4 Amounts applied to provisions relate to cash paid to settle these obligations, which reduces the provision but is not charged through the statement of profit or loss and other comprehensive income.

27. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental and other provisions can be analysed as follows continued:

					2022
	Environmental provisions				
Rand million	Environmental rehabilitation	Decommissioning	Trust contributions[1]	Other	Total
Balance at the start of the reporting period	6,049	702	—	250	7,001
Amounts charged/(credited)[2]	1,201	(108)	386	209	1,688
Adjustments to decommissioning assets	—	(83)	—	—	(83)
Unwinding of discount	583	68	—	4	655
Amounts applied[3]	(846)	—	—	—	(846)
Reclassifications	—	—	6	(6)	—
Balance at the end of the reporting period	6,987	579	392	457	8,415
Classified as:					
Current	470	54	392	320	1,236
Non-current	6,517	525	—	137	7,179

1 Contributions to the Nkulo Community Partnership Trust represent amounts contributed to the trust, but not yet distributed to beneficiaries.
2 Amounts charged/(credited) to provisions relate to amounts recognised through the statement of profit or loss and other comprehensive income in relation to changes in the provisions in the reporting period.
3 Amounts applied to provisions relate to cash paid to settle these obligations, which reduces the provision but is not charged through the statement of profit or loss and other comprehensive income.

Environmental provisions

Thungela is obliged to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental impacts are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on our operating sites. A provision is recognised for the present value of such costs, based on the Group's best estimate of the obligations that exist at the reporting date. It is anticipated that most of these costs will be incurred over a period of up to 20 years post closure of the mine. In South Africa, water treatment costs may be incurred up to 50 years post closure of the mine. The provisions are collectively referred to as the 'environmental provisions'. The environmental provisions are determined per operating site, with the assistance of specialist independent environmental consultants, and taking account of the current land disturbances and the expected costs of rehabilitation. No independent assessment was performed for the Ensham Mine in the current year, and the environmental provisions at that mine are based on historical models.

The disturbed areas and expected costs are reassessed in each year and any required change in the environmental provisions is recognised on the completion of the assessment. A credit of R5 million (2022: expense of R1,093 million) has been recognised in the statement of profit or loss and other comprehensive income, and a debit to the decommissioning assets of R76 million (2022: credit of R83 million) has been recognised related to the annual assessment performed by the independent consultants, where relevant, and other factors influencing the provisions. At our South African operations, increases in the disturbed areas have been partially offset by the rehabilitation work performed in the year. The environmental provisions are also impacted by the planned timing of rehabilitation activities, which impacts the net present value recognised.

South Africa

In South Africa, the environmental provisions have been determined based on the legal obligations under the existing MPRDA Regulations as a base. This base is then adjusted for the Group's interpretation of the likely increase in costs required to transition to the NEMA Financial Provisioning Regulations, for example, costs related to the ongoing pumping and treatment of polluted or extraneous water. The Group's environmental provisions are in line with currently enforceable laws and regulations. The 2015 NEMA Financial Provisioning Regulations have been subject to numerous amendments, and drafts of the replacement regulations were published in November 2017, May 2019, August 2021, and finally in July 2022, and the transition date was deferred until 19 February 2024. On 1 February 2024, the Minister published a notice of intention to defer the transition date, however a revised date was not published. We await the publication of the updated transition date.

The current draft of the NEMA Financial Provisioning Regulations intends to alter the way companies calculate the financial provisioning required for environmental obligations, and it is likely that compliance with these regulations will substantially increase the required quantum of financial provisioning to be made by mining right holders with existing operations. This likely increase is mainly attributable to the change that specifies that latent (or residual) environmental impacts that may become known in the future will include the pumping and treatment of polluted or extraneous water.

It is important to note that financial provisioning as specified in the NEMA Financial Provisioning Regulations, as well as the existing MPRDA Regulations, does not translate into the environmental provisions as recognised by the Group, but rather the level of cash or other funding required to be made available to fund the closure of operations should the Group not be able to do so. The financial provisioning as required by the current MPRDA Regulations amounts to R4,536 million (2022: R4,413 million), compared to the total environmental provisions recognised by the Group for our South African operations of R7,841 million (2022: R7,566 million). This difference is due to additional costs which the Group believes we are likely to incur through a combination of our interpretation of the NEMA Financial Provisioning Regulations, as well as actual costs to be incurred in the period up to, and post mine closure, most significantly in relation to water treatment costs.

The Group has provided for water treatment costs using a combination of active and passive water treatment methods, based on activities currently being performed at our operations. The NEMA Financial Provisioning Regulations require the treatment of water to be provided for using the costs of currently available technologies which the DMRE has approved, based on evidence that the technology to be implemented is able to consistently achieve the discharge requirements.

Thungela is actively working to prove the efficacy of passive water treatment technologies in collaboration with academia and the relevant government departments. The Group commissioned a 50,000 litre per day demonstration plant in 2022 to prove that passive treatment can effectively manage coal's water risks post-mine closure. The plant reached full functionality in 2023. Initial results from the plant have been positive and we will continue to treat different water qualities to optimise process parameters through summer and winter, to inform the design of a full-scale plant that will be constructed at our closed Kromdraai site and later expanded to other operations.

The Group's long-term post-closure water management strategy includes phytoremediation, a biological process that uses trees to stabilise water levels by taking up mine-impacted water and reducing ingress. These trees reduce the volumes flowing into an artificial wetland, constructed to improve the quality of seepage from mineral residue facilities. The initiative has been rolled out at areas of the Goedehoop Colliery and the Kromdraai site at the Khwezela Colliery.

The NEMA Financial Provisioning Regulations, as well as the MPRDA Regulations, require the Group to make financial provisioning available, which is set aside purely to fund the rehabilitation and decommissioning activities required, to undertake the agreed work programmes and rehabilitate the mining areas. This financial provisioning can be put aside through a number of vehicles, and cannot be accessed for the general use of the Group. Thungela currently maintains the required financial provisioning through two mechanisms, being the environmental rehabilitation trusts, as well as holding financial guarantees with financial institutions for the benefit of the DMRE.

27. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

South Africa continued

Environmental rehabilitation trusts

The investments held in the environmental rehabilitation trusts can be analysed as follows:

Rand million	2023	2022
Investments in unit trusts	3,740	3,446
Total environmental rehabilitation trusts	**3,740**	**3,446**
Balance at the start of the reporting period	3,446	3,288
Growth on assets	294	158
Balance at the end of the reporting period	**3,740**	**3,446**

The rehabilitation trusts aim to achieve their 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 fair value of the environmental rehabilitation trusts is determined based on an externally provided investment statement, reflecting the market performance of the respective instruments in which the funds are invested.

Investments in the unit trusts are recognised as FVPL financial assets. The movement in the environmental rehabilitation trusts' assets includes fair value movements as well as dividend and interest income, where applicable.

These funds are not available for the general use of Thungela and can only be accessed to the extent of actual rehabilitation costs incurred with approval from the DMRE. All income from these assets is reinvested to further increase the level of financial provisioning held as required by the MPRDA Regulations.

Other environmental investments

The Group also holds a significant value of guarantees to further contribute to the financial provisioning as required by the MPRDA Regulations. These guarantees are primarily held with two financial institutions, and a portion of the annual fee payable on these guarantees is invested in the green fund. The fair value of the other environmental investments is determined based on externally provided investment statements, reflecting the market performance of the underlying money market funds in which the funds are invested.

The other environmental investments can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	658	199
Contributions[1]	210	443
Growth on assets	65	16
Balance at the end of the reporting period	**933**	**658**

[1] Includes contributions to the green fund of R205 million (2022: R438 million).

The Group has invested an additional R205 million (2022: R438 million) in long-term investments, referred to as the green fund, through two financial institutions to secure the guarantees required to further fund the financial provisioning as required by the MPRDA Regulations. These investments are held as collateral in favour of the financial institutions for the guarantees provided to the Group. The green fund requires an investment of 5.8% and 6.7% of the guarantee amounts annually into the respective funds to reduce the value of the unfunded guarantees over the life-of-mine. Of the annual investment amount required, 0.8% and 0.7%, respectively, is related to fees which are not considered part of the investment.

The annual requirement for funding is expected to decrease as the investment value increases, however the Group is able to contribute to these funds in excess of the required annual investment amount in order to increase our financial provisioning held, and to maximise our return on these investments.

These funds are not available for the general use of Thungela and can only be accessed to fulfil mine closure obligations, or to the extent that the growth on these funds has exceeded the required annual investment amount. The growth on the funds is reinvested to further increase the level of financial provisioning held as required by the MPRDA Regulations.

Thungela's exposure to our South African environmental obligations can be analysed as follows:

Rand million	2023	2022
Environmental provisions	(7,841)	(7,566)
Environmental rehabilitation trusts	3,740	3,446
Other environmental investments	933	658
Guarantees	3,221	3,102
Total financial provisioning available	7,894	7,206
Real pre-tax discount rate (%)	4.7	4.0 - 4.8

The guarantees of R3,221 million (2022: R3,102 million) are primarily in place to meet any immediate closure obligations under the existing MPRDA Regulations, and are issued in favour of the DMRE. Once Thungela has to comply with the NEMA Financial Provisioning Regulations, it is expected that the level of guarantees required to be held as financial provisioning will increase, which if required, may be sourced from the existing providers on the market at similar terms to the Group's current guarantees.

Australia

Mining in Queensland is subject to both Commonwealth and State (Queensland) regulation, and mine rehabilitation is primarily the subject of State regulation. Mining companies in Queensland are required to rehabilitate land disturbed by mining to a safe, structurally stable, non-polluting condition, which is able to sustain a post-mining land use. This rehabilitation must occur progressively, throughout the life of the mine.

Regulatory environment

Coal mining is considered an 'environmentally relevant activity' for the purposes of the Environmental Protection Act 1994 (Qld) (EPA). Accordingly, before a mining lease may be issued under the Mineral Resources Act 1989 (Qld) for the purposes of conducting coal mining, the leaseholder must, among other things, obtain an environmental authority issued under the EPA.

One requirement for the issue of an environmental authority, in the case of large coal mines, is to submit a progressive rehabilitation and closure plan and schedule (together 'the rehabilitation and closure plan') for approval. The rehabilitation and closure plan must include milestones for carrying out environmentally relevant activities on the affected land in such a way that it maximises the progressive rehabilitation of the land to a stable condition.

The rehabilitation and closure plan must be prepared in accordance with the requirements set out in the EPA, as well as a detailed statutory guideline issued by the Department of Environment, Science and Innovation (DESI). The rehabilitation and closure plan may be amended if required based on changes in the life-of-mine plan of the operation.

Under the EPA, DESI must determine the environmental rehabilitation costs for the mining activity being undertaken (environmental rehabilitation costs determination). The application must state the period to be covered in the determination (determination period), as well as the estimate of the total cost of rehabilitation for the period, calculated according to the methodology set out in the statutory guidelines.

The environmental rehabilitation costs determination will remain current for the determination period, unless an application for a new determination is made at least three months before the determination period ends, in which case the environmental rehabilitation costs determination will remain current until the new determination has been made.

The most recent environmental rehabilitation costs determination for Ensham, which was issued in December 2022 and is in force until 30 June 2025, amounts to approximately R3,414 million (AUD274 million), on a 100% basis.

27. ENVIRONMENTAL AND OTHER PROVISIONS CONTINUED

Environmental provisions continued

Australia continued

Regulatory environment continued

Holders of environmental authorities for resource activities must contribute to the 'Financial Provisioning Scheme' established under the Mineral and Energy Resources (Financial Provisioning) Act 2018 (Qld) and the Mineral and Energy Resources (Financial Provisioning) Regulation 2018. The nature and amount of the contribution to be made by a holder is determined by the scheme manager, and will be based on the scheme manager's assessment of the risk of the State of Queensland incurring costs and expenses because the holder has not rehabilitated or restored the environment after carrying out the resource activities, among other factors. The scheme manager may determine that this contribution is to be made by way of a payment into a pooled fund or the provision of a financial surety, or both.

To the extent that the scheme manager determines the contribution is to be made by payment into the pooled fund, an annual contribution into the pool of approximately 1.0% of the environmental rehabilitation costs determination is required. However, to the extent that the scheme manager determines that financial surety is required, the holder will be required to obtain this financial surety outside of the pooled fund as a condition of holding the relevant mining lease. The scheme manager may be approached to reassess the required contribution at any time.

Environmental provisions for Ensham

An assessment of the environmental liability for the rehabilitation of the opencast area of the Ensham Mine was prepared by an independent third-party consultant in previous years. This assessment was based on an understanding of various inputs, including the volume of material to be moved, the distance to be moved and the method by which the rehabilitation would be completed, and the related costs. The costs to be incurred over the life-of-mine and post closure of the operation have been discounted to their present value to determine the liability recognised on the statement of financial position. The most recent assessment of the liability was completed in 2022, and it forms the basis of the liability recognised on the statement of financial position of R3,855 million (on an 85% basis).

Sungela, as the new owner of a portion of the mining leases related to the Ensham Mine, has not yet been accepted into the Queensland pooled fund, however this acceptance is being actively pursued. On this basis, we will be required to obtain financial surety for the environmental rehabilitation costs determination of R3,414 million ((AUD274 million) on a 100% basis). The Group is in the process of securing this surety, which will likely be through a structure similar to the green fund in South Africa, requiring a minimum annual contribution amount. Given that the surety has not yet been obtained at the reporting date, the Group's environmental liability coverage$^{\triangle}$ has decreased, given the significance of the environmental provisions that exist for the Ensham Mine.

Thungela will continue to assess the required rehabilitation activities at the Ensham Mine, and ensure rehabilitation costs and methods are optimised in line with our existing methods where possible. This assessment is ongoing at 31 December 2023.

Sensitivity analysis

The Group has determined that the expected cash flows and the discount rates used to value the environmental provisions have a significant impact on the amounts recognised in the statement of financial position and the statement of profit or loss and other comprehensive income.

