

Operational reviews continued



ARM Coal

Key features for F2021

Increase in thermal coal price

Increased headline loss

Increased export of lower-grade coal on reduced domestic demand

Material matters

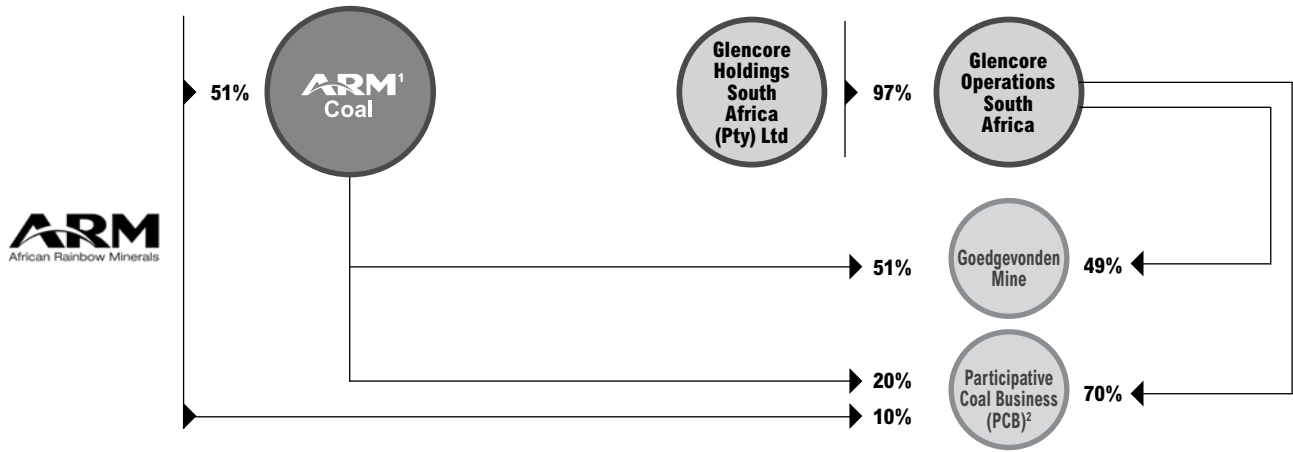
- Major underperformance from Transnet Freight Rail, affecting production
- Above-inflationary unit cost increases at Goedgevonden Mine



