

Q&A

Ian Rossouw (Barclays Capital): At Kumba, apart from helping Transnet with maintenance and planning, are there any high level talks with the government to look at other ways of changing this operating model?

Duncan Wanblad: Absolutely.

Ian Rossouw: The production guidance has production going up by 2Mtpa in 2024 and then another 2Mtpa in 2025. Do you see risks to this and potentially the book value of those mines? And then secondly, on innovation, clearly there hasn't been much focus at the moment given you have been stabilising the operational part of the business, but could you perhaps give us an update on how the coarse particle floatation work is going and also the bulk ore sorting as well?

Duncan Wanblad: On Kumba, we are working top-to-bottom with Transnet and the Board to do what we can to help manage through some of the operational issues that they are facing today. These operational issues generally broadly fall into the fact that they don't have locomotives and they don't have space for the locomotives. The infrastructure is really poorly and needs a lot of maintenance and capitalisation. On top of which, there are some real operating constraints associated with theft of copper cable, etc along these lines. These are the things that Transnet is dealing with, and we are doing our bit, with other users of the line, to try and minimise the impacts of all of that with them. Part of these conversations right at the top of government has been around there might be other operating models, public/private partnerships that could deliver similar sorts of outcomes without at all eradicating the national interest associated with the ownership of those assets. That is a conversation that is ongoing. It is too slow, in my opinion, to be able to arrest the rate of decline that we are seeing here.

And so, what are the implications of that from a Kumba perspective? In the long run I am absolutely clear that we will find technical and commercial solutions for this. This is an engineering problem that is solvable. So, if you remove the politics, etc from it, it is a solvable problem. And the consequence of that means that Kumba should be fine, but it also means that we cannot rely on fine happening anytime soon. And therefore, we have to take actions right now to deal with the consequence of the underperformance of Transnet and that does mean that we may have to restructure some of those operations. We are going to have to think very hard about how we plan the mine, how we allocate capital to the development opportunities that exist within those operations until Transnet comes out. I don't think there's a headroom issue here at all from an impairment point of view at the moment – Stephen?

Stephen Pearce: We will always assess those things at each balance sheet date given your view of the look forward. We did that with Kumba at this reporting period and nothing to flag at this point in time.

Duncan Wanblad: As we go through the second half of the year, we will update you on guidance at the end of the year as a result of that. But guidance for this year from a production point of view, Transnet notwithstanding, is good. Kumba's doing really well at the moment.

As far as innovation is concerned, when you say it has gone on the backburner - perhaps it might feel like that because of our clear focus on bringing stability back to the Operating Model. But bearing in mind that we have real experts dedicated to thinking and working through that, that are not fundamentally directly impacting the Operating Model where the focus is. So, the innovation drive hasn't stopped at all in fact. What we need to do is be more deliberate about the set of choices, the number of choices that we have and how we deploy those choices at scale through the operations. Not all of the things that we think about on an innovation front are going to work. And perhaps not all of them are going to work everywhere. The real examples of that are coarse particle recovery and dry stack tailings. Both of which we dedicated a whole mine to do. The whole of El Soldado was converted into an operational flow sheet that had coarse

particle floatation on it and now dry stack tailings too. We learnt a lot of lessons on that. Fundamentally the physical science of what we were trying to achieve from recovery improvement and water reduction are there and commercially viable. El Soldado is significantly better off today than it would have been without these two technologies. We are also now focused on not only the pipeline of all of these opportunities that we then have to develop but how we then transfer then from a development idea into a full scale project. So, innovation hasn't slowed down in any way at all, but it is becoming more focused and more deliberate around what and when.

Richard Hatch (Berenberg): At Bronces in the first half, costs were up 42% - clearly there's a bit of volume impact there as they were down but where are you thinking you can get cost to at Los Bronces over the long term? - perhaps with some of the innovation activities that are taking place? And then at De Beers, 5% return on capital employed for the half. I get it is a hard half for diamonds, but with the economics of De Beers probably getting worse with your new agreement with the Government of Botswana. Does it really deserve to remain in the Group?