The impact that reasonably possible changes in these inputs would have on the statement of profit or loss and other comprehensive income can be analysed as follows:

Rand million	**2023**	2022
5.0% increase in expected cash flows	**601**	411
0.5% increase in discount rate	**(424)**	(238)

Contingent liabilities

Thungela is subject to various claims which arise in the ordinary course of business. Additionally, Thungela has provided indemnities against certain liabilities as part of agreements relating to sales or other disposals of business operations in the past. Having taken appropriate legal advice, the Group believes that any material liability arising from the indemnities provided is remote.

Total financial guarantees amounting to R3,246 million (2022: R3,128 million) have been issued in favour of the DMRE and other counterparties where relevant, including the amount identified for rehabilitation purposes noted above.

In October 2023, Thungela was formally served with an application for certification (certification application) for a class action in relation to coal workers pneumoconiosis. The attorneys have cited nine respondents, with Anglo American South Africa Limited as first respondent, and the remainder of the respondents being Thungela companies. The class action has not yet been certified, and no provision has been raised in the consolidated financial statements related to this matter.

No contingent liabilities were secured against the assets of Thungela for any of the reporting periods presented.

28. LEASE LIABILITIES

The Group has entered into various agreements which are considered to be leases, and is currently a lessee in the following lease agreements:

- Through its investment in Butsanani Energy, a contract related to the build and usage of a processing plant for a period of five years from 3 June 2019, and a contract related to the usage of a farm for mining purposes for a period of 20 years from 1 June 2019, both at the Rietvlei Colliery.
- Through TOPL, a contract for the exclusive use of the leased premises located at 25 Bath Avenue, Rosebank for a period of five years from 1 November 2020.
- Through AAIC, a contract for the exclusive use of plant and equipment at the Elders Colliery for a period of three years from 30 June 2023.
- Through its investment in Sungela, a contract for the exclusive use of the leased premises located at 10 Eagle Street for a period of three years from 1 September 2023, and the use of other plant and equipment for the remaining period of one year from 1 September 2023.

Right-of-use assets have been disclosed as part of property, plant and equipment as per note 13.

Accounting policy

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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.

Subsequent to initial recognition, lease liabilities are measured at amortised cost using the effective interest rate method. Lease liabilities are remeasured when there is a change to the contractual lease payments or the lease term, with an adjustment also being made to the corresponding right-of-use assets.

Leases with a term of less than one year, or committed payments of less than R75,000, are not recognised on the statement of financial position. The Group continues to recognise payments for these leases as an expense on a straight-line basis over the lease term within operating costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

28. LEASE LIABILITIES CONTINUED

The contractual payments due under lease arrangements can be analysed as follows:

Rand million	2023	2022
Contractual undiscounted cash flows		
Maturity analysis of lease payments due:		
Within 1 year	38	37
Between 2 – 5 years	21	53
Over 5 years	38	40
Total undiscounted lease payments	97	130
Impact of discounting	(31)	(37)
Total discounted lease liabilities	66	93
Classified as:		
Current	34	31
Non-current	32	62

The movement in the lease liabilities can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	93	121
Additions	3	—
Interest capitalised	6	10
Repayment – interest	(7)	(10)
Repayment – capital	(31)	(26)
Other	2	(2)
Balance at the end of the reporting period	66	93

The lease liabilities were 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 inception of the lease contracts. The range of incremental borrowing rates used is 8.6% to 10% (2022: 8.6% to 9.0%).

The amounts recognised in the statement of profit or loss and other comprehensive income in relation to the leasing arrangements can be analysed as follows:

Rand million	2023	2022
Interest expense on lease liabilities	6	10
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	43	14
Depreciation of right-of-use assets	15	15
Impairment losses	6	1

Some of the leases in which the Group is the lessee contain payments that are linked to a variable monthly feed to plant rate. The variable payments of R43 million (2022: R14 million) constitute 53% (2022: 28%) of the Group's total lease payments of R81 million (2022: R50 million) and this proportion is expected to remain consistent in future.

In 2023, Thungela entered into a contract for mining services and related equipment at the Elders Colliery. The contract is considered to contain a lease as the Group has exclusive use of the mining equipment, and can direct the use thereof. The contract includes both lease and non-lease components and these have been separated based on the value thereof specified in the contract. The non-lease components are included in operating costs as incurred. The payments related to the lease components are based on services performed, and determined on a per tonne extracted basis. These payments are considered fully variable, and no lease liability has been recognised on this basis.

The contract stipulates that Thungela will provide funding to the contractor for equipment to be purchased by them to fulfil the contract. Any equipment purchased will be held in the contractors name, but ceded to Thungela as security for the funding provided - ownership of the equipment will pass to Thungela at the end of the contract. The cost of the equipment to be purchased is estimated in the contract, but subject to change based on actual costs incurred by the contractor. No lease liability has been recognised on this basis, as the amounts payable are considered to be variable. As equipment is purchased by the contractor, and funded by Thungela, this will be recognised as a right-of-use asset.

The amounts recognised in the statement of cash flows in relation to the leasing arrangements can be analysed as follows:

Rand million	2023	2022
Lease liabilities – capital repayment	31	26
Lease liabilities – interest repayment (included in interest expenses paid)	7	10
Variable lease payments (included in profit before tax)	43	14
Total cash outflow for leases	81	50

The Group is exposed to a total potential future cash outflow of R70 million (2022: R61 million) related to payments for mining and other equipment on contracts that are not considered to contain a lease. In relation to the contract at the Elders Colliery, the Group is exposed to a maximum potential future cash outflow related to equipment to be purchased of R492 million.

29. RETIREMENT BENEFIT OBLIGATIONS

The Group operates both defined benefit and defined contribution pension fund plans and medical aid plans, as well as post-employment medical aid plans for its employees. The post-employment medical aid plans provide health benefits to retired employees and certain dependants as incurred.

Accounting policy

The contributions paid or payable in the year in relation to defined contribution plans are recognised in operating costs as incurred.

For post-employment medical aid plans, full actuarial valuations are carried out every year using the projected unit credit method.

Remeasurements comprising actuarial gains and losses are recognised in other comprehensive income and are not recycled to profit or loss. Any increase in the present value of the plan obligations expected to arise from employee services during the year is included in operating costs. The interest expense on the retirement benefit obligations is included in net finance income.

Past service costs are recognised immediately in profit or loss to the extent that the benefits have already vested, or otherwise amortised on a straight-line basis over the average period until the benefits vest. Employer contributions are made in accordance with the terms of each plan and vary each year.

The retirement benefit obligations are unfunded and are recognised on the statement of financial position at the present value of the deficit in the defined benefit plans.

29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Defined contribution plans

The costs of the defined contribution pension fund plans and medical aid plans represent the actual contributions payable by the Group to the various plans.

The charge for the year for defined contribution pension fund plans (net of amounts capitalised) was R273 million (2022: R251 million) and for defined contribution medical aid plans (net of amounts capitalised) was R151 million (2022: R138 million). Defined contribution plans are governed by the South African Pension Funds Act 24 of 1956 and the Medical Schemes Act 131 of 1998, as regulated by the Council for Medical Schemes.

Defined benefit medical aid plans and post-employment medical aid plans

The assets of these plans are held separately from those of the Group, in independently administered funds, in accordance with statutory requirements. The responsibility for the governance of the medical aid plans, including investment and funding decisions, lies with the trustees of each plan.

Employer contributions are made in accordance with the terms of each plan and may vary from year to year. Benefits of R31 million (2022: R24 million) were paid in relation to the medical aid plans in the year ended 31 December 2023, and the Group expects to contribute R31 million to these medical aid plans in 2024.

The amounts recognised in profit or loss in relation to the post-employment medical aid plans can be analysed as follows:

Rand million	2023	2022
Amounts included in employee costs	(5)	(6)
Interest expense	(47)	(48)
Total	(52)	(54)

The pre-tax amounts recognised in other comprehensive income relating to the post-employment medical aid plans can be analysed as follows:

Rand million	2023	2022
Actuarial gains on plan obligations	25	71
Remeasurement of retirement benefit obligations	25	71

Actuarial gains on plan obligations comprise movements in the obligations arising from changes in financial and demographic assumptions as well as experience on plan liabilities.

The movements in the retirement benefit obligations can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	(405)	(449)
Actuarial gains from changes in assumptions	25	71
Current service costs	(3)	(3)
Benefits paid	31	24
Interest expense	(47)	(48)
Balance at the end of the reporting period	**(399)**	(405)

The medical aid plans are closed to new members and future benefit accrual, however there are still active employees which benefit from the plans. The obligations are applicable to active employees and pensioners as follows:

Rand million	2023	2022
Active employees	(75)	(76)
Pensioners	(324)	(329)
Total retirement benefit obligations	**(399)**	(405)

Actuarial assumptions

The principal actuarial assumptions used to determine the present value of retirement benefit obligations are as follows (shown as weighted averages):

%	2023	2022
Average discount rate for plan obligations	12	12
Average rate of inflation	7.2	7.5
Expected average increase in healthcare costs	9.6	9.9

The weighted average duration of the plans is 10 years (2022: 11 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 and SA85-90 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:

Years	2023	2022
Male	18.7	18.7
Female	23.4	23.4

The defined benefit plans are exposed to risks such as longevity, investment risk, inflation risk and interest rate risk. The Groups' provision of anti-retroviral therapy to HIV positive staff does not significantly impact the post-employment medical aid plan obligations.

29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Defined benefit medical aid plans and post-employment medical aid plans continued

Actuarial assumptions continued

Sensitivity analysis

The significant actuarial assumptions for the determination of the post-employment medical aid plan obligations are the discount rate, inflation rate and life expectancy. 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 potential impact on the retirement benefit obligations can be analysed as follows:

Rand million	2023	2022
0.5% decrease in discount rate	(18)	(19)
0.5% increase in inflation rate	(18)	(19)
1 year increase in life expectancy	(14)	(14)

Actuarial assumptions are set after consultation with independent experts and before the valuations of the plan obligations are completed. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the profit or loss and other comprehensive income of the Group.

30. DEFERRED TAX

The Group has recognised deferred tax assets and liabilities based on the underlying nature of various transactions throughout the year and the related tax treatment, which may be different to the accounting treatment thereof.

Accounting policy

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 income 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 income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 income 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 recognised in profit or loss, except when it relates to items recognised directly in other comprehensive income or in equity, in which case the deferred tax is recognised in the same way.

Deferred tax assets and liabilities are offset by legal entity.

Deferred tax assets

The movement in the deferred tax assets can be analysed as follows:

Rand million	Note	2023	2022
Balance at the start of the reporting period		503	378
(Charged)/credited to profit or loss	10	(26)	156
Charged to other comprehensive income	10	(6)	(15)
Reclassification		—	(16)
Balance at the end of the reporting period		471	503

The deferred tax assets at 31 December 2023 are primarily driven by deductible temporary differences arising from the environmental and other provisions held in TOPL, a wholly owned subsidiary of the Group. These deductible temporary differences are expected to reverse in the normal course of operations.

The recognition of the deferred tax assets balance is supported by Thungela's forecasting process, which included a detailed calculation of the estimated annual taxable income of TOPL for each financial year up to 2025. The forecast reflects a substantial taxable income being generated for TOPL, and therefore sufficient future taxable temporary differences against which to utilise these deductible temporary differences. No additional tax losses have been carried forward or created in TOPL in the year ended 31 December 2023.

There are deductible temporary differences and unused tax losses of R139 million (2022: Rnil) for which no deferred tax asset had been recognised in the statement of financial position at the reporting date, based on the forecast future taxable temporary differences available in the underlying statutory entities.

The deferred tax assets recognised in the statement of financial position can be analysed as follows:

Rand million	2023	2022
Environmental and other provisions	2,149	2,177
Retirement benefit obligations	109	110
Other temporary differences	38	24
Fair value adjustments	5	(24)
Tax losses	—	2
Share-based payments	(34)	(11)
Capital allowances in excess of depreciation	(806)	(863)
Environmental rehabilitation trusts	(990)	(912)
Total deferred tax assets	471	503

30. DEFERRED TAX CONTINUED

Deferred tax assets continued

The deferred tax (charged)/credited to the statement of profit or loss and other comprehensive income can be analysed as follows:

Rand million	2023	2022
Environmental and other provisions	(28)	298
Retirement benefit obligations	5	(2)
Other temporary differences	14	26
Fair value adjustments	29	74
Tax losses	(2)	(1)
Share-based payments	(23)	(10)
Capital allowances in excess of depreciation	(5)	(386)
Environmental rehabilitation trusts	(78)	(10)
Impairment losses	62	167
Deferred tax (charged)/credited to profit or loss	**(26)**	156
Deferred tax charged to other comprehensive income	(6)	(15)
Deferred tax (charged)/credited to total comprehensive income	**(32)**	141

Deferred tax liabilities

The movement in the deferred tax liabilities can be analysed as follows:

Rand million	Notes	2023	2022
Balance at the start of the reporting period		(1,421)	(1,400)
Acquisition of the Ensham Business[1]	15	(133)	—
Charged to profit or loss	10	(78)	(37)
Currency movements		(5)	—
Reclassification		—	16
Balance at the end of the reporting period		**(1,637)**	(1,421)

[1] Refer to note 15 for detail related to the acquisition of the Ensham Business.

The deferred tax liabilities recognised in the statement of financial position can be analysed as follows:

Rand million	2023	2022
Capital allowances in excess of depreciation	(3,343)	(1,788)
Other temporary differences	(58)	(25)
Environmental rehabilitation trusts	(20)	(19)
Share-based payments	(1)	—
Fair value adjustments	2	—
Tax losses	184	202
Environmental and other provisions	1,599	209
Total deferred tax liabilities	**(1,637)**	(1,421)

The deferred tax charged to the statement of profit or loss and other comprehensive income can be analysed as follows:

Rand million	2023	2022
Capital allowances in excess of depreciation	(94)	22
Other temporary differences	(32)	8
Environmental rehabilitation trusts	(1)	—
Share-based payments	(1)	—
Fair value adjustments	72	—
Tax losses	(18)	(10)
Environmental and other provisions	(4)	(57)
Deferred tax charged to profit or loss	(78)	(37)
Deferred tax charged to total comprehensive income	(78)	(37)

EQUITY

31. STATED CAPITAL

Thungela has one class of authorised and issued shares, being ordinary shares. Thungela's ordinary shares began trading on the JSE and LSE from 7 June 2021. In the year ended 31 December 2023, Thungela issued no additional ordinary shares (2022: 4,180,777 shares).

