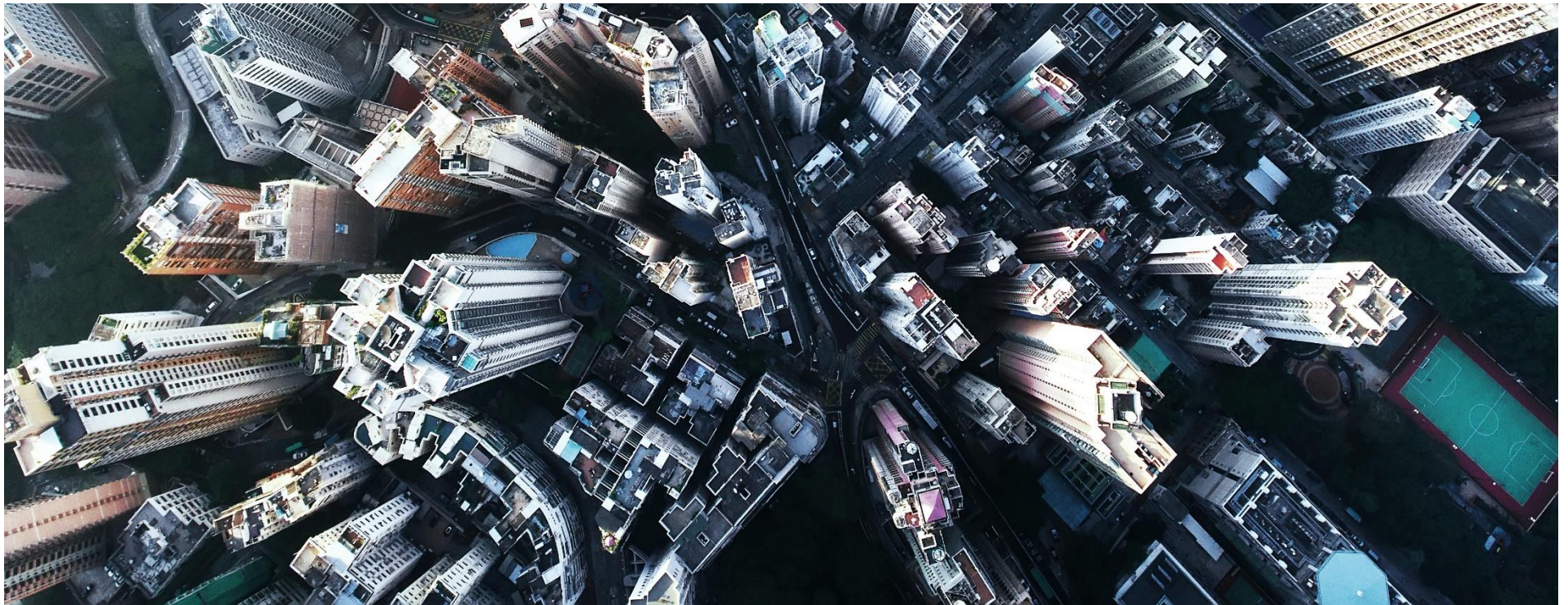


# POSITIONED FOR THE FUTURE

Seamus French, Bulks CEO

Bulks Seminar & Site Visit: Brisbane, 12 November 2019



# **BULKS: A HIGH QUALITY BUSINESS**

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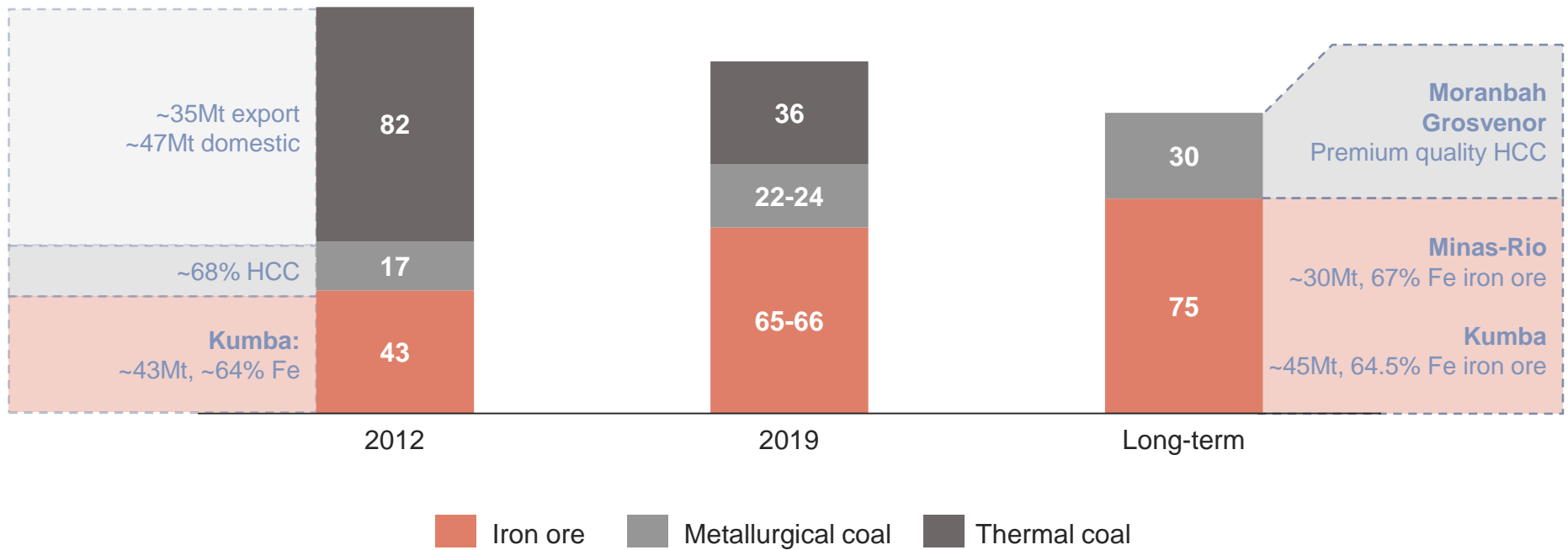
**High quality products for  
future demand**

**Proven track record of  
operational excellence**

**Further improvement &  
value growth to come**

# CONTINUED SHIFT TOWARDS HIGH QUALITY STEELMAKING

## Bulk commodities



Nickel & Manganese: high quality steel making and electrification

# TODAY'S MESSAGES: HIGH QUALITY BULKS BUSINESS

## 2019 upgrades

Minas-Rio production

**~23Mt** ✓

10% upgrade

Minas-Rio unit cost<sup>1</sup>

**~\$24/t** ✓

10% improvement<sup>2</sup>

Met Coal & Kumba unit cost<sup>1</sup>

**~5% lower** ✓

Kumba: \$33/t, Met Coal: \$62/t

## 2019 summary

Total iron ore production

**~65-66Mt**

Met Coal production

**~22-24Mt**

Bulks margin<sup>3</sup> at spot prices

**42%**

## Long-term potential

Total iron ore production

**~75Mt**

Met Coal production

**~30Mt**

Bulks margin<sup>3</sup> at LT prices

**~45%**

# INVESTMENT PROPOSITION

*“Leading capabilities actively improving a world-class asset base to drive sustainable, competitive returns”*

