

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 for the third quarter ended 30 September 2023

Kumba's Chief Executive, Mpumi Zikalala, said: "The Kumba team delivered a third consecutive quarter of stable operational performance, supported by a relentless focus on safety. Our total recordable injury frequency rate (TRIFR) improved to 1.10 while continuing to strengthen our safety culture across our operations.

"Although total production was 2% lower compared to the prior period of Q3 2022, we have seen a 4% increase in production since Q2 2023, due to some improvement in Transnet's rail performance, reflecting measures taken to reduce cable theft in Q3 2023. On the sales front, multiple Transnet equipment failures and adverse weather conditions at Saldanha Bay Port in September impacted ship loading. As a consequence, sales decreased by 12% relative to Q3 2022 and by 6% compared to Q2 2023.

"Subject to logistics constraints, we have maintained our full year 2023 guidance. Both the rail and port have reopened on schedule following the Transnet annual maintenance shut. Improved levels of finished stock at Saldanha Bay Port ensured that we had sufficient stock for shipments and were able to ramp-up efficiently when the port reopened.

"Iron ore prices strengthened marginally in Q3 2023 following signs of China's economy stabilising, underpinned by government stimulus. Low levels of iron ore inventory, reduced domestic iron ore supply and steel scrap usage in China provided further price support. In addition, low levels of lump ore stock at Chinese ports and sintering cuts in September contributed to our premium product achieving a Q3 2023 year-to-date (YTD) average realised price of US\$110 per wet metric tonne (wmt), 10% above the average benchmark price of US\$100/wmt.

"Ongoing rail and port challenges have increased our focus on cost optimisation and initiatives to match production and optimise logistics capacity. We will continue to prioritise safe and stable operations and work with Transnet and various forums, including the Ore User's Forum (OUF) and National Logistics Crisis Committee, towards a sustainable logistics network to allow us to deliver long-term value to all of our stakeholders."

Overview

- Focused on strengthening our safety culture with our TRIFR improving to 1.10 against our 1.15 three-year average.
- Total production of 9.7Mt reflects an increase of 4% compared to Q2 2023 and a 2% decrease relative to Q3 2022, in line with Transnet's logistics performance.
- Iron ore sales of 8.9Mt decreased by 6% and 12% relative to Q2 2023 and Q3 2022, respectively, due to Transnet equipment failure and adverse weather conditions at Saldanha Bay Port.
- Finished stock increased to 9.0Mt (Q3 2022: 4.6Mt and Q2 2023: 7.9Mt), with stock levels improving to 1.8Mt at Saldanha Bay Port.
- Average YTD realised FOB export iron ore price of US\$110/wmt (US\$112/dry metric tonne (dmt)), 10% above the average benchmark price of US\$100/wmt (US\$102/dmt).

	Q3	Q2	Q1	Q4	Q3	% Q3 2023 vs	% Q3 2023 vs	YTD	YTD	% YTD 2023 vs
'000 tonnes	2023	2023	2023	2022	2022	Q3 2022	Q2 2023	2023	2022	YTD 2022
Iron ore waste	59,602	60,302	50,914	55,021	53,771	11	(1)	170,818	149,288	14
Iron ore production	9,736	9,320	9,425	9,961	9,977	(2)	4	28,481	27,737	3
Iron ore sales	8,873	9,456	9,487	6,885	10,038	(12)	(6)	27,816	29,735	(6)
Kumba waste	59,602	60,302	50,914	55,021	53,771	11	(1)	170,818	149,288	14
Sishen	45,842	45,504	35,064	39,769	41,379	11	1	126,410	117,013	8
Kolomela	13,760	14,798	15,850	15,252	12,392	11	(7)	44,408	32,275	38
Kumba production	9,736	9,320	9,425	9,961	9,977	(2)	4	28,481	27,737	3
Lump	6,288	6,086	6,146	6,523	6,530	(4)	3	18,520	18,147	2
Fines	3,448	3,234	3,279	3,438	3,447	—	7	9,961	9,590	4
Kumba production by mine	9,736	9,320	9,425	9,961	9,977	(2)	4	28,481	27,737	3
Sishen	6,680	6,442	6,341	7,010	7,085	(6)	4	19,463	20,007	(3)
Kolomela	3,056	2,878	3,084	2,951	2,892	6	6	9,018	7,730	17

Safety and health

Safety is our first value and through our leadership initiative of “Friendly, safety, care practice”, we are promoting psychological safety and encouraging the reporting of unsafe work practices. Kumba’s TRIFR improved to 1.10 YTD against our three-year average rate of 1.15. While we are making progress, we remain focused on strengthening our safety culture through continuous review and refinement of our safety standards, procedures, and practices across our operations. In Q4 2023, we will launch our latest safety awareness campaign to ensure we continue to put safety first during the festive season.

