



KUMBA IRON ORE LIMITED

Kumba Iron Ore Limited

A member of the Anglo American plc group
(Incorporated in the Republic of South Africa)

(Registration number 2005/015852/06)

Share code: KIO

ISIN: ZAE000085346

("Kumba" or "the Company")

Kumba production and sales report, and trading statement, for the six months ended 30 June 2022

Kumba's Chief Executive, Mpumi Zikalala, said: "Kumba's operational performance is improving and we are focused on delivering our full year production and sale guidance, despite operational and mining cost inflation headwinds in the first half. Pleasingly, we achieved our sixth year of fatality free production in May this year, demonstrating our commitment to safety.

"Following a tough start to the year due to heavy rainfall, Sishen has since made good progress to stabilise production, while Kolomela continued to experience a number of challenges in the second quarter, reflecting the impact of a safety intervention and equipment reliability. A renewed focus on operational stability has started to deliver positive results and we expect a turnaround in performance throughout the rest of the year. We reiterate our full year production and sales guidance of 38 to 40 wet metric tonnes (wmt) and increase Kolomela's unit cost guidance to R420 to R440 per tonne, while maintaining Sishen's unit cost guidance of R500 to R530 per tonne.

"The iron ore market also came under pressure in the second quarter, driven by the extended Covid-19 lockdown in China and weaker global economic prospects as the inflationary effects of the pandemic were compounded by conflict in Ukraine. It is within this context that Kumba achieved an average realised price of US\$136 per wet metric tonne (wmt), notably 15% above the benchmark price of US\$118/wmt, reflecting the premium quality of our products.

"The first half performance has demonstrated the need for us to continue to focus on operational excellence to enhance productivity and cost efficiency, and ensure that we secure the full value of our products in the market to deliver sustainable value to our stakeholders."

Production and sales report for the six months ended 30 June 2022

Overview:

- Achieved more than six-years of fatality-free production demonstrating our commitment to safety.
- Total production decreased by 13% to 17.8 Mt (H1 2021 20.4 Mt) for the six months ended 30 June 2022 ("the period"), on the back of a challenging first quarter, with improvements coming through in the second quarter.
- Export sales increased marginally by 2% to 19.7 Mt (H1 2021: 19.4 Mt), with performance in the second quarter improving by 7%.
- Finished stock decreased to 4.5 Mt (31 December 2021: 6.1 Mt), reflecting a drawdown to maintain export sales.
- Average realised FOB export iron ore price of US\$136/wmt (US\$138 per dry metric tonne (dmt), 15% above the average benchmark price: US\$118/wmt or US\$120/dmt).

Sales summary								
Million tonnes	Quarter ended		% change	Quarter ended	% change	Six months ended		% change
	Q2 2022	Q2 2021	vs Q2 2021	Q1 2022	vs Q2 2022	H1 2022	H1 2021	vs H1 2021
Total	10.2	9.2	11	9.5	7	19.7	19.5	1
- Export sales	10.2	9.2	11	9.5	7	19.7	19.4	2
- Domestic sales	—	—	—	—	—	—	0.1	(100)

Production summary								
Million tonnes	Quarter ended		% change	Quarter ended	% change	Six months ended		% change
	Q2 2022	Q2 2021	vs Q2 2021	Q1 2022	vs Q2 2022	H1 2022	H1 2021	vs H1 2021
Total	9.5	9.8	(4)	8.3	14	17.8	20.4	(13)
- Sishen Mine	7.1	6.9	3	5.8	22	12.9	13.9	(7)
- Kolomela Mine	2.4	2.9	(20)	2.5	(5)	4.8	6.4	(25)

All volumes excluding waste stripping, are reported as wet metric tonnes. Product is shipped with approximately 1.6% moisture.



Safety and health

In May this year, Kumba marked six years of fatality-free production, demonstrating that safety is always our top priority. However, the second quarter has seen an increase in safety incidents. As an immediate response, we implemented a safety reset initiative to evaluate current work practices and engage with employees to gain insights into the workplace challenges and safety culture. Learnings from the safety reset are being actioned to improve accountability and ensure safe and responsible production at Kumba.

Mining and Production

Operational headwinds resulted in total waste stripping decreasing by 3% to 95.5 Mt (H1 2021: 98.5 Mt), with the decrease at Kolomela partially offset by Sishen's improved performance in the second quarter.

Following adverse seasonal weather conditions in the first quarter, Sishen's waste stripping recovered by 12% to 40.0 Mt in the second quarter contributing to an increase of 12% to 75.6 Mt (H1 2021: 67.7 Mt) for the period. The recovery was driven by improved weather conditions, optimised pit set-up and improved equipment reliability.

Kolomela recorded close to double the rainfall at Sishen in the first quarter and continued to be hampered by low truck availability due to saturated pit conditions, as well as a safety intervention implemented in the second quarter. Given this, Kolomela's waste stripping reduced by 20% compared to the first quarter of the year, resulting in a decrease of 36% to 19.9 Mt (H1 2021: 30.8 Mt) for the period. To address the challenges, we have put in place an improved rain readiness plan, resourced additional contractors and optimised our mine plan to improve the haulage cycle, which will help with recovery in the second half of the year.

As a consequence of lower ore mined, we experienced plant feedstock constraints which impacted plant production and costs. Total production decreased by 13% to 17.8 Mt (H1 2021: 20.4 Mt) for the period. Sishen's production decreased by 7% to 12.9 Mt (H1 2021: 13.9 Mt), with a strong second quarter improvement of 22%. Production at Kolomela decreased by 25% to 4.8 Mt (H1 2021: 6.4 Mt).