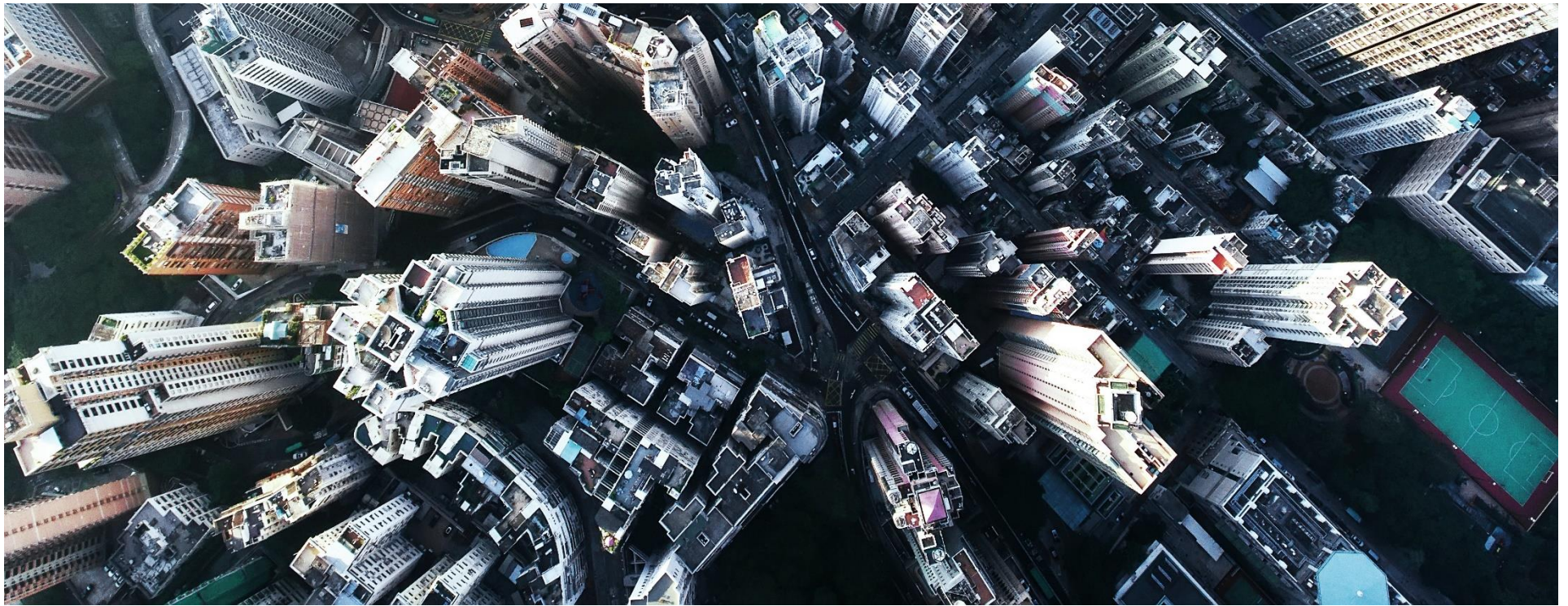
| Assets                      | Capabilities                                       | Returns               |
|-----------------------------|--|-----------------------|
| Focus on quality            | Operating Model                                    | Capital discipline    |
| Long life                   | FutureSmart Mining™<br>Technology & Sustainability | Dividend payout ratio |
| Low cost growth optionality | Marketing Model                                    | Strong balance sheet  |

# FOOTNOTES

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1. FOB unit cost excludes royalties, depreciation, off-site overheads and study costs. Thermal coal unit cost comprises the trade mines only.
2. Improvement vs original unit cost guidance issued for 2019. FOB unit cost excludes royalties, depreciation off-site overheads and study costs. Thermal coal unit cost comprises the trade mines only.
3. Margin excludes Nickel and Thermal coal.