Accounting policy

Ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases Thungela's issued shares, reflected as treasury shares for the Group, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the shareholders of the Group, until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the shareholders of the Group.

The shares issued by Thungela and the resultant stated capital can be analysed as follows:

Number of shares	2023	2022
Authorised		
Ordinary no par value shares	10,000,000,000	10,000,000,000
Issued		
Ordinary no par value shares	140,492,585	140,492,585
Reconciliation of shares in issue		
Shares in issue at the start of the reporting period	140,492,585	136,311,808
Issue of ordinary no par value shares	—	4,180,777
Shares in issue at the end of the reporting period	140,492,585	140,492,585
Adjusted for:		
Treasury shares held by Group companies[1]	(3,592,017)	(2,943,136)
Net shares in issue at the end of the reporting period	136,900,568	137,549,449

Rand million	2023	2022
Balance at the start of the reporting period	11,323	10,041
Issue of ordinary no par value shares	—	1,282
Balance at the end of the reporting period	11,323	11,323
Adjusted for:		
Treasury shares held by Group companies[1]	(493)	(302)
Net balance at the end of the reporting period	10,830	11,021

[1] Treasury shares held by Group companies include 2,900,285 shares (2022: 1,955,113 shares) held directly by subsidiaries, and 691,732 shares (2022: 988,023 shares) held in separate broker accounts for employees. The shares held in employee broker accounts relate to share awards in terms of the Thungela share plan which have not yet vested. These shares are considered treasury shares for Thungela until the awards have vested, in line with the rules of the Thungela share plan.

In the year ended 31 December 2023, 1,458,205 (2022: 909,155) treasury shares were purchased by subsidiaries of the Group at an average price of R177.96 per share (2022: R181.49 per share) in relation to share awards granted under the Thungela share plan. The purchase was made in terms of Thungela's MOI and the shares are held in separate broker accounts for employees, or in the broker accounts of the subsidiary holding the shares, in terms of the rules of the Thungela share plan, until vesting date. A total of 806,565 (2022: 678,625) share awards vested in the year ended 31 December 2023, which reduced the number of treasury shares held by Group companies.

Of the treasury shares held by Group companies, 2,900,285 (2022: 1,955,113) are held directly by subsidiaries and so do not carry voting rights.

The total number of ordinary shares in issue which carry voting rights amounts to 137,592,300 (2022: 138,537,472).

The directors do not have the authority to issue shares at their discretion until the date of the next AGM.

32. SHARE-BASED PAYMENTS

The Group operates equity settled shared-based payment arrangements which allow certain employees of the Group to receive Thungela shares through the Thungela share plan.

Accounting policy

The Thungela share plan consists of two components, as approved by the Thungela remuneration and human resources committee:

- The award of conditional shares, being the long-term incentive plan (LTIP), the vesting of which is conditional upon the fulfilment of certain performance conditions and an employment condition.
- The award of forfeitable shares, being the DBS shares, milestone shares, sign-on shares and retention shares, the vesting of which is subject to an employment condition.

All share awards are issued for no consideration, with no exercise or strike price applicable on the vesting date, and each share award will convert into one ordinary share in Thungela on vesting.

The Thungela share plan is accounted for as an equity settled share-based payment arrangement and the grant date fair value of the awards is 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 that are expected to vest based on the likely outcomes of the non-market performance conditions and the employment conditions.

For conditional share awards, which are subject to market and non-market vesting conditions, the fair value is determined using a Monte Carlo model at the grant date, taking into account the market vesting conditions. For forfeitable share awards which are subject to non-market vesting conditions only, the fair value is determined based on the unconditional fair value of the shares at the grant date.

Employees participating in the conditional share awards are also entitled to receive additional share awards in lieu of dividends declared on Thungela shares over the vesting period, which are added to the total number of conditional shares awarded and subject to the same vesting conditions. The potential impact of the dividend equivalent shares are included in the grant date fair value of the awards and so are not separately expensed.

Employees participating in the forfeitable share awards are entitled to dividends paid on Thungela shares on the dividend payment dates throughout the vesting period. Should the awards be forfeited, dividends already paid to employees will not be required to be paid back to the Group.

The early vesting of share awards is permitted at the discretion of the Thungela remuneration and human resources committee based on reasons deemed as constituting good leaver status as set out in the rules governing the Thungela share plan.

The aggregate number of shares which may be allocated under the Thungela share plan may not exceed 7,024,629 shares, which equates to 5.0% of the number of issued shares of Thungela. At 31 December 2023, a total of 2,862,823 (2022: 2,615,718) shares are considered to be allotted and held as treasury shares in line with the rules of the Thungela share plan, leaving 4,161,806 (2022: 4,408,911) shares available for allocation in relation to future grants.

32. SHARE-BASED PAYMENTS CONTINUED

Thungela share plan

The share awards that have been granted to eligible employees in the year ended 31 December 2023 consist of the Thungela 2023 LTIP awards, the Thungela 2023 DBS awards and the Thungela 2023 retention awards, as approved by the Thungela remuneration and human resources committee.

Thungela LTIP awards – conditional share awards

The Thungela 2023 LTIP awards were granted on 26 April 2023, in relation to performance for the year ended 31 December 2022. These awards will vest on 26 April 2026 in accordance with the achievement of specific performance conditions over a performance period from 1 January 2023 to 31 December 2025. Once vested, these awards are subject to a further two-year holding period for executive directors. A total of 398,131 awards were granted as the Thungela 2023 LTIP awards, with a grant date fair value of R155.22.

The Thungela 2022 LTIP awards were granted on 7 March 2022, in relation to performance for the year ended 31 December 2021. These awards will vest on 7 March 2025 in accordance with the achievement of specific performance conditions over a performance period from 1 January 2022 to 31 December 2024. Once vested, these awards are subject to a further two-year holding period for executive directors and prescribed officers. A total of 434,844 awards were granted as the Thungela 2022 LTIP awards, with a grant date fair value of R167.12.

The Thungela 2021 LTIP awards were granted on 16 November 2021, in relation to performance for the year ended 31 December 2020. These awards will vest on 16 November 2024 in accordance with the achievement of specific performance conditions over a performance period from 1 January 2021 to 31 December 2023. Once vested, these awards are subject to a further two-year holding period for executive directors and prescribed officers. A total of 1,363,119 awards were granted as the Thungela 2022 LTIP awards, with a grant date fair value of R60.46.

The conditional share awards do not carry voting rights. Employees participating in these awards are entitled to receive additional share awards in lieu of dividends declared on Thungela shares over the vesting period, which are added to the total number of conditional shares awarded and subject to the same vesting conditions. A total of 726,590 (2022: 492,667) share awards were added to the Thungela LTIP awards related to the dividend equivalents for dividends declared by Thungela in the year ended 31 December 2023.

The weighted average of the vesting outcomes for each measure will determine the overall vesting percentage for the awards. This will be applied to the number of awards outstanding on the vesting date.

The performance conditions and their weightings that will be applied at the vesting date to the Thungela LTIP awards are as follows:

	Weighting (%)		
Condition	Thungela 2023 LTIP awards	Thungela 2022 and 2021 LTIP awards	Market vs non-market condition
Relative total shareholders' return peer (Local)	12.5	7.5	Market
Relative total shareholders' return peer (Global)	12.5	7.5	Market
Carbon emissions	—	10	Non-market
Carbon intensity	10	—	Non-market
Cash margin per export saleable tonne	20	20	Non-market
Dividend yield	—	10	Non-market
Inclusion and diversity	10	10	Non-market
Life of business	15	15	Non-market
Lifex capital intensity	10	10	Non-market
Water usage – fresh water import	2.5	2.5	Non-market
Water usage – potable water usage	2.5	2.5	Non-market
Water usage – water reuse/recycle	2.5	2.5	Non-market
Water usage – water treatment	2.5	2.5	Non-market

Achievement of the non-market conditions will be determined independently of the market performance conditions.

Thungela DBS awards – forfeitable share awards

The Thungela 2023 DBS awards were granted on 27 March 2023 in relation to performance for the year ended 31 December 2022. The number of awards that will vest is conditional upon the participants remaining in the employment of the Group for the vesting period, and there are no performance conditions attached to this grant. The Thungela 2023 DBS awards will vest in equal tranches from 27 March 2024 to 27 March 2026. A total of 441,037 share awards were granted as the Thungela 2023 DBS awards, with a grant date fair value of R191.60.

The Thungela 2022 DBS awards were granted on 22 March 2022 in relation to performance for the year ended 31 December 2021. The number of awards that will vest is conditional upon the participants remaining in the employment of the Group for the vesting period, and there are no performance conditions attached to this grant. The Thungela 2022 DBS awards will vest in equal tranches from 22 March 2023 to 22 March 2025. A total of 331,300 share awards were granted as the Thungela 2022 DBS awards, with a grant date fair value of R155.67.

Tranche 1 of the Thungela 2022 DBS awards vested in full on 22 March 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 103,219 share awards vested, with 46,498 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

The forfeitable share awards carry voting rights and the employees are entitled to dividends paid on Thungela ordinary shares throughout the vesting period.

32. SHARE-BASED PAYMENTS CONTINUED

Thungela share plan continued

Thungela 2023 retention awards – forfeitable share awards

The Thungela 2023 retention awards were granted on 1 April 2023 in relation to performance for the year ended 31 December 2022. These awards are not applicable to executive directors and prescribed officers. The number of awards that will vest is conditional upon the participants remaining in the employment of the Group for the vesting period, and there are no performance conditions attached to this grant. The Thungela 2023 retention awards will vest in equal tranches from 1 April 2023 to 1 April 2025. A total of 112,997 share awards were granted as the Thungela 2023 retention awards, with a grant date fair value of R202.15.

Tranche 1 of these awards vested immediately and in full on 1 April 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 39,302 share awards vested, with 17,686 shares being utilised on vesting to compensate employees for the tax incurred by them on the vesting of the shares. Once vested, these awards are subject to a further one-year payback period, during which participants will be obligated to repay the pre-tax amount paid on a pro rata basis should the employment condition not be satisfied.

Thungela milestone awards – forfeitable share awards

As fully described in the Annual Financial Statements for the year ended 31 December 2022, the Thungela milestone awards were granted to the CEO and CFO in preparation for the demerger.

Tranche 2 of these awards vested in full on 4 June 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 674,744 share awards vested, with 303,636 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

The number of share awards granted in terms of the Thungela share plan can be analysed as follows:

					2023
Number of awards	**Thungela LTIP awards**	**Thungela DBS awards**	**Thungela milestone awards**	**Thungela retention awards**	**Total**
Balance at the start of the reporting period	**2,118,284**	**313,279**	**674,744**	**—**	**3,106,307**
Awards granted	**398,131**	**441,037**	**—**	**112,997**	**952,165**
Dividend equivalent awards granted	**726,590**	**—**	**—**	**—**	**726,590**
Awards vested	**—**	**(110,205)**	**(674,744)**	**(39,302)**	**(824,251)**
Awards forfeited	**—**	**(26,082)**	**—**	**—**	**(26,082)**
Balance at the end of the reporting period	**3,243,005**	**618,029**	**—**	**73,695**	**3,934,729**

				2022
Number of awards	Thungela LTIP awards	Thungela DBS awards	Thungela milestone awards	Total
Balance at the start of the reporting period	1,363,119	—	1,349,487	2,712,606
Awards granted	434,844	331,300	—	766,144
Dividend equivalent awards granted	492,667	—	—	492,667
Awards vested	—	(3,882)	(674,743)	(678,625)
Awards forfeited	(172,346)	(14,139)	—	(186,485)
Balance at the end of the reporting period	2,118,284	313,279	674,744	3,106,307

The inputs used in the measurement of the fair values at grant date for awards granted in terms of the Thungela share plan are as follows:

			2023
	Thungela 2023 LTIP awards	**Thungela 2023 DBS awards**	**Thungela 2023 retention awards**
Grant date	**26 April**	**27 March**	**1 April**
Fair value at grant date (Rand/share)	**155.22**	**191.60**	**202.15**
Share price at grant date (Rand/share)	**171.00**	**191.60**	**202.15**
Expected volatility (%)	**63**	**—**	**—**
Expected life (years)	**3**	**1 / 2 / 3**	**1 / 2**
Expected dividend yield (%)	**1.3**	**2.4 / 1.5 / 1.2**	**0.00 / 2.2 / 1.4**

		2022
	Thungela 2022 LTIP awards	Thungela 2022 DBS awards
Grant date	7 March	22 March
Fair value at grant date (Rand/share)	167.12	155.67
Share price at grant date (Rand/share)	170.85	155.67
Expected volatility (%)	71	—
Expected life (years)	3	1 / 2 / 3
Expected dividend yield (%)	3.8	8.9 / 6.0 / 4.2

Expected volatility is based on historical volatilities using a proxy company over a period of time commensurate with the expected life of the Thungela LTIP awards given the short time that the Thungela shares have been listed.

The amounts recognised in the statement of profit or loss and other comprehensive income, in relation to the Thungela share plan, can be analysed as follows:

Rand million	Note	**2023**	2022
Thungela 2021 LTIP awards		**17**	16
Thungela 2022 LTIP awards		**15**	11
Thungela 2023 LTIP awards		**10**	—
Thungela milestone awards		**13**	63
Thungela 2022 DBS awards		**17**	23
Thungela 2023 DBS awards		**38**	—
Thungela 2023 retention awards		**17**	—
Total share-based payment expenses included in employee costs	6	**127**	113

33. DIVIDENDS

Thungela has declared and paid ordinary dividends to shareholders from retained earnings.

Accounting policy

Dividends are recognised in the period in which the dividends are declared directly in the statement of changes in equity. Dividends proposed or declared subsequent to the reporting date are not recognised as dividends paid in the reporting period.