Duncan Wanblad: At Los Bronces, costs are indeed up. Los Bronces has got a couple of issues that that I think you understand relatively well. We are monophasic in Los Bronces at the moment. So that is the point in the mining cycle, which means that we're only getting ore from one phase. We can't blend anything into the mills and we're at the point in the ore body where the ore processes in a different way from historically how it's processed through the mill. It processes as if it's harder and it processes as if it's more refractory. The consequence of which is recovery is lower than it historically has been.

We will move through this phase of the ore at Los Bronces. The grades outside of the current period are higher than the grades that are in the period and the processing characteristics of the ore that we will mine in the future are different from the ore that we're mining now. So, we're going to have to move through this. This is a short-term issue rather than long-term issue, but when I say short term, it's a few years to get through this. The other issue historically has been that Los Bronces has been really, really water strapped, and that's created some of the embedded cost. Cost of water is extremely high at Los Bronces too, and that filters out a little bit in terms of this integrated water project that we're doing from 2025 onwards.

We are in the process of opening up additional phases - Donoso 2 is the next phase. It's slower than we had planned for it to be because of the interference with the bench underneath it, which is the only production bench that we've got, but more importantly, with the development of the underground at Andina, which is exactly on the wall that separates Andina and Los Bronces. The consequence of those two is that they play through into costs. I think the long-run future of Los Bronces is that it's a mine of around about 250,000 to 300,000 tonnes per annum and we are in the process of structuring our costs to meet that.

Stephen Pearce: If I could just add, Copper Chile was hard hit from inflation point of view, so cost increases and the currency went against us as well. So unusual where the costs were high in PGMs, but the currency helped. We had the double hit in Copper Chile this half.

Duncan Wanblad: On diamonds, are the economics of the business getting materially worse? I mean, don't forget that as we sit here today at the bottom of a macroeconomic cycle, that's the thing that fundamentally drives demand for diamonds. And so, every time GDP growth shrinks, for whatever reason, diamonds are disproportionately affected. What you're seeing in the numbers is the impact of that. That's why sales are a little bit slower than we had planned for them to be or would like them to be and that's going to have an impact. When the markets turn, demand for diamonds generally turns with it too. So, the economics recover as far as that is concerned. What is really important is that if you're looking for diamonds, there is no better place to go than in Botswana - those assets are second to none in terms of the quality and the optionality that they have. I think that that's really good and we continue to look at it through that lens.

Sylvain Brunet (Exane BNP): Following up with diamonds, perhaps given the sensitivity to the macrocycle you described, are you at liberty to put through some production curbs, when necessary, in particular, under the new agreement with Botswana? My second question is on Woodsmith. If you are able to give us a bit more of a sense of the significance of the offtake agreement you had secured with ADM – e.g., maybe better prices than the one you used at the time of impairment so we can get a sense. And lastly, maybe a bit of colour around the impairment at Barro Alto, is that purely a function of the Ferronickel discount, or is there a more of an operational issue there?

Duncan Wanblad: We always look to try and plan diamond production to what we see coming forward in the market. That won't change in terms of the philosophy or the agreements that we've got now with Botswana.

As far as the offtake agreements are concerned, so we are continuing to drive agreements like that which we achieved with ADM, with other partners. We are making very good progress on that and so more and more of them are going to convert to that sort of value creation, value-in-use creation type of arrangement.

I don't really have much more to say on that in the context of what we are trying to do is get into a position where both parties, the off-taker and ourselves, are similarly incentivised to create the downstream value in the pricing of this and that's only upside to the price that we modelled in the impairment model in December of last year.

Stephen Pearce: There are two main movers in our thoughts on Barro Alto. Coking coal is a significant input into the processing, and obviously the prices are higher, so that fed through as well as grade as we look forward being a little lower. We're also being a little bit slower in getting the briquetting and bulk ore sorting in place - both of those two things are important in terms of efficiency of production process, etc., as we go. So, a combination of those factors fed into it.

Liam Fitzpatrick (Deutsche Bank): Firstly, on your copper growth. Of the three or four projects that you've put in the slide pack, which are you most hopeful on approving first? And then on Los Bronces, just to understand from here, what else is required on licensing and permitting before you push ahead with development? And then on the unit costs, the spreadsheet logic is telling me that there's a very big reduction coming on Quellaveco and steelmaking coal in H2. How confident are you on that and is that going to be sustainable into next year?