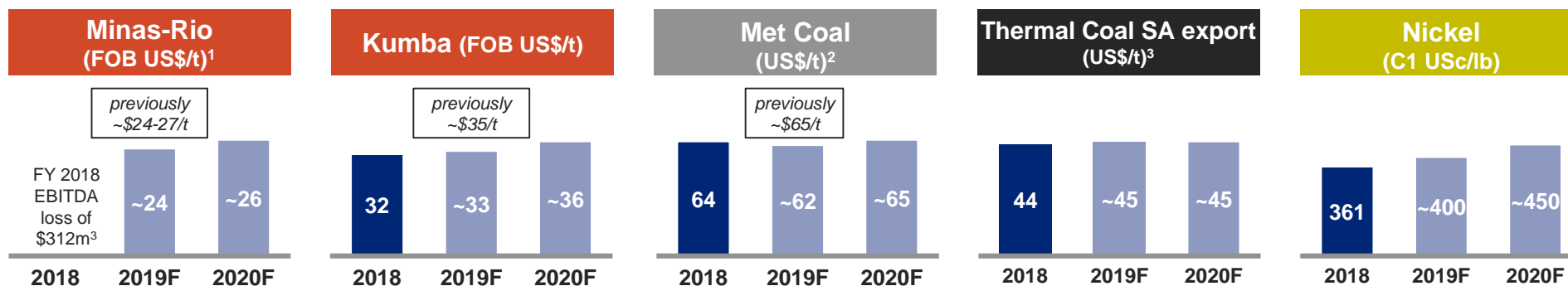
# APPENDIX



# PRODUCTION & UNIT COSTS GUIDANCE

|                                   | Units | 2018 | 2019F                            | 2020F                               | 2021F                               | 2022F            |
|-----------------------------------|-------|------|----------------------------------|-------------------------------------|-------------------------------------|------------------|
| Iron ore (Minas-Rio) <sup>1</sup> | Mt    | 3    | ~23<br><i>(previously 20-22)</i> | 22-24<br><i>(previously 21-23)</i>  | 24-26<br><i>(previously 22-24)</i>  | 23-25            |
| Iron ore (Kumba) <sup>2</sup>     | Mt    | 43   | 42-43                            | 43-44<br><i>(previously ~43-45)</i> | 43-44<br><i>(previously ~43-45)</i> | 43-44            |
| Metallurgical coal <sup>3</sup>   | Mt    | 22   | 22-24                            | 22-24<br><i>(previously 23-25)</i>  | 23-25<br><i>(previously 25-27)</i>  | 26-28            |
| Thermal coal <sup>4</sup>         | Mt    | 29   | ~26                              | ~26<br><i>(previously 28-30)</i>    | ~26<br><i>(previously 28-30)</i>    | ~26              |
| Nickel <sup>5</sup>               | kt    | 42   | 42-44                            | ~42-44<br><i>(previously ~45)</i>   | ~42-44<br><i>(previously ~45)</i>   | ~50 <sup>5</sup> |

1. Wet basis. Current guidance assumes receipt of final tailings licence by end of 2019. PIG runs result in ~1 month impacts to production in 2020 and 2022.
2. Dry basis. Subject to rail performance. Reduction due to cautious outlook on domestic demand.
3. Excludes thermal coal production. Impact of MG debottlenecking deferred compared to previous guidance.
4. Export South Africa and Colombia production. Reduction due to downgrade to Cerrejón annual production.
5. Nickel business unit only. 2022 guidance of ~50kt dependent on delivery of bulk ore sorting.



- Note: Unit costs exclude royalties, depreciation and include direct support costs only.
1. Minas-Rio operations were suspended for the majority of 2018 following two leaks in the iron ore pipeline.
  2. Metallurgical Coal FOB/t unit cost excludes royalties and study costs.
  3. Thermal Coal – SA FOB/t unit cost comprises trade mines only, excludes royalties.