Treasury shares are held by subsidiaries in respect of awards granted in terms of the Thungela share plan as detailed in note 32. Dividends declared on shares held in relation to the forfeitable share awards are paid to the employees on the dividend payment date. Dividends declared on shares held in relation to the conditional share awards will be paid to the subsidiary holding the share in line with the rules of the Thungela share plan.

Dividend policy

Any dividend proposed by the board in respect of a 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 in order to fund sustaining capital expenditure△ and life extension opportunities without resorting to excessive leverage, recognising the nature of the Group's assets and single commodity price exposure.

The Group's dividend policy is to target a dividend payout of a minimum of 30% of adjusted operating free cash flow△. The board is committed to delivering attractive shareholder returns, while maintaining disciplined capital allocation. Therefore, in any given financial year, the Group might declare dividends above the targeted minimum 30% payout ratio, subject to the board being satisfied that subsequent to the dividend declaration, the Group has adequate balance sheet flexibility and sufficient funding available to withstand market and coal price volatility, as well as infrastructure constraints.

Dividends paid

Dividends paid can be analysed as follows:

Rand million	2023	2022
Dividends paid to the shareholders of the Group	6,920	10,483
Dividend declared on 18 August 2023 of R10 per ordinary share	1,379	—
Dividend declared on 27 March 2023 of R40 per ordinary share	5,541	—
Dividend declared on 15 August 2022 of R60 per ordinary share	—	8,035
Dividend declared on 22 March 2022 of R18 per ordinary share	—	2,448
Dividends paid to non-controlling interests	1	42
Total dividends paid	**6,921**	10,525

Dividend declaration

A final ordinary cash dividend relating to the year ended 31 December 2023 of R10 per share (2022: R40 per share), was declared by the board on 18 March 2024. The dividend, amounting to a return of R1,405 million to shareholders, has not been recognised as a liability in these consolidated financial statements. The final dividend was declared from retained earnings and will be paid in April 2024 to shareholders on the South African register and May 2024 to shareholders on the UK register. Together with the interim dividend of R10 per share, this equates to a total dividend of R20 per share for the year ended 31 December 2023.

34. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY

In 2022, the Group, through its wholly owned subsidiary Thungela Resources Holdings Proprietary Limited (Thungela Resources Holdings), acquired the remaining 27% shareholding in AAIC, an existing subsidiary of the Group. The transaction resulted in AAIC becoming a wholly owned subsidiary of the Group, although it did not represent a change in control of AAIC. The acquisition was completed through the issue of 4,180,777 Thungela shares.

The 27% interest was previously held by Inyosi Coal (RF) Proprietary Limited (Inyosi) on the basis of an empowerment transaction undertaken in 2010. Thungela and Inyosi reached agreement on 30 November 2022 in relation to the purchase of the AAIC shares through the issue of Thungela shares, thereby allowing Inyosi to obtain an interest in Thungela while simultaneously transforming its interest into a more liquid position in a publicly traded entity. The Thungela shares were admitted to trading on the JSE and the LSE on the effective date of 30 November 2022.

A reference price of R306.76 per share issued was calculated using the closing Thungela share price on 29 November 2022, the day before the shares were admitted to trading on the JSE and the LSE. This represents purchase consideration for the transaction of R1,282 million.

At the effective date of the transaction, the value of the non-controlling interest held by Inyosi was R3,191 million representing their historical proportion of earnings in AAIC, excluding the impact of equity loans from the Thungela Group.

The value of the non-controlling interest on the effective date of the transaction can be analysed as follows:

Rand million	2022
Balance at the start of the reporting period	1,983
Total comprehensive income attributable to non-controlling interest[1]	1,247
Dividends paid to non-controlling interest[1]	(40)
Movement in share-based payments reserve[1]	1
Balance at 30 November 2022	3,191

[1] Represents movements up to the effective date of 30 November 2022.

The difference between the carrying value of the non-controlling interest at the effective date of the transaction and the value of the consideration amounts to R1,909 million, which has been recognised directly in retained earnings. This results in the relative interest of the Group in AAIC being correctly reflected.

35. NON-CONTROLLING INTERESTS

There are various non-controlling interests held throughout the Group, as further detailed in note 38. The material non-controlling interests are considered to be held in Sungela Holdings and Butsanani Energy, on the basis of the contribution of these entities to the Group.

Accounting policy

Non-controlling interests represent the profit or loss, other comprehensive income and equity in a subsidiary not attributable, directly or indirectly, to the equity shareholders of the Group.

For subsidiaries which are not wholly owned, non-controlling interests are presented in equity separately from the equity attributable to the shareholders of the Group. Profit or loss and other comprehensive income is attributed to the shareholders of the Group and to non-controlling interests, even if this results in the non-controlling interests having a negative balance.

35. NON-CONTROLLING INTERESTS CONTINUED

The material non-controlling interests can be analysed as follows:

Rand million	Sungela Holdings[1]	Butsanani Energy	2023 Total	AAIC[2]	Butsanani Energy	2022 Total
(Loss)/profit for the reporting period attributable to non-controlling interests	(28)	(164)	(192)	1,247	(30)	1,217
Other comprehensive income attributable to non-controlling interests	6	—	6	—	—	—
Total comprehensive (loss)/income attributable to non-controlling interests	(22)	(164)	(186)	1,247	(30)	1,217
Dividends paid to non-controlling interests	—	(1)	(1)	(40)	(2)	(42)
Equity attributable to non-controlling interests	266	(279)	(13)	—	(114)	(114)

1 The results of Sungela Holdings have been reflected for four months from the acquisition date of 31 August 2023. Refer to note 15 for further detail.
2 The results of AAIC have been reflected for the 11 months up to 30 November 2022, based on the purchase of the remaining interest in this entity. Refer to note 34 for detail.

The summarised financial information of the entities in which material non-controlling interests are held can be analysed as follows:

Rand million	Sungela Holdings[1]	Butsanani Energy	2023 Total	AAIC[2]	Butsanani Energy	2022 Total
Statement of profit or loss and other comprehensive income						
Revenue	2,589	1,155	3,744	10,741	1,099	11,840
Profit/(loss) for the reporting period	385	(345)	40	4,026	(40)	3,986
Total comprehensive income/(loss) for the reporting period	385	(345)	40	4,026	(40)	3,986
Statement of financial position						
Non-current assets	7,597	270	7,867	—	338	338
Current assets	3,903	285	4,188	—	213	213
Non-current liabilities	(4,429)	(491)	(4,920)	—	(425)	(425)
Current liabilities	(2,476)	(520)	(2,996)	—	(235)	(235)
Net assets/(liabilities)	4,595	(456)	4,139	—	(109)	(109)
Statement of cash flows						
Cash flows from operating activities	464	(20)	444	4,842	83	4,925
Cash flows from investing activities	(3,055)	(6)	(3,061)	(647)	(10)	(657)
Cash flows from financing activities	4,619	(30)	4,589	(3,025)	(65)	(3,090)
Net increase/(decrease) in cash and cash equivalents	2,028	(56)	1,972	1,170	8	1,178

1 The results of Sungela Holdings have been reflected for four months from the acquisition date of 31 August 2023. Refer to note 15 for further detail.
2 The results of AAIC have been reflected for the 11 months up to 30 November 2022, based on the purchase of the remaining interest in this entity. No information related to the statement of financial position has been presented as there was no non-controlling interest in this entity at 31 December 2022. Refer to note 34 for further detail.

OTHER INFORMATION

36. COMMITMENTS

The Group is subject to a number of commitments which have not been accounted for at the reporting date, as services have not yet been received for these commitments.

The Group's commitments can be analysed as follows:

			2023
Rand million	Contracted but not provided	Port and rail commitments	Total
Due within 1 year	1,146	3,670	4,816
Between 1 – 2 years	—	1,465	1,465
Between 2 – 5 years	—	1,042	1,042
Total commitments	**1,146**	**6,177**	**7,323**

			2022
Rand million	Contracted but not provided	Rail commitments	Total
Due within 1 year	990	2,356	3,346
Between 1 – 2 years	—	633	633
Total commitments	990	2,989	3,979

Contracted but not provided

Commitments contracted but not provided for are related to capital projects which have been contracted for at the reporting date, but for which goods and services have not been received.

Port and rail commitments

South Africa

Rail commitments are related to the existing long-term agreement with TFR, where the Group has committed to a minimum annual quantity of tonnes railed over the contractual period. The committed annual volumes were adjusted based on the deed of amendment to the original contract which was signed in 2022. The long-term agreement with TFR, which was due to expire at the end of March 2024 has now been extended by a further 12 months to the end of March 2025. The extension allows the Group to renegotiate a new long-term agreement in line with the contractual provisions, and the renegotiations will cover the period beyond March 2025. Budgeted rail volumes are in excess of the adjusted committed volumes capacity.

Australia

Port commitments are related to the existing long-term agreement with Gladstone Port Corporation, where the Ensham Business has committed to a minimum annual quantity of tonnes shipped over the contractual period which expires on 30 June 2026.

Rail commitments are related to two existing long-term agreements expiring on 31 December 2024 and 31 December 2027, respectively. The Ensham Business has committed to a minimum annual quantity of tonnes railed over the contractual period.

37. RELATED PARTY TRANSACTIONS

The Group has a number of related party relationships with other companies and individuals. The related parties comprise the entities in which the Group has an investment, as well as the directors and prescribed officers noted below. Transactions with these related parties are assessed on a consistent basis as those with other parties.

Direct subsidiaries

South Africa Coal Operations Proprietary Limited
Thungela Treasury Proprietary Limited
Thungela Resources Holdings Proprietary Limited
Thungela International Proprietary Limited

Indirect subsidiaries

Thungela Operations Proprietary Limited
Anglo American Inyosi Coal Proprietary Limited
Butsanani Energy Investment Holdings Proprietary Limited
Rietvlei Mining Company Proprietary Limited
Ingagane Colliery Proprietary Limited
Springfield Collieries Limited
Thungela Inyosi Coal Sercurityco Proprietary Limited
Newshelf 1316 Proprietary Limited
Main Street 1756 (RF) Proprietary Limited
Blue Steam Investments Proprietary Limited
Thungela Resources Australia Pty Limited
Sungela Holdings Pty Ltd
Sungela Pty Ltd
Ensham Coal Sales Pty. Ltd.
Ensham Resources Pty Limited
Nogoa Pastoral Pty. Ltd.
Thungela Marketing International Holdings Limited
Thungela Marketing International DMCC

Indirect associates

Richards Bay Coal Terminal Proprietary Limited
Colliery Training College Proprietary Limited

Indirect joint operations

Mafube Coal Mining Proprietary Limited
Phola Coal Processing Plant Proprietary Limited
Pamish Investments No. 66 Proprietary Limited

Indirect trusts

Nkulo Community Partnership Trust
Sisonke Employee Empowerment Scheme Trust
Anglo American Thermal Coal Environmental Rehabilitation Trust
Mafube Rehabilitation Trust

Directors

Sango Ntsaluba (chairman)#
July Ndlovu (chief executive officer)
Deon Smith (chief financial officer)
Ben Kodisang#
Kholeka Mzondeki#
Thero Setiloane#
Seamus French#
Yoza Jekwa#

Independent non-executive

Prescribed officers

Johan van Schalkwyk
Carina Venter
Lesego Mataboge
Leslie Martin
Mpumi Sithole
Bernard Dalton

37. RELATED PARTY TRANSACTIONS CONTINUED

The Group enters into various sale and purchase transactions with related parties in the ordinary course of business. These transactions are subject to terms that are no less, nor more favourable than those arranged with independent third parties.

Transactions and balances with related parties

The transactions with related parties in the reporting period, and outstanding balances at the reporting date, can be analysed as follows:

Rand million	Notes	2023	2022
Loans to related parties			
Pamish[1]	21	—	30
RBCT[2]	14	59	23
Transactions recognised in the statement of profit or loss and other comprehensive income			
RBCT			
Expenses for services provided		(393)	(414)
Pamish			
Expenses for services provided		(81)	(33)
Investment income		4	6

[1] The interest in Pamish is held through TOPL. Although TOPL legally owns 49% of Pamish, the contractual agreements result in TOPL obtaining 85% of the benefits related to the operations of Pamish. The contract with Pamish was amended in 2023, which now results in TOPL obtaining 100% of the benefits related to the operations of Pamish. From July 2023, TOPL's share of the assets, liabilities, revenue and expenses of Pamish has been consolidated at 100%.

[2] The loan to RBCT is deemed part of the equity investment in RBCT.

No transactions have been entered into with key management in the reporting period other than their fixed and variable remuneration, which has been disclosed in note 40.

38. INVESTMENTS IN OTHER ENTITIES

The Group has a number of investments in other entities which result in us obtaining control, joint control or significant influence of the entities.

Accounting policy

Investments in subsidiaries

The results of subsidiaries are consolidated for the duration of the period in which the Group exercises control over the subsidiary. All intercompany transactions and resultant profits or losses between group companies are eliminated on consolidation.

Investments in joint operations

Joint arrangements are arrangements in which the Group 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 of the Group, being Mafube Coal Mining Proprietary Limited (Mafube Coal Mining), Phola Coal Processing Plant Proprietary Limited and Pamish, 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 of 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 Group accounts for joint operations by recognising our share of the assets, liabilities, revenue and expenses of the joint operation, including our share of such items held or incurred jointly.