Duncan Wanblad: On copper growth - I'm most optimistic about Collahuasi. It's a relatively simple brownfield expansion, utilising technologies that we know and understand and have some meaningful value, there is great alignment amongst the partners in that, and we are already in progress on that. The fifth ball mill is the first phase of that expansion going forward.

On the licencing arrangements associated with Los Bronces, there are no major licences that are required outside of the EIA that we've just achieved. That was the most important framework agreement and licence that needed to be achieved.

As with all of these projects, irrespective of the country that they're in, there is a myriad of smaller licences (water licences, energy licences, construction licences) that will be required, but none of those are achievable until such time as you've got a definitive plan for implementation. We have the master plan for implementation, which is covered by the EIA and the team are optimising the design of that operation, which will then go for the subcategory permitting that I've just mentioned.

None of that is something that really worries us at this particular point in time. It's the same as Quellaveco - we had 300 and something odd licences that we needed to get, and by the way, we still need to get licences

over time and so on. None of them are stacked up to be fundamentally prohibitive to the rates at which we intend to develop the mine anyway.

Stephen Pearce: On Quellaveco unit costs, the volumes will really help. It's a great example of a very successful ramp-up moving to its normalised cost structure as we move through the balance of the year. On Steelmaking Coal, we have quite a step up in volume; we will have all three underground longwalls running with no longwall moves for the six months. So, volumes will play a key part in that. The team are also very focused on costs and effectiveness as part of the broader thrust across the group. These challenges are there as always, but the team are onto it. It's well planned out, well thought through and we've got a few tailwinds in terms of the volume step-up.

Patrick Mann (Bank of America): Could you talk a little bit more about the ~\$0.5bn pa cost savings? That's a significant number. Are you flattening the structure? What exactly are you taking out and is there a risk that we lose some capacity across the group here? Are there any restructuring costs to think about that might come through?

Duncan Wanblad: The ~\$0.5bn is across the support structures in the whole of the business and there is an optimisation that we are looking at driving through that. Simply, I think the best way for you to think about this is if you took at a group level revenue minus EBITDA, that's the number that you should subtract ~\$0.5bn from, and that's what we're going to wash through in the business going forward.

Stephen Pearce: In terms of restructuring costs, you'll see from the detailed notes, there's some in this half – about \$28 million, in special items. There will be some more in the second half, to be quantified, as we work through the execution.

Alain Gabriel (Morgan Stanley): Since you've taken your current role, the external environment has changed quite a bit with respect to ESG, the rise of more active funds from the Gulf, but also ongoing country challenges. Do you see any opportunities from this change in the environment to unlock value by re-examining your portfolio fully or partially exiting some businesses or rethinking the group structure?

Duncan Wanblad: The environment over the last 18 months has been significantly different from the environment in the 18 months prior to me taking over. I'd like to believe that I had nothing to do with that at all! And by the way, all of these things do represent an opportunity and we do look at them all of the time. At the top of cycles, bottom of cycles, we always have a view of where we can add value or contribute value as a result of our portfolio.

I don't have anything better to tell you other than at all times, we have a look at the constitution and make-up of our portfolio, and we continue to iterate our portfolio in the areas that we see to be valuable. I take you back to those three key themes that I spoke about and the fundamentals that underpin the drivers of demand in each of those three themes and I look at that in terms of the portfolio we have, and I think it's an incredible portfolio that will serve us well in the long run.

Alain Gabriel: The business has been consuming more and more net working capital over the last 18 months for a variety of reasons. Do you expect any meaningful release in the second half and how much of that cumulative build is cyclical and therefore would gradually come out of the business over time?

Stephen Pearce: I'd love to see it lower, and it will be an absolute key focus for us as we go through the second half. If you think about where that increase sits at the moment, with the slowdown in De Beers, we're carrying a bit of extra finished goods at the moment. In PGMs, we've got a work-in-progress build there that hasn't quite flushed its way through – probably hasn't been helped around the edges with Eskom. I would like to see that flow out progressively through the balance of 2023 and into 2024. We always said it would be around an 18-month journey for that to flow out.

At Kumba, we're carrying finished goods and work-in-progress, ready to go down the train line. We've probably got a couple hundred million dollars there as well. A little less in our control, but as Duncan said, working hard on that one.