# BULKS: H1 2019 SIMPLIFIED EARNINGS BY BU

| \$m (unless stated)                           | Kumba                 | Minas-Rio              | Met Coal                    | Thermal Coal               | Nickel                  | Manganese  | Total        |
|---|-----------------------|------------------------|-----------------------------|----------------------------|-------------------------|------------|--------------|
| Sales volume (mined)                          | 21.4Mt                | 10.6Mt                 | 9.9Mt <sup>1</sup>          | 13.6Mt <sup>2</sup>        | 18.6kt                  |            |              |
| Benchmark price                               | \$91/t <sup>3</sup>   | \$106/t <sup>4</sup>   | \$191/t <sup>5</sup>        | \$69/t <sup>6</sup>        | \$12,324/t <sup>7</sup> |            |              |
| Product premium/discount per unit             | \$18/t <sup>8</sup>   | \$4/t <sup>9</sup>     | \$(8)/t <sup>10</sup>       | \$(6)/t <sup>11</sup>      | \$88/t                  |            |              |
| Freight/moisture/provisional pricing per unit | \$(1)/t <sup>12</sup> | \$(18)/t <sup>12</sup> | n/a                         | n/a                        | n/a                     |            |              |
| <b>Realised FOB Price</b>                     | <b>\$108/t</b>        | <b>\$92/t</b>          | <b>\$183/t<sup>13</sup></b> | <b>\$63/t<sup>14</sup></b> | <b>\$12,412/t</b>       |            |              |
| FOB/C1 unit cost                              | \$34/t                | \$21/t                 | \$68/t                      | \$43/t <sup>14</sup>       | \$9,039/t               |            |              |
| Royalties per unit                            | \$4/t                 | \$3/t                  | \$18/t                      | \$3/t                      | \$98/t                  |            |              |
| Other costs per unit <sup>15</sup>            | \$6/t                 | \$5/t                  | \$5/t                       | \$11/t                     | \$479/t                 |            |              |
| <b>FOB Margin per unit</b>                    | <b>\$64/t</b>         | <b>\$63/t</b>          | <b>\$92/t</b>               | <b>\$7/t</b>               | <b>\$2,796/t</b>        |            |              |
| <b>Mining EBITDA</b>                          | <b>1,366</b>          | <b>670</b>             | <b>906</b>                  | <b>91</b>                  | <b>52</b>               | <b>274</b> | <b>3,359</b> |
| <b>Processing &amp; trading</b>               | <b>-</b>              | <b>-</b>               | <b>-</b>                    | <b>(1)<sup>16</sup></b>    | <b>-</b>                | <b>-</b>   | <b>(1)</b>   |
| <b>Total EBITDA</b>                           | <b>1,366</b>          | <b>670</b>             | <b>906</b>                  | <b>90</b>                  | <b>52</b>               | <b>274</b> | <b>3,358</b> |

See next slide for footnotes.

# BULKS: H1 2019 SIMPLIFIED EARNINGS BY BU - NOTES

## Coal blended price & unit cost

| Coal weighted average market prices & unit cost        | Unit cost     | Price          | Volume        |
|--|---------------|----------------|---------------|
| HCC  |               | \$205/t        | 8.2Mt         |
| PCI  |               | \$125/t        | 1.7Mt         |
| <b>Weighted average metallurgical coal<sup>9</sup></b> | <b>\$68/t</b> | <b>\$191/t</b> | <b>9.9Mt</b>  |
| Thermal coal FOB South Africa                          | \$46/t        | \$74/t         | 9.2Mt         |
| Thermal coal FOB Colombia                              | \$36/t        | \$60/t         | 4.4Mt         |
| <b>Weighted average thermal coal<sup>10</sup></b>      | <b>\$43/t</b> | <b>\$69/t</b>  | <b>13.6Mt</b> |

1. Excludes thermal coal sales.
2. Thermal Coal - South Africa and Cerrejón. Export sales and domestic sales at export parity pricing.
3. Platts 62% Fe CFR China.
4. MB 66% Fe concentrate CFR.
5. Weighted average of HCC/PCI prices, FOB Aus. See above.
6. Weighted average FOB SA, FOB Col. See above.
7. LME price, c/lb converted to \$/tonne (2,204.62 lbs/tonne).
8. 64.3% Fe content, 68% of volume attracting lump premium.
9. 66.9% Fe content, pellet feed.
10. Volumes 83% HCC averaging 95% realisation of quoted low vol HCC price.

## Iron ore realised price

| Iron ore realised price | Kumba               | Minas-Rio            |
|-------------------------|---------------------|----------------------|
| Benchmark price         | \$91/t <sup>7</sup> | \$106/t <sup>8</sup> |
| Fe premium              | \$3/t               | \$4/t <sup>8</sup>   |
| Lump premium            | \$15/t              | -                    |
| Moisture (~8%)          | -                   | \$(9)/t              |
| Freight                 | \$(10)/t            | \$(16)/t             |
| Provisional pricing     | \$6/t               | \$5/t                |
| Marketing premium       | \$3/t               | \$3/t                |
| <b>Realised price</b>   | <b>\$108/t</b>      | <b>\$92/t</b>        |

11. Total average 91% realisation of quoted price.
12. See above.
13. Adjusted to include Jellinbah.
14. Weighted average Thermal Coal – South Africa and Cerrejón.
15. Includes exploration & evaluation costs, restoration & rehabilitation costs and other corporate costs.
16. H1 2019 loss in Isibonelo cost-plus domestic operation offsetting trading profits.