38. INVESTMENTS IN OTHER ENTITIES CONTINUED

The investments in other entities held by the Group can be analysed as follows:

Legal entity name	Nature of business	Operation	Shareholding %
Direct subsidiaries			
South Africa Coal Operations Proprietary Limited[1]	Investment holding company		100
Thungela Resources Holdings Proprietary Limited	Investment holding company		100
Thungela Treasury Proprietary Limited	Investment holding company		100
Thungela International Proprietary Limited	Investment holding company		100
Indirect subsidiaries			
Thungela Operations Proprietary Limited	Mining company		100
	Mining operation	Isibonelo	
	Mining operation	Goedehoop	
	Mining operation	Greenside	
	Mining operation	Khwezela	
Anglo American Inyosi Coal Proprietary Limited[2]	Mining company		100
	Mining operation	Zibulo	
	Production replacement project	Elders	
Butsanani Energy Investment Holdings Proprietary Limited	Investment holding company		67
Rietvlei Mining Company Proprietary Limited[3]	Mining company		51
	Mining operation	Rietvlei	
Thungela Inyosi Coal Sercurityco Proprietary Limited	Dormant		100
Newshelf 1316 Proprietary Limited	Dormant		100
Blue Steam Investments Proprietary Limited	Dormant		100
Main Street 1756 (RF) Proprietary Limited	Investment holding company		100
Thungela Resources Australia Pty Limited[4,5]	Investment holding company		100
Sungela Holdings Pty Ltd[5,6]	Investment holding company		73.5
Sungela Pty Ltd[5, 7]	Investment holding company		100
Ensham Resources Pty Limited[5, 7]	Mining company		100
	Mining operation	Ensham Mine	
Ensham Coal Sales Pty. Ltd.[5, 7]	Marketing company		85
Nogoa Pastoral Pty. Ltd.[5, 7]	Agricultural company		85
	Agricultural operation	Nogoa Pastoral	
Thungela Marketing International Holdings Limited[8]	Dormant		100
Thungela Marketing International DMCC[8]	Dormant		100

1 Thungela holds 90% of the shares in SACO. The Sisonke Employee Empowerment Scheme and the Nkulo Community Partnership Trust, which are controlled by the Group, hold 10% collectively of the shares in SACO. Effectively, Thungela owns 100% of SACO.
2 Thungela Resources Holdings holds a 27% interest in AAIC. Effectively, Thungela owns 100% of AAIC.
3 Butsanani Energy legally owns 51% of Rietvlei Mining Company Proprietary Limited (RMC). However, Butsanani Energy economically owns only 45% of RMC based on various contractual arrangements. Effectively, Thungela owns 34% (being 67% of 51%) of RMC. The results of RMC are however reflected at an effective ownership of 30% (being 67% of 45%) to reflect the underlying contractual agreements.
4 Thungela, through Thungela International, subscribed for 100% of the shares in Thungela Resources Australia on 26 January 2023.
5 The place of business and incorporation of this entity is Australia.
6 Thungela Resources Australia subscribed for 75% of the shares in Sungela Holdings on 31 August 2023, on completion of the acquisition of the Ensham Business. On 31 December 2023, the shareholding reduced to 73.5% on the vesting of the LTIP shares. Refer to note 15 for detail related to the acquisition of the Ensham Business.
7 Sungela Holdings, through its wholly owned subsidiary Sungela, subscribed for 100% of the shares in Ensham Resources, and 85% of the shares in Ensham Coal Sales and Nogoa Pastoral.
8 Thungela, through Thungela International, subscribed for 100% of the shares in Thungela Marketing International, which in turn subscribed for 100% shares in Thungela Marketing International DMCC on their incorporation dates of 1 November 2023 and 15 December 2023, respectively. These companies are dormant as at 31 December 2023.

Legal entity name	Nature of business	Operation	Shareholding %
Indirect joint operations			
Mafube Coal Mining Proprietary Limited	Mining company		50
	Mining operation	Mafube	
Phola Coal Processing Plant Proprietary Limited[1]	Mining company		50
	Processing operation	Phola	
Pamish Investments No. 66 Proprietary Limited[2]	Mining company		49
	Processing operation	Pamish plant	
Indirect associates			
Richards Bay Coal Terminal Proprietary Limited	Port logistics	Richards Bay Coal Terminal	23
Colliery Training College Proprietary Limited[3]	Training provider for companies in the mining industry		23
Indirect trusts			
Nkulo Community Partnership Trust	Community Trust		100
Sisonke Employee Empowerment Scheme Trust	Employee Trust		100
Anglo American Thermal Coal Environmental Rehabilitation Trust	Rehabilitation Trust		100
Mafube Rehabilitation Trust	Rehabilitation Trust		50

1 The interest in Phola is held through AAIC.
2 The interest in Pamish is held through TOPL. Although TOPL legally owns 49% of Pamish, the contractual agreements result in TOPL obtaining 85% of the benefits related to the operations of Pamish. The contract with Pamish was amended in 2023, which now results in TOPL obtaining 100% of the benefits related to the operations of Pamish. From July 2023, TOPL's share of the assets, liabilities, revenue and expenses of Pamish has been consolidated at 100%.
3 The investment in Colliery Training College is considered immaterial to the Group and has not been equity accounted.

With the exception of the companies noted above, the place of business and incorporation of all subsidiaries, joint operations, associates and trusts is South Africa.

39. EVENTS AFTER THE REPORTING PERIOD

The Group monitors activity between the end of the reporting period and the date of the approval of the Annual Financial Statements to ensure that any events that may impact the Group are considered.

Accounting policy

The Group assesses relevant events that occur between the end of the reporting period until the Annual Financial Statements are authorised for issue. An assessment will be performed to determine if the event is an adjusting or non-adjusting event, and adjustments or disclosure may be made if required.

Share repurchases and declaration of dividend

The Group will implement share repurchases (share buyback), subject to market conditions, in the period commencing 19 March 2024 and, unless revised or terminated earlier, ending 3 June 2024, being the last trading day prior to the Group's next AGM which will take place on 4 June 2024. The aggregate purchase price of all shares repurchased will be no greater than R500 million.

The board has declared a final ordinary cash dividend of R10 per share, or R1,405 million, from retained earnings on 18 March 2024. Combined with the interim dividend for 2023, this represents a total dividend payment of R2,810 million to shareholders, amounting to 41% of the adjusted operating free cash flow[△] generated in the year ended 31 December 2023.

The dividend will be paid in April 2024 to shareholders on the South African register, and in May 2024 to shareholders on the UK register.

REMUNERATION

40. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The remuneration of the directors and prescribed officers has been approved by the Thungela remuneration and nomination committee.

Details regarding the directors' direct and indirect interests in Thungela shares are disclosed in the directors' report.

Executive directors and prescribed officers

The remuneration of the executive directors and prescribed officers can be analysed as follows:

Rand thousand	Basic salary	Retirement and benefits[1]
Executive directors		
J Ndlovu	8,131	1,276
GF Smith	5,251	848
Total executive directors' remuneration	13,382	2,124
Prescribed officers		
JPD Van Schalkwyk	4,094	667
L Martin	3,556	593
LE Mataboge	2,526	435
N Sithole	2,526	410
C Venter	2,526	390
BM Dalton	3,028	517
Total prescribed officers' remuneration	18,256	3,012

1 Retirement and benefits include pension fund contributions, medical aid contributions and other allowances.
2 Other payments such as unemployment insurance fund (UIF), leave encashments and long service awards.
3 Thungela cash component of the short-term incentive (STI) which is attributable to the 2023 financial year, but to be paid in the 2024 financial year.

Rand thousand	Basic salary	Retirement and benefits[1]
Executive directors		
J Ndlovu	7,671	1,203
GF Smith	4,953	799
Total executive directors' remuneration	12,624	2,002
Prescribed officers		
JPD Van Schalkwyk	3,862	628
L Martin	3,354	559
LE Mataboge	2,383	410
N Sithole	2,383	389
C Venter	2,383	369
BM Dalton	2,856	488
Total prescribed officers' remuneration	17,221	2,843

1 Retirement and benefits include pension fund contributions, medical aid contributions and other allowances.
2 Other payments such as UIF, leave encashments and long service awards.
3 Thungela cash component of the STI which is attributable to the 2022 financial year, but to be paid in the 2023 financial year.

				2023
Other[2]	STI cash[3]	STI deferred bonus[4]	Thungela retention and milestone awards[5]	Total remuneration
81	5,924	2,993	58,704	77,109
37	3,222	1,611	29,352	40,321
118	9,146	4,604	88,056	117,430
810	2,512	1,256	—	9,339
26	2,182	1,091	—	7,448
243	1,428	714	—	5,346
103	1,428	714	—	5,181
215	1,428	714	—	5,273
39	1,858	929	—	6,371
1,436	10,836	5,418	—	38,958

4 Thungela deferred bonus component of the STI which is attributable to the 2023 financial year, but awarded in the 2024 financial year.
5 Thungela milestone awards granted to the executive directors on 11 November 2021. The final tranche of these awards vested in full on 4 June 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group.

				2022
Other[2]	STI cash[3]	STI deferred bonus[4]	Thungela retention and milestone awards[5,6]	Total remuneration
30	5,414	2,736	112,403	129,457
26	3,182	1,591	56,202	66,753
56	8,596	4,327	168,605	196,210
46	2,110	1,055	1,484	9,185
25	1,833	916	1,381	8,068
24	1,416	708	1,042	5,983
150	1,416	708	1,018	6,064
72	1,302	651	990	5,767
35	1,698	849	—	5,926
352	9,775	4,887	5,915	40,993

4 Thungela deferred bonus component of the STI which is attributable to the 2022 financial year, but awarded in the 2023 financial year.
5 Thungela milestone awards granted to the executive directors on 11 November 2021. Tranche 1 of these awards vested in full on 4 June 2022 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group.
6 Prescribed officers received a cash-based incentive that is aimed at retaining key employees to ensure the stabilisation of Thungela as a separate entity.

40. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION CONTINUED

Non-executive directors

Fees for non-executive directors have been approved by the Thungela remuneration and human resources committee. On 12 August 2022, Yoza Jekwa was appointed as an independent non-executive director. All other non-executive directors were appointed in 2021.

The remuneration of the non-executive directors can be analysed as follows:

Rand	2023	2022
Non-executive directors		
SS Ntsaluba	1,622,363	1,567,500
BM Kodisang	1,129,682	1,097,300
KW Mzondeki	1,210,160	1,180,900
TML Setiloane	1,129,682	1,097,300
SG French	1,093,760	1,039,850
YN Jekwa	921,310	268,161
Total non-executive directors' remuneration	7,106,957	6,251,011

All non-executive directors' fees were paid to the individuals in their personal capacity.

Share awards granted to executive directors and prescribed officers

Details regarding share awards are disclosed in note 32.

The share awards granted to executive directors and prescribed officers of the Group under the Thungela share plan can be analysed as follows:

Thungela LTIP awards

					2023
Number of awards	Opening balance	Granted[1]	Vested	Forfeited	Total
Executive directors					
J Ndlovu	334,302	163,342	—	—	497,644
GF Smith	147,275	75,981	—	—	223,256
Total executive directors' awards	481,577	239,323	—	—	720,900
Prescribed officers					
JPD Van Schalkwyk	116,898	59,926	—	—	176,824
L Martin	107,377	53,980	—	—	161,357
LE Mataboge	79,545	39,424	—	—	118,969
N Sithole	78,787	39,174	—	—	117,961
C Venter	76,508	38,422	—	—	114,930
BM Dalton	99,585	48,659	—	—	148,244
Total prescribed officers' awards	558,700	279,585	—	—	838,285

[1] The awards granted include a total of 354,730 awards added to the Thungela LTIP awards as dividend equivalent share awards granted related to the dividends paid by Thungela in the year ended 31 December 2023.

Number of awards	Opening balance	Granted[1]	Vested	Forfeited	2022 Total
Executive directors					
J Ndlovu	201,962	132,340	—	—	334,302
GF Smith	84,668	62,607	—	—	147,275
Total executive directors' awards	286,630	194,947	—	—	481,577
Prescribed officers					
JPD Van Schalkwyk	67,613	49,285	—	—	116,898
L Martin	63,247	44,130	—	—	107,377
LE Mataboge	47,458	32,087	—	—	79,545
N Sithole	46,872	31,915	—	—	78,787
C Venter	45,109	31,399	—	—	76,508
BM Dalton	60,162	39,423	—	—	99,585
Total prescribed officers' awards	330,461	228,239	—	—	558,700

[1] The awards granted include a total of 235,715 awards added to the Thungela LTIP awards as dividend equivalent share awards granted related to the dividends paid by Thungela in the year ended 31 December 2022.

Each award converts into one ordinary share in Thungela upon vesting. The vesting of these shares is conditional on the achievement of approved performance conditions. The awards carry neither a right to dividends nor voting rights, however participants are entitled to dividend equivalents accrued over the vesting period, to be converted into additional shares and added to the overall number of awards that will vest. The Thungela 2023 LTIP awards are subject to a further two-year holding period after vesting for executive directors (the Thungela 2022 and 2021 LTIP awards are subject to a further two-year holding period for executive directors and prescribed officers). There is no option for cash settlement of the awards.

Thungela milestone awards

Number of awards	**Opening balance**	**Granted**	**Vested**	**Forfeited**	**2023** **Total**
Executive directors					
J Ndlovu	**449,829**	**—**	**(449,829)**	**—**	**—**
GF Smith	**224,915**	**—**	**(224,915)**	**—**	**—**
Total executive directors' awards	**674,744**	**—**	**(674,744)**	**—**	**—**

Number of awards	Opening balance	Granted	Vested	Forfeited	2022 Total
Executive directors					
J Ndlovu	899,658	—	(449,829)	—	449,829
GF Smith	449,829	—	(224,914)	—	224,915
Total executive directors' awards	1,349,487	—	(674,743)	—	674,744

Each award converts into one ordinary share in Thungela upon vesting. The awards carry both dividend and voting rights. Participants will be entitled to dividends paid on the ordinary shares underlying their awards prior to the vesting date. Should the awards lapse for any reason, dividends already received by participants will not be required to be paid back. Dividends are paid to the award holders on dividend payment dates.