It's a key focus area for us, we are conscious that it may be challenging in the second half depending on where markets move.

Myles Allsop (UBS): On capital allocation, a 4% annualised dividend - I can get more in the bank today. Are you thinking about revisiting the 40% payout ratio and then also linked to that, net debt is the highest it's been in a few years. When do we start panicking about the strong balance sheet and thinking the other way around in terms of dividend cuts?

Duncan Wanblad: On the 40% payout, we don't have any intention of changing our view on that at all in the short run. The board looks at it every half and we go through very clearly what we can and can't afford to do. We are very focused on ensuring that shareholders get their return in accordance with the current policy, so no intention to change that at this particular time.

On net debt, Stephen can give you all the detail on this of course, but we've said that we would structure our balance sheet in such a way that we wouldn't go for any material time beyond one and a half times net debt to EBITDA, and on that basis, at 0.9 times which is where we are now, I think the balance sheet remains very robust and strong given what we see coming forwards.

Stephen Pearce: The other things I look at in terms of debt is maturity profile and we've worked really hard over the last few years to extend that out. We've got no near-term maturities of any material amount and overall leverage is just a tick over 20%. We're in pretty good shape from those other metrics. But we will focus on the things that we control - production, costs and capital allocation, and you have to respect the uncertainty that you see at the moment in the macro environment, and we will cut our cloth accordingly across all those things.

Myles Allsop: Stephen - this is, I think, probably your last kind of outing, so what are you going to miss most and what do you think the biggest challenges are for your successor?

Stephen Pearce: I think the people - it's the fun of working together with someone like Duncan, Paul, the rest of the team, the whole finance team. I've really enjoyed it. It's a great company with strong values, which have really been shown through some challenging times over the last few years, and that sits well with me, so I'll miss that.

I've had the pleasure of meeting him through this process and had met him some years back as well, just by coincidence. He is a really strong and experienced CFO, so I think he'll slot into the organisation and work with the team really well. He'll pick up the same challenges that I have on my desk. I think he'll bring the same focus and discipline and structure. He's got a good track record in that space, so I don't think you should expect a major change. Obviously, a strong Scottish accent, so you'll have to get used to moving on from an Australian to a Scottish accent!

Danielle Chigumira (Credit Suisse): Over the past couple of years, we've seen a divergence between injury rates falling and fatalities stubbornly above zero. You've spoken about what you're doing in terms of the fatalities, but what do you think is causing that divergence? Secondly, at De Beers, H1 has been affected by macro headwinds, if the agreement had been in place for 2022, what kind of EBITDA and what kind of returns on capital would De Beers have generated? And then finally on Barro Alto, given the impairment and the challenges, does that asset still belong in the portfolio?

Duncan Wanblad: What a great question on safety. It is exactly the right one and the one that we, as the leadership of the business, spend a lot of time thinking about. Some of this goes to the agencies of what caused the fatalities versus the agencies of what caused the injuries, and then you naturally get wrapped up in those agencies in the likelihood versus the consequence. Many of these injuries that lead to fatalities, the fatalities are very low probability events now. So that has changed over time. They were relatively high probability events that had big consequences. They now tend to be much lower probability events, but of course, they have very big consequences in the same way that they did. And in many respects, there are two elements to the solutioning for that.

One is short-term and the other is long-term. I think we're doing really well on the short-term issue, which is behaviour modification. It's the ability of seeing the risk, analysing the risk and then dealing with the risk for a 100,000 people in the organisation in the same way. That's been a journey. There was a time where the business had 40 fatalities a year. It's been massive progress to where we are now, but absolutely, no way can we stop until it's zero, and stays at zero. But let's recognise that there has been that progression, and part of that has been because people treat and tolerate risk in a different way today from how they did perhaps 15 years ago.

The second is you engineer this problem out. Over time there has been the application of not only processes and PPE and stuff like that, which are very basic frontline defence mechanisms, but the change of design of the processes and the equipment that we use. One of the greatest examples of this is that in the PGMs business, particularly in undergrounds, part of the biggest risk is fall of ground in unsupported areas next to the face, just after a blast. We see very few incidents like that because what we do now is support differently, in terms of the type of supports that we use, the installation of netting, as well as the procedures of who can access an unsupported face, when they can access an unsupported face, and included in that, are the consequences of not doing that right.