South Africa

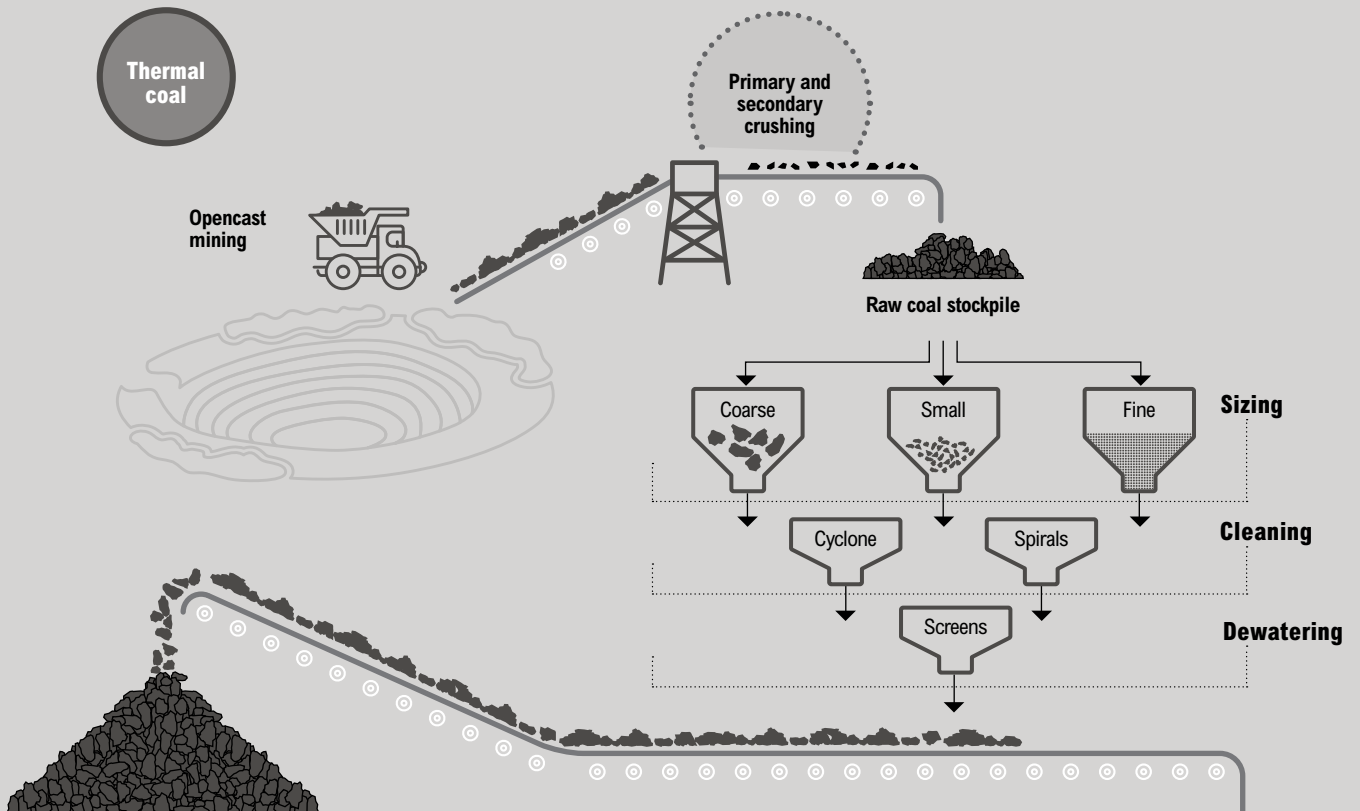


Structure



¹ ARM Coal holds:
 – Access to Glencore Operations South Africa's interest and entitlement in the Richards Bay Coal Terminal (RBCT).
 – An export entitlement of 3.2Mtpa in the phase V expansion at RBCT.
² Participative coal business (PCB) refers to the Impunzi and Tweefontein operations.

Production process



Operational reviews continued

ARM Coal continued

Scorecard GOEDGEVONDEN MINE

F2021 OBJECTIVES

Continued focus on containing unit cost escalations below inflation

ACHIEVED/NOT ACHIEVED

X Not achieved

Higher escalations mainly due to lower saleable production

F2022 OBJECTIVES

Continued focus on containing unit cost escalations below inflation

PARTICIPATIVE COAL BUSINESS (PCB)

Continued focus on containing unit cost escalations below inflation

✓ Partially achieved

Unit costs increased in line with inflation on lower saleable production

Continued focus on containing unit cost escalations below inflation



Commodity prices

Thermal coal prices increased in F2021 due to the global economic recovery and supply shortages.

Global coal prices were supported after China increased demand for non-Australian thermal coal. Increased safety inspections at coal mines and enforcement of compliance to licensed production capacity restricted coal supply out of China. Prices were further assisted by the delayed start to the China hydro-generation season which increased thermal power generation compared to the prior year.

The Asian Liquefied Natural Gas (LNG) price increase to record levels resulted in LNG to coal switching, which further supported additional coal demand. The impact of the higher market prices was reduced by increased exports of low-grade quality coal due to decreased domestic demand.

Goedgevonden Mine's average received US dollar prices increased by 19% to US\$57 per tonne in F2021 (F2020: US\$48 per tonne). PCB's average received US dollar prices increased by 12% from US\$51 per tonne in F2020 to US\$57 per tonne in F2021.

Approximately 56% (F2020: 62%) of export volumes at Goedgevonden Mine was high-quality coal while PCB exports of high-quality coal amounted to 62% (F2020: 65%).

Financial performance

Delivering financial returns to shareholders and other providers of capital

ARM Coal reported an attributable headline loss of R250 million (F2020: R2 million) which included re-measurement gains of R242 million (F2020: R485 million) on partner loans. Excluding these gains, the ARM Coal headline loss was R492 million (F2020: R487 million), mainly due to lower coal sales volumes (owing to underperformance from Transnet Freight Rail) and above-inflation unit cost increases which was partially offset by higher average received coal prices.



Refer to note 2 to the annual financial statements for the ARM Coal segmental information.

Operational performance

Continuously improving operational performance

Goedgevonden Mine

Production was negatively impacted by challenges at Transnet Freight Rail, giving rise to full stockpiles at the mine. The underperformance was



exacerbated by a derailment on the coal line in April 2021. Inclement weather in January and February 2021 also affected run-of-mine production.

The Covid-19 impact on production losses reduced in 2H F2021 due to improved protocols and management thereof.

ARM's attributable run-of-mine production from Goedgevonden Mine reduced by 16% from 2.85 million tonnes in F2020 to 2.39 million tonnes in F2021, while attributable saleable production was 1.5 million tonnes in F2021 compared to 1.76 million tonnes in F2020.

On-mine unit production costs per saleable tonne rose by 17% to R506 per tonne (F2020: R431 per tonne). The above-inflation increase in unit costs was due mainly to a 15% reduction in saleable production volumes.

PCB

During the year, the PCB operations were significantly impacted by challenges at Transnet Freight Rail. This resulted in full product stockpiles at both Impunzi and Tweefontein restricting production.

In the second half of the financial year, production at Tweefontein Mine was further impacted by hot coal and hard digging conditions at the Klipplaat pit. These conditions are expected to improve in F2022 as most of the production will come from the Makoupan pit. A programme of re-drilling and blasting hot areas where practical to improve digging conditions in Klipplaat has also been implemented.