Tranche 1 of these awards vested in full on 4 June 2022 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 674,743 share awards vested, with 303,636 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

Tranche 2 of these awards vested in full on 4 June 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 674,744 share awards vested, with 303,636 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

40. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION CONTINUED

Share awards granted to executive directors and prescribed officers continued

The share awards granted to executive directors and prescribed officers of the Group under the Thungela share plan can be analysed as follows continued:

Thungela DBS awards

					2023
Number of awards	Opening balance	Granted	Vested	Forfeited	Total
Executive directors					
J Ndlovu	15,919	13,989	(5,306)	—	24,602
GF Smith	7,941	8,136	(2,647)	—	13,430
Total executive directors' awards	23,860	22,125	(7,953)	—	38,032
Prescribed officers					
JPD Van Schalkwyk	6,247	5,396	(2,082)	—	9,561
L Martin	5,580	4,687	(1,860)	—	8,407
LE Mataboge	4,050	3,621	(1,350)	—	6,321
N Sithole	4,030	3,621	(1,343)	—	6,308
C Venter	3,970	3,329	(1,323)	—	5,976
BM Dalton	3,742	4,341	(1,247)	—	6,836
Total prescribed officers' awards	27,619	24,995	(9,205)	—	43,409

					2022
Number of awards	Opening balance	Granted	Vested	Forfeited	Total
Executive directors					
J Ndlovu	—	15,919	—	—	15,919
GF Smith	—	7,941	—	—	7,941
Total executive directors' awards	—	23,860	—	—	23,860
Prescribed officers					
JPD Van Schalkwyk	—	6,247	—	—	6,247
L Martin	—	5,580	—	—	5,580
LE Mataboge	—	4,050	—	—	4,050
N Sithole	—	4,030	—	—	4,030
C Venter	—	3,970	—	—	3,970
BM Dalton	—	3,742	—	—	3,742
Total prescribed officers' awards	—	27,619	—	—	27,619

Each award converts into one ordinary share in Thungela upon vesting. The awards carry both dividend and voting rights. Participants will be entitled to dividends paid on the ordinary shares underlying their awards prior to the vesting date. Should the awards lapse for any reason, dividends already received by participants will not be required to be paid back. Dividends are paid to the award holders on dividend payment dates.

Tranche 1 of the Thungela 2022 DBS awards vested in full on 22 March 2023 based on the achievement of the employment condition, and was settled using Thungela shares owned by the Group. A total of 17,158 share awards vested, with 7,725 shares being sold on vesting to compensate employees for the tax incurred by them on the vesting of the shares.

SEPARATE FINANCIAL STATEMENTS OF THUNGELA RESOURCES LIMITED

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

Rand million	Notes	2023	2022
Revenue	2	4,967	6,954
Operating (costs)/income	3	(25)	81
Profit before net finance income and tax		4,942	7,035
Net finance income		—	1
Investment income		—	1
Profit before tax		4,942	7,036
Income tax expense	4	—	(21)
Profit for the reporting period		4,942	7,015
Total comprehensive income for the reporting period		4,942	7,015

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

Rand million	Notes	2023	2022
Assets			
Non-current assets			
Investments in subsidiaries	5	7,809	7,753
Total non-current assets		7,809	7,753
Current assets			
Loans to related parties	6	221	2,319
Cash and cash equivalents		2	—
Total current assets		223	2,319
Total assets		8,032	10,072
Equity			
Stated capital		11,323	11,323
Merger reserve		2,271	2,271
Share-based payments reserve		139	83
Retained losses		(5,714)	(3,632)
Total equity		8,019	10,045
Liabilities			
Current liabilities			
Trade and other payables		10	6
Loans from related parties	6	3	—
Current tax liabilities	4	—	21
Total current liabilities		13	27
Total liabilities		13	27
Total equity and liabilities		8,032	10,072

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Rand million	Notes	Stated Capital	Merger reserve	Share-based payments reserve	Retained losses	Total equity
Balance at 1 January 2022		10,041	2,271	16	(15)	12,313
Acquisition of additional interest in subsidiary	5	1,282	—	—	—	1,282
Total comprehensive income for the reporting period		—	—	—	7,015	7,015
Dividends paid	9	—	—	—	(10,632)	(10,632)
Movements in share-based payments reserve[1]	8	—	—	67	—	67
Balance at 31 December 2022		**11,323**	**2,271**	**83**	**(3,632)**	**10,045**
Total comprehensive income for the reporting period		**—**	**—**	**—**	**4,942**	**4,942**
Dividends paid	9	**—**	**—**	**—**	**(7,024)**	**(7,024)**
Movements in share-based payments reserve[1]	8	**—**	**—**	**56**	**—**	**56**
Balance at 31 December 2023		**11,323**	**2,271**	**139**	**(5,714)**	**8,019**

[1] Includes movements as a result of share-based payment expenses of R127 million (2022: R113 million) reduced by the impact of the vesting of shares of R71 million (2022: R46 million) under the Thungela share plan.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Rand million	Notes	2023	2022
Cash flows from operating activities			
Profit net finance income before tax		4,942	7,036
Net finance income		—	(1)
Profit before net finance income and tax		4,942	7,035
Movements in working capital		4	6
Increase in trade and other payables		4	6
Cash flows from operations		4,946	7,041
Income tax paid		(21)	—
Net cash generated from operating activities		4,925	7,041
Cash flows from investing activities			
Investment income received		—	1
Loans granted to related parties	6	(129)	(155)
Repayment of loans to related parties	6	2,227	3,760
Net cash generated from investing activities		2,098	3,606
Cash flows from financing activities			
Dividends paid	9	(7,024)	(10,632)
Proceeds on loans from related parties	6	3	—
Repayment of loans from related parties	6	—	(20)
Net cash utilised in financing activities		(7,021)	(10,652)
Net increase/(decrease) in cash and cash equivalents		2	(5)
Cash and cash equivalents at the start of the reporting period		—	5
Net increase/(decrease) in cash and cash equivalents		2	(5)
Cash and cash equivalents at the end of the reporting period		2	—

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. BASIS OF PREPARATION

The basis of preparation and principal accounting policies are disclosed in the respective notes to the consolidated financial statements for the year ended 31 December 2023. The accounting policies are aligned with the consolidated financial statements.

Thungela was incorporated on 5 January 2021 to operate as the holding company of the Group.

2. REVENUE

The Company's revenue consists of dividends received from its investments in subsidiaries.

Accounting policy

Dividend income is recognised when the Company's right to receive payment has been established and the amount of income can be measured reliably.

Revenue can be analysed as follows:

Rand million	2023	2022
Dividends received from SACO	4,967	6,954
Total revenue	**4,967**	6,954

3. OPERATING (COSTS)/INCOME

Operating (costs)/income represent the costs incurred in the normal ongoing operations of the Company.

Accounting policy

Operating (costs)/income incurred in the ongoing operations of the Company are recognised in the statement of profit or loss and other comprehensive income as incurred.

Operating (costs)/income can be analysed as follows:

Rand million	2023	2022
Foreign exchange (losses)/gains	(15)	75
Dividends waived by shareholders	14	27
Non-executive directors' fees	(8)	(6)
Professional fees	(10)	(8)
Other administration expenses	(6)	(7)
Total operating (costs)/income	**(25)**	81

4. INCOME TAX EXPENSE

Income tax expense comprises current tax.

Accounting policy

Income tax is recognised in profit or loss.

The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Analysis of income tax expense

Rand million	2023	2022
Current tax expense		
Charged in respect of the current reporting period	—	(21)
Total income tax expense	—	(21)

Factors affecting income tax expense

The income tax expense for the reporting period has been impacted by various transactions and can be analysed as follows:

Rand million	2023	2022
Profit before tax	4,942	7,036
Tax at the applicable rate (South African corporation tax rate) of 27% (2022:28%)	(1,334)	(1,970)
Adjusted for the tax effects of:		
Items non-deductible for tax purposes	(11)	(6)
Expenses not incurred in the production of income	(11)	(6)
Items non-taxable for tax purposes	1,345	1,955
Dividends received from subsidiary	1,341	1,947
Accounting adjustment not taxable	4	8
Income tax expense	—	(21)

The effective tax rate for the year of nil (2022: 0.3%) is lower than the applicable statutory rate of corporation tax in South Africa of 27%.

5. INVESTMENTS IN SUBSIDIARIES

The Company is the listed holding company of the Thungela Group, and holds investments in various entities as disclosed in note 38 of the consolidated financial statements.

Accounting policy

The Company carries its investments in its subsidiaries at cost, including transaction costs less accumulated impairment losses.

Investments in subsidiaries

Thungela holds a 90% investment in SACO.

In 2022, the Company, through Thungela Resources Holdings acquired the 27% interest in AAIC previously held by Inyosi. Refer to note 34 of the consolidated financial statements for further detail. The Company subscribed for shares in Thungela Resources Holdings to settle the purchase consideration for the AAIC shares of R1,282 million.

The investments in TOPL and AAIC relate to the share-based payment transactions in terms of the Thungela share plan, as detailed in note 32 of the consolidated financial statements. TOPL and AAIC are considered the employer companies in the transactions, with the awards to be settled in Thungela shares.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

5. INVESTMENTS IN SUBSIDIARIES CONTINUED

The investments in subsidiaries can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	7,753	6,404
Direct – Thungela Resources Holdings	—	1,282
Acquisition of ordinary shares	—	1,282
Indirect – TOPL	54	67
Additions relating to the Thungela share plan	54	67
Indirect – AAIC	2	—
Additions relating to Thungela share plan	2	—
Balance at the end of the reporting period	**7,809**	7,753

The value of the investment in SACO is intrinsically linked to the value of the other operating entities in the Group, being TOPL, Butsanani Energy, Mafube Coal Mining and AAIC, as SACO is the holding company of these operating entities. On this basis, we have assessed the value of the SACO investment held by Thungela on the basis of the valuations performed on these operating entities to determine whether the investment may be impaired. From the valuations performed, we have not identified an indicator of impairment related to the investment held in SACO.

The value of the investment in Thungela Resources Holdings is intrinsically linked to the value of AAIC, based on its 27% interest in AAIC. On this basis, we have assessed the value of the Thungela Resources Holdings investment held by Thungela on the basis of the valuation performed on AAIC to determine whether the investment may be impaired. From the valuation performed, we have not identified an indicator of impairment related to the investment held in Thungela Resources Holdings.

The inputs and assumptions used for the impairment assessment of the investments in SACO, Thungela Resources Holdings and TOPL are consistent with the details disclosed in note 7 of the consolidated financial statements.

6. LOANS TO/(FROM) RELATED PARTIES

The Company has entered into loans with its related parties in the normal course of business.

Accounting policy

The loans with related parties are initially recognised at fair value and are classified as debt instruments at amortised cost.

At subsequent reporting dates, the loans to related parties are measured at amortised cost less any provision for expected credit losses.

The Company has granted loans to related parties in relation to expenses paid by SACO and TOPL in the normal course of business, including dividends received. The loan to granted to Thungela International in the year was granted in relation to the acquisition of the Ensham Business detailed in note 15 of the consolidated financial statements.

The loans to/(from) related parties can be analysed as follows:

Rand million	2023	2022
Balance at the start of the reporting period	2,319	5,904
Cash movements	(2,101)	(3,585)
Loan repaid by SACO	(2,072)	(3,760)
Loan (repaid by)/granted to TOPL	(155)	155
Loan (granted by)/repaid to TOPL	(3)	20
Loan granted to Thungela International	129	—
Balance at the end of the reporting period	218	2,319
Classified as:		
Loans to related parties	221	2,319
Loans from related parties	(3)	—

The Company entered into various transactions with related parties in the normal course of business. These transactions are undertaken on terms no more or less favourable than those with third parties.

All loans are denominated in South African rand, interest free, unsecured and have no fixed repayment terms.

There has been no significant increase in the credit risk relating to the loans granted to SACO, TOPL and Thungela International since the loans were granted. No provision for expected credit losses has been recognised on the loans due to there being no uncertainty regarding the recoverability of the outstanding amounts, given that the recoverability of these loans is based on the performance of the underlying operating entities in the Group. Thungela has a reasonable expectation that these loans will be settled within one year of the reporting date from cash and cash equivalents held within those entities.

7. STATED CAPITAL

Ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Number of shares	2023	2022
Authorised		
Ordinary no par value shares	10,000,000,000	10,000,000,000
Issued		
Ordinary no par value shares	140,492,585	140,492,585
Reconciliation of number of shares in issue		
Shares in issue at the start of the reporting period	140,492,585	136,311,808
Issue of ordinary no par value shares	—	4,180,777
Shares in issue at the end of the reporting period	140,492,585	140,492,585

Rand million	2023	2022
Balance at the start of the reporting period	11,323	10,041
Issue of ordinary no par value shares	—	1,282
Balance at the end of the reporting period	11,323	11,323

Note 31 of the consolidated financial statements for the year ended 31 December 2023 is an integral part of these separate financial statements and details the shares issued by the Company in the current and prior years.

The directors do not have the authority to issue shares at their discretion until the date of the next AGM.

8. SHARE-BASED PAYMENT TRANSACTIONS

The Group has undertaken a number of share-based payment transactions with its employees through the Thungela share plan in the year ended 31 December 2023. Full details of these transactions have been disclosed in note 32 of the consolidated financial statements.

Accounting policy

The expenses related to the share-based payment awards granted in accordance with the Thungela share plan are accounted for in the operating costs of the relevant subsidiaries of the Company on the basis of the subsidiary being the employer of record for the beneficiaries to whom the awards are granted. The share-based payment transactions will be settled using Thungela ordinary shares, either based on shares held in treasury by the Group, or by purchasing Thungela ordinary shares on the market at the vesting date.

In the separate financial statements, the value of the share-based payments is considered to be an additional investment in the relevant employer company by Thungela, with the resultant share-based payment reserve recognised in equity.

9. DIVIDENDS

Thungela has declared and paid ordinary dividends to shareholders from retained earnings.

Accounting policy

Dividends are recognised in the period in which the dividends are declared directly in the statement of changes in equity. Dividends proposed or declared subsequent to the reporting date are not recognised as dividends paid in the reporting period.

Treasury shares are held by subsidiaries in respect of awards granted in terms of the Thungela share plan as detailed in note 32 of the consolidated financial statements. Dividends declared on shares held in relation to the forfeitable share awards are paid to the employees on the dividend payment date. Dividends declared on shares held in relation to the conditional share awards will be paid to the subsidiary holding the share in line with the rules of the Thungela share plan.

Dividend policy

Full details of the dividend policy have been disclosed in note 33 of the consolidated financial statements.