In the long run, it is absolutely the separation of people and machinery that will change the outcome. And that's why this innovation and technology drive is so important and so fundamental to this business. All of them are small steps, but absolutely vital steps in getting to zero.

Stephen Pearce: On the De Beers question, it's complicated. The simple answer is that there's a number of moving parts in that agreement across cash flow, capital, profit, etc and the fund contribution that we've spoken about is a cash flow metric contribution. Given that 2022 was a very strong year, there would have been a contribution under the fund, and so our result would have been a little bit less.

That's probably the easiest way I can summarise at the moment without going through all the detail. But that one in particular is cash related.

Duncan Wanblad: On Barro Alto, my answer to that is going to be more generic than specific. With every asset that we have in the group, we continue to review its fit to the group. Its fit to the group is a function of the inherent underlying quality of the resource, and our ability to bring our capabilities to return that resource into a profitable outcome over a long period of time.

While we've had all the pressures in Brazil, that Stephen referred to earlier, that led to the impairment, we still continue to believe that in the short run, Barro Alto is a very good business, and will continue to stay in the portfolio. But with respect to all the assets in the portfolio, they always go under a fit review from time to time.

Tyler Broda (RBC): Speaking about changes over the last 18 months, obviously, we've seen a rapid acceleration of EV adoption, and that's had a commensurate impact on palladium and rhodium. I notice there's no mention of Mogalakwena, PGMs and platinum in the presentation but, I guess, we do need to get

the platinum from somewhere in terms of the longer-term outlook. With the changes that we've seen in PGMs, how are you looking right now at capital allocation and the outlook for that business?

Duncan Wanblad: I just chose to highlight the copper optionality within the portfolio. Mogalakwena and the development of Mogalakwena, remains one of the growth options that sit within that 25% growth that we speak about, so hasn't gone away at all.

The reality is that we've got quite a bit of work to do at Mogalakwena in the current environment before we allocate capital to the expansion, and we're working through an understanding of what an expansion at Mogalakwena might look like. It's been a long-dated project, as you know. There are multiple options in terms of where, how and when you could expand, and what mechanisms that you use to expand.

In our capital allocation model, while these are absolutely viable options, we will have to manage the timing of the allocation of that capital. And we don't destroy anything in terms of the quality of the resource or the ultimate size of that resource by not allocating capital immediately to something like Mogalakwena. So still a very viable option for us, still very excited about it. That is the pre-eminent ore body in the PGM industry. PGMs are going to have to come from somewhere, and we're going to be one of the last people standing in the context of PGM productions from an asset like Mogalakwena.

Chris LaFemina (Jefferies): I know you have a lot of liquidity, so it's not really going to be an issue, but you went from 0.2 times net debt to EBITDA to 0.9 times in 18 months. Getting to 1.5 times in a challenging macro environment could happen pretty quickly. Obviously, to get there, you have to probably change capital allocation, but do you start thinking about that now? And what can you do, assuming that we have a more challenging macro environment and maybe free cash flow continues to be negative. What do you do to protect the balance sheet as you're approaching that 1.5 times? Again, this could happen six to 12 months rather than two to three years away. So how do we start thinking about that now?

Stephen Pearce: It's all those things that we can control. It's around cost (and the programs that we're running there), it's around working capital focus and around production, margins, consistency, and capital allocation. All of those levers that we'll be working, monitoring and managing. We've got no debt maturing and we've got lots of liquidity, but we will manage to the circumstances and the macro environment that we see ourselves in. We've always been able to do that, and we will continue to pull those levers as required.

Chris LaFemina: Could it be that you go up to 2 times? Historically, you've been well above that 1.5 times comfortably for extended periods of time, especially when you have the liquidity that you have. So, is there really a strict definition as to when net debt EBITDA ratio becomes problematic for you? Is 1.5 times really the right number?

Stephen Pearce: I wouldn't like people to think that's an absolute number, and we hit it on a day and things change. The way we've expressed that target is that we wouldn't want to be beyond that for a long period of time without plans to bring it back. And those plans could be executed over a period of time if required.

It's a self-expressed target through the cycle - as an indicator of where we think the balance sheet meets all the criteria that we want; in terms of strength, flexibility and capital allocation.

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