Mining, production, and unit costs

Total waste stripping increased by 11% to 59.6Mt relative to Q3 2022, driven by an 11% increase to 45.8Mt at Sishen and an 11% increase to 13.8Mt at Kolomela. Sishen’s performance reflects the benefit of improved buffer stock and shovel reliability, while Kolomela’s improvement compares to Q3 2022 which was impacted by a slower than expected ramp-up in mining activity, post the safety reset in Q2 2022. We continue to focus on improving haul truck availability and reliability at both of our operations through enhanced planning and scheduling of work and maintenance, spares management and the training of operators.

At Kumba’s interim results on 25 July 2023, the re-phasing of a portion of the waste stripping at Kapstevl South to optimise Kolomela’s mine plan and the revision of Kolomela’s full year 2023 waste stripping guidance to 45 – 55Mt was announced. In line with this, waste stripping decreased by 1% compared to Q2 2023, driven by a 7% decrease at Kolomela.

Total production decreased by 2% to 9.7Mt relative to Q3 2022 on the back of Sishen’s production decreasing by 6% to 6.7Mt, partly offset by a 6% increase in production to 3.1Mt at Kolomela. Production at Sishen was impacted by on-mine space constraints due to Transnet rail challenges. Kolomela’s performance reflects improved plant feedstock, following improved mining performance compared to Q3 2022.

Given improved rail performance in Q3 2023, total production rose by 4%, with Sishen’s production increasing by 4% and Kolomela’s production by 6%.

Logistics, sales, and the market environment

Ore railed to port was lower year-on-year, decreasing by 2% to 9.9Mt (Q3 2022: 10.1Mt). However, compared to Q2 2023, which was impacted by cable theft and derailments, rail performance improved by 10% (Q2 2023: 9.0Mt). Security measures deployed in collaboration with members of the OUF have proven to be effective to date and no further incidents were experienced during Q3 2023.

Finished stock levels at Saldanha Bay Port increased to 1.8Mt (Q2 2023: 0.6Mt), while stock at the mines remained at 7.2Mt, bringing total finished stock levels to 9.0Mt (Q3 2022: 4.6Mt; Q2 2023: 7.9Mt).

Notwithstanding Transnet's rail performance improving in Q3 2023, its port terminal at Saldanha Bay experienced multiple equipment breakdowns (including stacker reclaimers, ship loaders and blocked chutes). This, coupled with adverse weather conditions impacted ship loading and resulted in sales decreasing by 12.0% to 8.9Mt compared to Q3 2022, and by 6% relative to Q2 2023.

While we have retained our full year 2023 sales guidance, subject to logistics performance, Kumba has in conjunction with our OUF peers, worked closely with Transnet to prepare for its annual logistics maintenance shutdown. The port reopened on schedule on 15 October and we were able to ramp-up efficiently with improved levels of finished stock at Saldanha Bay Port ensuring that we had sufficient stock for shipments.

Iron ore prices strengthened during Q3 2023 despite a 7% increase in global iron ore supply and thin steel mill margins. Steel production in China increased by 3% YTD, driven by a strong increase in exports. Lower domestic iron ore production, less steel scrap usage and low iron ore inventories at Chinese ports provided further price support. Government stimulus and signs of the Chinese economy stabilising (purchasing managers index above 50 indicating an expansion in activity and an increase in new property prices) also helped support the iron ore market.

On average YTD, Kumba achieved a lump:fine ratio of 66:34 (YTD Q3 2022: 66:34) and iron ("Fe") content of 63.5% (YTD Q3 2022: 63.9%), with Fe content improving to 64.1% in Q3 2023. This translated into an average YTD realised FOB export iron ore price of US\$110/wmt (YTD Q3 2023: US\$112/dmt; YTD Q3 2022 US\$117/dmt), 10% above the average YTD benchmark price of US\$100/wmt (YTD Q3 2023: US\$102/dmt; YTD Q3 2022 US\$106/dmt).

Full year 2023 guidance

Kumba's full year 2023 guidance is unchanged, subject to logistics constraints and is as follows:

Guidance	FY2023 (wmt)
Total sales (Mt)	36 - 38
Total production (Mt)	35 - 37
Sishen	~26
Kolomela	~10
Waste stripping (Mt)	195 - 225
Sishen	150 - 170
Kolomela	45 - 55
On-mine unit cost (R/t)	
Sishen	540 - 570
Kolomela	510 - 540
C1 unit cost (\$/t)	~43

Volumes excluding waste stripping, and on-mine unit costs, are reported as wmt. Product is shipped with ~1.6% moisture and the 2023 cost guidance is calculated at a foreign exchange rate of ~R18/US\$. 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.

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

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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.

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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.

As a responsible producer of copper, nickel, platinum group metals, diamonds (through De Beers), and premium quality iron ore and steelmaking coal – 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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Forward-looking statements

This announcement includes forward-looking statements. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding Kumba'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 Kumba's products, production forecasts and Ore Reserves and Mineral Resource estimates), are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Kumba, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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KUMBA IRON ORE LIMITED

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