Dividends paid

Dividends paid can be analysed as follows:

Rand million	2023	2022
Dividends paid to the external shareholders of the Group	6,920	10,483
Dividend declared on 18 August 2023 of R10 per ordinary share	1,379	—
Dividend declared on 27 March 2023 of R40 per ordinary share	5,541	—
Dividend declared on 15 August 2022 of R60 per ordinary share	—	8,035
Dividend declared on 22 March 2022 of R18 per ordinary share	—	2,448
Dividends paid to TOPL on treasury shares held	100	149
Dividends paid to AAIC on treasury shares held	4	—
Total dividends paid	**7,024**	10,632

Dividend declaration

A final ordinary cash dividend relating to the year ended 31 December 2023 of R10 per share (2022: R40 per share), was declared by the board on 18 March 2024. The dividend, amounting to a return of R1,405 million to shareholders, has not been recognised as a liability in these separate financial statements. The final dividend was declared from retained earnings and will be paid in April 2024 to shareholders on the South African register and May 2024 to shareholders on the UK register. Together with the interim dividend of R10 per share, this equates to a total dividend of R20 per share for the year ended 31 December 2023.

10. EVENTS AFTER THE REPORTING PERIOD

The Company monitors activity between the end of the reporting period and the date of the approval of the Annual Financial Statements to ensure that any events that may impact the Company are considered.

Accounting policy

The Company assesses relevant events that occur between the end of the reporting period until the Annual Financial Statements are authorised for issue. An assessment will be performed to determine if the event is an adjusting or non-adjusting event, and adjustments or disclosure may be made if required.

Share repurchases and declaration of dividend

The Group will implement share repurchases (share buyback), subject to market conditions, in the period commencing 19 March 2024 and, unless revised or terminated earlier, ending 3 June 2024, being the last trading day prior to the Group's next AGM which will take place on 4 June 2024. The aggregate purchase price of all shares repurchased will be no greater than R500 million.

The board has declared a final ordinary cash dividend of R10 per share, or R1,405 million, from retained earnings on 18 March 2024. Combined with the interim dividend for 2023, this represents a total dividend payment of R2,810 million to shareholders, amounting to 41% of the adjusted operating free cash flow$^{\triangle}$ generated in the year ended 31 December 2023.

The dividend will be paid in April 2024 to shareholders on the South African register, and in May 2024 to shareholders on the UK register.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ANNEXURES

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES△

For the year ended 31 December 2023

TO THE SHAREHOLDERS OF THUNGELA RESOURCES LIMITED

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Thungela Resources Limited (the Company, Group or Thungela) by the directors. The pro forma financial information is set out in annexure 1 of the Thungela Annual Financial Statements for the year ended 31 December 2023. 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 annexure 1 of the Thungela Annual Financial Statements 2023.

The pro forma financial information has been compiled by the directors to improve the comparability of information between reporting periods, either by:

- Adjusting for uncontrollable factors or items such as impairments, restructuring costs and other transactions which impact upon IFRS Accounting Standard measures; or
- Aggregating measures to aid the users of the consolidated financial statements in understanding the activities taking place across Thungela's portfolio.

The pro forma financial information has been compiled by the directors to improve comparability of information between reporting periods and assist the Group for planning and reporting purposes.

As part of this process, information about the Group's consolidated financial position and financial performance has been extracted by the directors from the consolidated financial statements for the year ended 31 December 2023, on which an audit report has been issued on 18 March 2024.

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 annexure 1 of the Thungela Annual Financial Statements 2023.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

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 Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

AUDITOR'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 annexure 1 of the Thungela Annual Financial Statements 2023 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 the pro forma financial information is solely to provide users with relevant information and measures on a comparable basis and to assess the performance of the Group.

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 judgement, having regard to our understanding of the nature of the Group, 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 annexure 1 of the Thungela Annual Financial Statements 2023.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: V Khutlang
Registered Auditor
Johannesburg, South Africa
18 March 2024

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

ANNEXURE 1

ALTERNATIVE PERFORMANCE MEASURES△

CONTINUED

For the year ended 31 December 2023

INTRODUCTION AND PURPOSE

When assessing and discussing Thungela's reported financial performance, financial position and cash flows, the directors may make reference to APMs of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS Accounting Standards.

These APMs are considered non-IFRS financial measures, and are presented in order to improve the comparability of information between reporting periods, either by adjusting for uncontrollable factors or items such as impairments, restructuring costs and other transactions which impact upon IFRS Accounting Standards measures or, by aggregating measures, to aid the user of the consolidated financial statements in understanding the activity taking place across Thungela's portfolio. The information was extracted from the audited consolidated financial statements or information underlying the Annual Financial Statements. Certain financial measures cannot be directly derived from the consolidated financial statements as they contain additional information, such as operational information and specific metrics, as monitored by the directors.

Non-IFRS financial measures are financial measures other than those defined or specified under all relevant IFRS Accounting Standards. To the extent that these measures are not extracted from IFRS disclosure included in the consolidated financial statements, these measures constitute pro forma financial information in terms of the JSE Listings Requirements, and are the responsibility of the directors. They are presented for illustrative purposes and to provide users with relevant information and measures on a comparable basis, in order to assess the performance of the Group. A subset is also used by the Group in setting director and management remuneration. Where the Group assesses the APMs separately for the South African and Australian businesses, these have been separately disclosed below. In addition, these measures may not be comparable to similarly titled measures used by other companies. The underlying information used in the presentation of the pro forma financial information has been prepared using the Group's accounting policies which comply with IFRS Accounting Standards.

The APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS Accounting Standards.

This pro forma financial information has been reported on by the independent external auditor, and their unqualified auditor's reasonable assurance report is included on pages 190 to 191.

The financial APMs used by Thungela are as follows:

APM	Definition	Adjustments to reconcile to primary statements	Rationale for adjustments
Statement of profit or loss and other comprehensive income			
Adjusted EBITDA (note A)	Earnings before interest, tax, depreciation and amortisation, adjusted for the impacts of once-off transactions, or transactions which are outside the core operations of the Group	Profit before net finance income and tax, adjusted for: • impairment losses • restructuring costs and termination benefits • fair value (losses)/gains on derivative financial instruments • fair value loss on derivative asset – capital support • transactions related to the acquisition of the Ensham Business • depreciation and amortisation	To exclude the effect of once-off transactions or transactions outside the core operations of the Group
Adjusted EBITDA margin (note B)	Adjusted EBITDA as a percentage of revenue	None	To reflect the adjusted EBITDA as a gross margin, to assess the profitability of the Group
Statement of financial position			
Net cash (note C)	Cash and cash equivalents less cash held in the trusts[1], and loans and borrowings	Cash and cash equivalents adjusted for: • restricted cash • loans and borrowings	To reflect cash available for the general use of the Group

[1] Cash held in trusts relates to cash held in the Nkulo Community Partnership Trust and the Sisonke Employee Empowerment Scheme.

APM	Definition	Adjustments to reconcile to primary statements	Rationale for adjustments
Statement of cash flows			
Sustaining capital expenditure (capex) (note D)	Stay-in-business capex, stripping and development capex and capex on intangible assets	None	To reflect the capex required to sustain the normal level of operations for the Group
Adjusted operating free cash flow (note E)	Net cash flows from operating activities less sustaining capex	Cash flows from operating activities, reduced by sustaining capital expenditure	To reflect the cash generated from operations, less the capex required to sustain the normal operations of the Group
Other APMs			
FOB cost (Note F)	Direct cash cost incurred in producing one unit of saleable export product and delivering the product to the vessel for export	Total operating costs adjusted for, among others: • industrial and domestic revenue • administrative costs • contributions to the trusts	To exclude costs incurred not attributable to delivering the coal to the vessel for export
FOB cost per export tonne (Note G)	FOB cost calculated per export saleable tonne	None	To reflect FOB cost incurred per tonne of export saleable production
FOB cost excluding royalties (Note H)	FOB cost as defined, excluding royalties	FOB cost as defined, adjusted for: • royalties	To exclude royalties, which are directly impacted by the movement in coal prices, from FOB cost incurred
FOB cost per export tonne excluding royalties (Note I)	FOB cost excluding royalties calculated per export saleable tonne	None	To reflect FOB cost incurred, excluding royalties, per tonne of export saleable production
Environmental liability coverage (Note J)	The percentage of investments held to fund future rehabilitation, decommissioning and water treatment expenditure	Investments held in the environmental rehabilitation trusts and the other environmental investments, reflected as a percentage of environmental provisions	To determine the available cash collateral as a percentage of the total environmental provisions

ALTERNATIVE PERFORMANCE MEASURES△

CONTINUED
For the year ended 31 December 2023

The APMs used in the consolidated financial statements have been reconciled as below:

A. Adjusted EBITDA

Rand million	Notes	2023	2022
Profit before net finance income and tax		6,506	24,094
Add – depreciation	5	1,532	1,169
Add – amortisation	5	25	28
Add/(less) – transactions arising from the acquisition of the Ensham Business		171	–
Gain on bargain purchase	15	(565)	–
Acquisition and integration costs	15	454	–
Expenses for conditional shares granted to non-controlling interests	15	123	–
Fair value adjustments to acquisition related derivatives	15	159	–
Add – impairment losses	7	266	656
(Less)/add – fair value (gains)/losses on derivative financial instruments	23	(97)	3,207
Add – fair value loss on derivative asset – capital support	23	—	347
Add – restructuring costs and termination benefits	8	51	29
Adjusted EBITDA[1]		**8,454**	29,530

[1] Refer to note 4 for an assessment of adjusted EBITDA per reportable segment.

B. Adjusted EBITDA margin

Rand million (unless otherwise stated)	Notes	2023	2022
Adjusted EBITDA	A	8,454	29,530
Revenue	4	30,634	50,753
Adjusted EBITDA margin (%)		**28**	58

C. Net cash

Rand million	Notes	2023	2022
Cash and cash equivalents	19	10,959	15,299
Less – cash held in the trusts	19	(717)	(519)
Less – loans and borrowings	22	(66)	(60)
Net cash		**10,176**	14,720

D. Sustaining capital expenditure

Rand million	Note	2023	2022
Stay-in-business capex		1,447	1,233
Property, plant and equipment	4	1,275	1,233
Intangible assets	4	172	–
Stripping and development capex	4	250	455
Sustaining capital expenditure		**1,697**	1,688

E. Adjusted operating free cash flow

Rand million	Note	2023	2022
Net cash generated from operating activities		8,503	19,784
Sustaining capex	D	(1,697)	(1,688)
Adjusted operating free cash flow		**6,806**	18,096

F. FOB cost

Rand million	Notes	2023 South Africa	2023 Australia[1]	2023 Total	2022 Total
Operating costs	5	21,553	2,184	23,737	22,420
Less – industrial and domestic revenue	4	(4,339)	—	(4,339)	(4,997)
Less – depreciation	5	(1,222)	(310)	(1,532)	(1,169)
Less – amortisation	5	(25)	—	(25)	(28)
Less – commodity purchases	5	(1,051)	(389)	(1,440)	(2,114)
(less)/add – inventory production movement	5	(151)	(150)	(302)	587
Less – demurrage and other expenses	5	(249)	(21)	(270)	(216)
Less – exploration and evaluation	5	(63)	—	(63)	(54)
Add – foreign exchange gains	5	269	(3)	266	835
Less – loss on sale of property, plant and equipment	5	(7)	(1)	(8)	(17)
Less – recharged costs from Anglo American – administration expenses	5	(135)	(24)	(159)	(239)
Less – fair value losses on biological asset[2]	16	(11)	(6)	(17)	(18)
Less – expenses related to contributions to the trusts[3]	6,27	(559)	—	(559)	(766)
Less – other administration (expenses)/ income	5	(163)	342	180	(128)
FOB cost		13,847	1,622	15,469	14,096

[1] Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.
[2] The fair value losses on biological assets are included in other operating expenses.
[3] Expenses related to contributions to the trusts include contributions to the Nkulo Community Partnership Trust of R276 million (2022: R386 million), as well as expenses recognised for the Sisonke Employee Empowerment Scheme based on services rendered by employees of R283 million (2022: R380 million).

G. FOB cost per export tonne

Rand million (unless otherwise stated)	Note	2023 South Africa	2023 Australia[1]	2023 Total	2022 Total
FOB cost	F	13,847	1,622	15,469	14,096
Export saleable production (kt)		12,214	860	13,074	13,062
FOB cost per export tonne (Rand/tonne)		1,134	1,886	1,183	1,079

[1] Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.

H. FOB cost excluding royalties

Rand million	Notes	2023 South Africa	2023 Australia[1]	2023 Total	2022 Total
FOB cost	F	13,847	1,622	15,469	14,096
Less – royalties	5	(603)	(294)	(897)	(1,955)
FOB cost excluding royalties		13,244	1,328	14,572	12,141

[1] Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.

ALTERNATIVE PERFORMANCE MEASURES△

CONTINUED
For the year ended 31 December 2023

The APMs used in the consolidated financial statements have been reconciled as below continued:

I. FOB cost per export tonne excluding royalties

Rand million (unless otherwise stated)	Note	South Africa	Australia	2023 Total	2022 Total
FOB cost excluding royalties	H	13,244	1,328	14,572	12,141
Export saleable production (kt)		12,214	860	13,074	13,062
FOB cost per export tonne excluding royalties (Rand/tonne)		1,084	1,544	1,115	929

[1] Represents the results of the Ensham Business for the four months from the acquisition date to the reporting date.