Given the lower production and inflationary pressures, we are revising Kolomela's unit cost guidance from R380 - R400/t, to R420 - R440/t. Sishen's unit cost guidance has been maintained at R500 - R530/t and total C1 unit cost guidance remains at US\$44/t.

Logistics, sales and marketing

Ore railed to port decreased by 4% to 19.0 Mt (H1 2021: 19.7 Mt), notwithstanding an 8% improvement in the second quarter, due to fewer seasonal factors. This facilitated a 7% increase in export sales in the second quarter, resulting in export sales for the period increasing marginally by 2% to 19.7 Mt (H1 2021: 19.4 Mt).

Total finished stock reduced to 4.5 Mt (31 December 2021: 6.1 Mt) as high stock levels at the mine were drawn down to maintain export sales.

The market impact of the extended Covid-19 lockdown in China placed downward pressure on iron ore prices, resulting in an average realised FOB export iron ore price of US\$136/wmt (equivalent to the FOB price of US\$138/dmt). Kumba achieved an average lump:fine ratio of 66:34 and content of 64.0% Fe. The quality of our iron ore product supported a 15% out performance of the average benchmark Platts 62 index FOB price of US\$118/wmt (equivalent to the FOB price of US\$120/dmt).

Full year 2022 guidance

Kumba's full year 2022 guidance is unchanged, with the exception of Kolomela's unit cost and the capital expenditure guidance. Subject to third-party rail and port performance as well as weather-related disruptions, the guidance is as follows:

Guidance	FY2022	FY2022 Revised
Total sales (Mt)	38 - 40	Unchanged
Total production (Mt)	38 - 40	Unchanged
Sishen	~26.5	Unchanged
Kolomela	~12.5	Unchanged
Waste stripping (Mt)		
Sishen	140 - 160	Unchanged
Kolomela	50 - 60	Unchanged
On-mine unit cost (R/t)		
Sishen	500 - 530	Unchanged
Kolomela	380 - 400	420 - 440
C1 unit costs	~\$44/t	Unchanged
Capital expenditure	R10.5 - R11.5 billion	R10 - R11 billion

All volumes excluding waste stripping, are reported as wet metric tonnes. Product is shipped with approximately 1.6% moisture.



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Trading statement for the six months ended 30 June 2022

Kumba is finalising its financial results for the six months ended 30 June 2022, which will be released on the Johannesburg Stock Exchange News Service ("SENS") on 26 July 2022.

In accordance with section 3.4(b) of the JSE Limited Listings Requirements, shareholders are advised that headline earnings for the period are likely to be between R10,870 million and R12,030 million, a decrease of between 48% and 53% from the previous six months ended 30 June 2021 ("comparative period"). Headline earnings per share (HEPS) are likely to be between R33.87 and R37.49, a decrease of between 48% and 53% from the comparative period. Reported headline earnings and HEPS for the comparative period (released on SENS on 27 July 2021) were R23,340 million and R72.78, respectively.

Basic earnings for the period are expected to be between R10,832 million and R11,987 million, a decrease of between 49% and 54% from the comparative period. Basic earnings per share (EPS) are expected to be between R33.75 and R37.35, a decrease of between 49% and 54%. Reported basic earnings and EPS for the comparative period were R23,353 million and R72.82, respectively.

The decrease in earnings for the period is largely attributable to lower average realised FOB export iron ore prices, partially offset by a weaker Rand/US Dollar exchange rate, relative to the comparative period. Further information will be provided in the Company's results for the period, which will be released on SENS on 26 July 2022.

This announcement contains forward-looking statements which are based on the Company's current beliefs and expectations about future events. The operational and financial forecasts provided in this announcement are estimates and the financial information on which the trading statement is based, has not been reviewed and reported on by the Company's external auditors.

Production and sales volumes referred to for the period are 100% of Sishen Iron Ore Company Proprietary Limited ("SIOC"), and attributable to shareholders of Kumba as well as to the non-controlling interests in SIOC.

Centurion
21 July 2022

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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Notes to editors:

Kumba Iron Ore Limited, a member of the Anglo American plc group, is a leading value-adding supplier of high quality iron ore to the global steel industry. Kumba produces iron ore in South Africa at Sishen and Kolomela mines in the Northern Cape Province. Kumba exports iron ore to customers around the globe including in China, Japan, South Korea and a number of countries in Europe and the Middle East.

www.angloamericankumba.com

Anglo American is a leading global mining company and our products are the essential ingredients in almost every aspect of modern life. Our portfolio of world-class competitive operations, with a broad range of future development options, provides many of the future-enabling metals and minerals for a cleaner, greener, more sustainable world and that meet the fast growing every day demands of billions of consumers. With our people at the heart of our business, we use innovative practices and the latest technologies to discover new resources and to mine, process, move and market our products to our customers – safely and sustainably.



KUMBA IRON ORE LIMITED

As a responsible producer of diamonds (through De Beers), copper, platinum group metals, premium quality iron ore and steelmaking coal, and nickel – with crop nutrients in development – we are committed to being carbon neutral across our operations by 2040. More broadly, our Sustainable Mining Plan commits us to a series of stretching goals to ensure we work towards a healthy environment, creating thriving communities and building trust as a corporate leader. We work together with our business partners and diverse stakeholders to unlock enduring value from precious natural resources for the benefit of the communities and countries in which we operate, for society as a whole, and for our shareholders. Anglo American is re-imagining mining to improve people's lives..

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