J. Environmental liability coverage

Rand million (unless otherwise stated)	Note	South Africa	Australia	2023 Total	2022 Total
Environmental provisions	27	7,841	3,855	11,696	7,566
Investments held to fund closure activities		4,673	—	4,673	4,104
Environmental rehabilitation trusts	27	3,740	—	3,740	3,446
Other environmental investments	27	933	—	933	658
Environmental liability coverage (%)		60	—	40	54

ANNEXURE 2

GLOSSARY

For the year ended 31 December 2023

A number of terms have been used in the Annual Financial Statements, using the definitions as detailed below:

Term used	Definition
AAIC	Anglo American Inyosi Coal Proprietary Limited
AAML	Anglo American Marketing Limited
AGM	Annual general meeting
Anglo American	The Anglo American plc Group, and its subsidiaries
APM	Alternative performance measure
ASA	Anglo South Africa Proprietary Limited
AUD	Australian dollar
Audley Capital	Audley Energy Limited
Bowen	Bowen Investment (Australia) Proprietary Limited, a subsidiary of LX International
Butsanani Energy	Butsanani Energy Investment Holdings Proprietary Limited
Capital support agreement	The agreement concluded between ASA and Thungela regulating the terms and conditions upon which ASA will support the thermal coal sales of the Group
CA (SA)	Chartered Accountant South Africa
Co-investors	Audley Capital and Mayfair, collectively
CEO	Chief executive officer
CFO	Chief financial officer
CGU	Cash generating unit
Circular 1/2023	Circular 1/2023: Headline earnings, issued by SAICA detailing the requirements for determining headline earnings
Coal reserves	Modified indicated and measured coal resources, including consideration of modifying factors that affect extraction. This represents the economically extractable material
Coal resources	The in-situ coal for which there are reasonable prospects for eventual economic extraction
Colliery Training College	Colliery Training College Proprietary Limited
Conditional shares	Shares or share awards granted to participants under the Thungela share plan which are subject to certain performance conditions and employment conditions
CRRC	CRRC Corporation Limited
DBS	Deferred bonus shares
Demerger	The process to separate Thungela from Anglo American, as fully described in the Combined Prospectus and Pre-listing Statement of Thungela, published on 8 April 2021
DMRE	Department of Mineral Resources and Energy
EBITDA	Earnings before interest, tax, depreciation and amortisation
Employment condition	The conditions of employment to be satisfied in order for awards under the Thungela share plan to vest on the vesting date
Employment period	A specified period of employment over which the employment conditions must be met in relation to the Thungela share plan
Ensham Business	Thungela's interest in Sungela Holdings, Sungela, Ensham Resources, Ensham Coal Sales and Nogoa Pastoral, collectively
Ensham Mine	An unincorporated joint venture between Sungela and Bowen
Ensham Coal Sales	Ensham Coal Sales Pty. Ltd.
Ensham Resources	Ensham Resources Pty Limited

ANNEXURE 2

GLOSSARY CONTINUED

For the year ended 31 December 2023

A number of terms have been used in the Annual Financial Statements, using the definitions as detailed below continued:

Term used	Definition
Environmental provisions	The Group's obligations to undertake decommissioning, rehabilitation, remediation, closure and ongoing post-closure monitoring activities when environmental disturbances are caused by the development or ongoing production of a mining property, as well as the decommissioning of infrastructure established on the operating sites
ESG	Environmental, social and governance
EU	European Union
EUR	Euro
FCA	The Financial Conduct Authority of the UK or its successor from time to time
FEC	Foreign exchange contract
FOB	Free on board
Forfeitable shares	Shares or share awards granted to participants pursuant to the Thungela share plan, the vesting of which is subject to the fulfilment of an employment condition over the employment period
FSMA	The UK Financial Services and Markets Act 2000 (as amended from time to time)
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
Gas resources	Naturally occurring accumulations of gases, typically hydrocarbons, within the Earth's crust that have the potential to be extracted and utilised for various purposes
Group	Thungela and its subsidiaries, joint arrangements and associates
IAS	International Accounting Standard, referencing a specific standard to be applied
IAS 1	Presentation of Financial Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 12	Income Taxes
IASB	International Accounting Standards Board
Idemitsu	Idemitsu Australia Proprietary Limited and its subsidiary, Bligh Coal Limited
IFRS Accounting Standards	International Financial Reporting Standards (Accounting Standards) as issued by the IASB and the IFRS Interpretations Committee (previously known as the IFRIC). When used before a number this references a specific standard to be applied
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosure
IFRS 9	Financial Instruments
IFRS 13	Fair Value Measurement
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRS Practice Statement 2	Making Materiality Judgements
Inyosi	Inyosi Coal (RF) Proprietary Limited
JV participants	Sungela and Bowen, collectively, in relation to their interests in the Ensham joint venture and Nogoa joint venture
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	The listings requirements issued by the JSE under the South African Financial Markets Act 19 of 2012 (as amended from time to time) to be observed by issuers of equity securities listed on the JSE
Kcal/kg	Kilocalories per kilogram

Term used	Definition
King IV	The King IV Report on Corporate Governance™ for South Africa, 2016. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved
kt	A measure representing 1,000 tonnes
Life-of-mine plan	A design and financial/economic study of an existing operation in which appropriate assessments 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
LSE	London Stock Exchange
LTIP	Long-term incentive plan
LTIP shares	The conditional shares granted to the co-investors through the long-term incentive plan, in relation to the acquisition of the Ensham Business
Mafube Coal Mining	Mafube Coal Mining Proprietary Limited
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
Mayfair	Mayfair Corporations Group Proprietary Limited
MOI	Memorandum of incorporation
MPRDA	The South African Mineral and Petroleum Resources Development Act 28 of 2002
MPRDA Regulations	Mineral and Petroleum Resources Development Regulations, 2004, published under the Mineral and Petroleum Resources Development Act 28 of 2002
MRD	Mineral residue deposits
Mt	Million tonnes
Mtpa	Mt per annum
Nogoa Pastoral	Nogoa Pastoral Pty. Ltd.
NEMA	The South African National Environmental Management Act 107 of 1998 (as amended from time to time)
NEMA Financial Provisioning Regulations	Financial Provisioning Regulations, 2015, published under the National Environmental Management Act 107 of 1998
Newcastle Benchmark coal price	Newcastle Benchmark price reference for 6,000kcal/kg coal exported from Newcastle, Australia. The NEWC Index is the main price reference for physical coal contracts in Asia and is the settlement price for a significant volume of index linked contracts
Offtake agreement	The offtake agreement between the Company, TOPL and AAML, dated 6 March 2021
Pamish	Pamish Investments No. 66 Proprietary Limited
Performance condition	A performance condition to be satisfied in order for conditional awards to vest under the Thungela share plan
Phola Coal Processing Plant	Phola Coal Processing Plant Proprietary Limited
Proved and probable coal reserves	Proved coal reserves are modified measured coal resources, including consideration of modifying factors that affect extraction. It is the economically extractable material. Probable coal reserves are modified indicated or measured coal resources, including consideration of modifying factors that affect extraction
PwC	PricewaterhouseCoopers Inc.
Queensland Financial Provisioning Scheme	Mechanism established under the Mineral and Energy Resources (Financial Provisioning) Act 2018 requiring a security deposit from the holders of an environmental authority (EA) to cover potential rehabilitation costs in the event such holders fail to comply with their environmental management and rehabilitation obligations
RBCT	Richards Bay Coal Terminal Proprietary Limited or the Richards Bay Coal Terminal

ANNEXURE 2

GLOSSARY CONTINUED

For the year ended 31 December 2023

A number of terms have been used in the Annual Financial Statements, using the definitions as detailed below continued:

Term used	Definition
Richards Bay Benchmark coal price	Benchmark price reference for 6,000kcal/kg thermal coal exported from the RBCT
RNS	Regulatory News Services
RMC	Rietvlei Mining Company Proprietary Limited
SACO	South Africa Coal Operations Proprietary Limited
SAICA	South African Institute of Chartered Accountants
SAMREC Code	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 Edition
SARS	The South African Revenue Service
SASA	The share and asset sale agreement, related to the acquisition of the Ensham Business
SENS	Stock Exchange News Services
Sisonke Employee Empowerment Scheme	Sisonke Employee Empowerment Scheme Trust, previously the SACO Employee Partnership Trust
South African Secondary index price	Benchmark price reference for 6,000kcal/kg thermal coal at point of discharge in Northwest Europe
Sungela	Sungela Pty Ltd
Sungela Holdings	Sungela Holdings Pty Ltd
The Companies Act of South Africa	The Companies Act 71 of 2008 (as amended)
TFR	Transnet Freight Rail, a division of Transnet SOC Limited
Thungela or the Company	Thungela Resources Limited
Thungela International	Thungela International Proprietary Limited
Thungela Marketing International	Thungela Marketing International Holdings Proprietary Limited
Thungela Resources Australia	Thungela Resources Australia Proprietary Limited
Thungela share plan	The long-term share incentive plan adopted by Thungela to attract, retain, incentivise and reward high-calibre employees
TOPL	Thungela Operations Proprietary Limited
Thungela Resources Holdings	Thungela Resources Holdings Proprietary Limited
Transnet	Transnet SOC Limited
Trusts	The Sisonke Employee Participation Scheme and the Nkulo Community Partnership Trust, collectively
TRCFR	Total recordable case frequency rate per million man hours
UK	The United Kingdom of Great Britain and Northern Ireland
UK Disclosure Guidance and Transparency Rules	The rules relating to the disclosure of information made in accordance with section 73A(3) of FSMA
UK Listing Rules	The listing rules relating to admission to the UK Official List made under section 73A(2) of FSMA
UK Officials List	The official list of the FCA
US	United States
USD	United States dollar
WANOS	Weighted average number of ordinary shares outstanding
ZAR	South African rand

ANNEXURE 3

SHAREHOLDER INFORMATION

For the year ended 31 December 2023

THUNGELA'S PUBLIC AND NON-PUBLIC SHAREHOLDING

Ordinary shares

The Thungela share register at 31 December can be analysed as follows:

2023 Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
1 to 1,000 shares	45,034	93.42	3,777,928	2.69
1,001 to 10,000 shares	2,271	4.71	7,018,797	5.00
10,001 to 100,000 shares	680	1.41	22,259,141	15.84
100,001 to 1,000,000 shares	204	0.42	55,774,076	39.70
1,000,001 shares and above	17	0.04	51,662,643	36.77
Total	48,206	100.00	140,492,585	100.00

2022 Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
1 to 1,000 shares	50,696	93.81	3,898,788	2.78
1,001 to 10,000 shares	2,391	4.42	7,359,333	5.24
10,001 to 100,000 shares	741	1.37	23,242,509	16.54
100,001 to 1,000,000 shares	193	0.36	49,931,076	35.54
1,000,001 shares and above	24	0.04	56,060,879	39.90
Total	54,045	100.00	140,492,585	100.00

2023 Distribution of shareholders	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
Banks and nominee accounts	230	0.48	7,071,245	5.03
Brokerage accounts	150	0.31	16,950,517	12.07
Individuals and private trusts	45,073	93.50	20,591,226	14.66
Insurance and assurance companies	114	0.24	3,353,774	2.39
Investment companies	79	0.16	2,326,694	1.66
Mutual funds	580	1.20	47,183,503	33.58
Other corporations	262	0.54	381,853	0.27
Pension and provident funds	663	1.38	30,127,075	21.44
Private corporations	1,044	2.17	11,125,673	7.92
Sovereign wealth funds	11	0.02	1,381,025	0.98
Total	48,206	100.00	140,492,585	100.00

2022 Distribution of shareholders	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
Banks and nominee accounts	273	0.51	7,450,265	5.30
Brokerage accounts	168	0.31	24,657,056	17.55
Individuals and private trusts	49,983	92.49	18,459,988	13.14
Insurance and assurance companies	153	0.28	2,659,089	1.89
Investment companies	93	0.17	2,972,460	2.12
Mutual funds	721	1.33	43,306,976	30.82
Other corporations	368	0.68	517,470	0.37
Pension and provident funds	1,177	2.18	29,325,142	20.87
Private corporations	1,097	2.03	10,827,532	7.71
Sovereign wealth funds	12	0.02	316,607	0.23
Total	54,045	100.00	140,492,585	100.00

ANNEXURE 3

SHAREHOLDER INFORMATION CONTINUED

For the year ended 31 December 2023

				2023
Shareholding type	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders				
Directors and prescribed officers	11	0.02	1,219,028	0.87
Treasury shares held by Group companies	2	0.00	2,900,285	2.06
Public shareholders	48,193	99.97	136,373,272	97.06
Total	48,206	99.99	140,492,585	100.00

				2022
Shareholding type	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders				
Directors and prescribed officers	11	0.02	1,483,237	1.06
Treasury shares held by Group companies	1	0.00	1,955,113	1.39
Public shareholders	54,033	99.98	137,054,235	97.55
Total	54,045	100.00	140,492,585	100.00

Major shareholders

According to Thungela's share register at 31 December, the following shareholders held shares equal to or in excess of 5.0% of the issued ordinary share capital of the Company:

		2023
Beneficial shareholding of more than 5.0%	Number of shares	% of issued share capital
Government Employees Pension Fund	20,962,781	14.92
Total	20,962,781	14.92

		2022
Beneficial shareholdings of more than 5.0%	Number of shares	% of issued share capital
Government Employees Pension Fund	17,380,912	12.37
Total	17,380,912	12.37

CORPORATE INFORMATION

THUNGELA RESOURCES LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2021/303811/06
JSE share code: TGA
LSE share code: TGA
ISIN: ZAE000296554
Tax number: 9111917259
('Thungela' or the 'Group' or the 'Company')

REGISTERED OFFICE

Thungela Resources Limited
25 Bath Avenue
Rosebank
Johannesburg
2196
South Africa
Tel: +27 12 638 9300

POSTAL ADDRESS

PO Box 1521
Saxonwold
2132

This report is available at: **www.thungela.com**

DIRECTORS

Executive

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

Independent non-executive

Sango Siviwe Ntsaluba (chairperson)
Kholeka Winifred Mzondeki
Thero Micarios Lesego Setiloane
Benjamin Monaheng (Ben) Kodisang
Seamus Gerard French (Irish)
Yoza Noluyolo Jekwa

PREPARED UNDER THE SUPERVISION OF

Gideon Frederick (Deon) Smith CA (SA)

GROUP COMPANY SECRETARY

Francois Klem

INVESTOR RELATIONS

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Shreshini Singh
Email: shreshini.singh@thungela.com

MEDIA CONTACT

Hulisani Rasivhaga
Email: hulisani.rasivhaga@thungela.com

SA TRANSFER SECRETARIES

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UK FINANCIAL ADVISER AND CORPORATE BROKER

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Tel: +44 20 3100 2000

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