ARM's attributable run-of-mine production from PCB reduced by 11%, from 4.28 million tonnes in F2020 to 3.79 million tonnes in F2021.

Export sales volumes were 3% higher at 8 million tonnes (F2020: 7.73 million tonnes). Domestic sales volumes declined from 5.74 million tonnes to 2.9 million tonnes largely due to decreased sales to Eskom.


ARM's attributable saleable production reduced by 13% from 2.69 million tonnes in F2020 to 2.34 million tonnes in F2021.

PCB successfully commissioned a second dragline at Tweefontein Mine in the latter part of 1H F2021. This is expected to improve both production and cost management.

Unit production costs per saleable tonne increased by 7% from R484 per tonne in F2020 to R520 per tonne in F2021, mainly due to lower saleable production volumes.

Operational reviews continued

ARM Coal continued



Summary operational and financial indicators – 100% basis

Goedgevonden Mine

Ownership

ARM holds an effective 26% in Goedgevonden Mine, Glencore Operations South Africa (GOSA) owns the balance

Management

Governed by a management committee controlled by ARM Coal. The management committee has four ARM representatives and three Glencore representatives. Operational management is contracted to Glencore

	Unit	F2021	F2020	F2019	F2018	F2017
OPERATIONAL – 100% basis						
Production and sales						
Saleable production	Mt	5.79	6.77	6.99	6.05	6.47
Total thermal coal sales	Mt	5.79	6.53	6.84	6.11	6.21
Export thermal coal sales	Mt	3.89	4.29	3.27	2.85	3.18
Domestic thermal coal sales	Mt	1.90	2.25	3.57	3.26	3.03
Average received prices						
Export (FOB) ¹	US\$/t	56.73	47.87	71.10	84.57	62.07
Domestic (FOT) ²	R/t	354	305	275	235	241
Unit costs						
On-mine saleable cost per tonne	R/t	506	431	380	351	323
FINANCIAL – ATTRIBUTABLE						
Sales revenue	R million	1 058	1 056	1 162	1 028	911
Total costs	R million	896	1 000	870	32	676
Operating profit/(loss)	R million	162	56	292	1 060	235
EBITDA	R million	348	264	326	335	235
Capital expenditure	R million	263	197	244	140	196
Cash operating profit	R million	148	56	292	335	235
<i>Less:</i>						
– Imputed interest expense ³	R million	(170)	(160)	(144)	(157)	(215)
– Interest received	R million	–	–	–	3	–
– Depreciation/amortisation	R million	(182)	(197)	(163)	(167)	(147)
– Re-measurement adjustments	R million	206	207	190	885	(12)
– Impairment loss	R million	–	(559)	–	–	–
Profit/(loss) before tax	R million	2	(653)	174	899	(137)
Tax	R million	8	56	(38)	(47)	38
Headline earnings/(loss) attributable to ARM	R million	10	(38)	136	852	(99)

¹ FOB free-on-board.

² FOT free-on-truck.

³ Post restructuring the ARM Coal loans, all interest expense on these loans is imputed.

Refer to the notes in the annual financial statements for the ARM Coal segmental information.

PCB operations

Ownership – ARM holds an effective 20.2% in PCB, Glencore (GOSA) owns the remaining 79.8%

Management – Governed by a supervisory committee with five Glencore representatives and three ARM representatives. Operational management contracted to Glencore

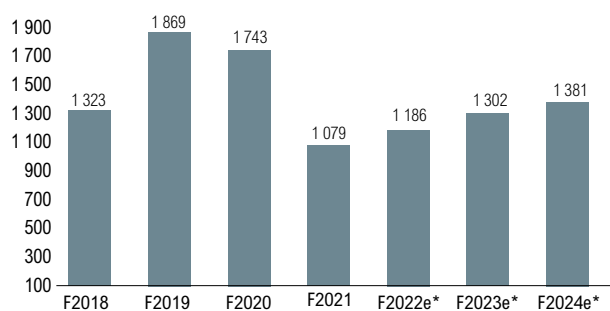
	Unit	F2021	F2020	F2019	F2018	F2017
OPERATIONAL – 100% basis						
Production and sales						
Saleable production	Mt	11.58	13.34	15.49	16.64	16.55
Impunzi	Mt	4.85	6.1	6.7	6.77	7.2
Tweefontein	Mt	6.73	7.24	8.79	10.04	9.35
Total thermal coal sales	Mt	10.90	13.46	15.56	15.78	16.06
Export thermal coal sales	Mt	8.00	7.73	10.95	13.44	13.42
Domestic thermal coal sales	Mt	2.90	5.74	4.61	2.34	2.64
Average received prices						
Export (FOB) ¹	US\$/t	56.97	50.54	64.88	73.51	61.89
Domestic (FOT) ²	R/t	678	666	582	368	459
Unit costs						
On-mine saleable cost per tonne	R/t	520	484	391	330	278
FINANCIAL – ATTRIBUTABLE						
Sales revenue	R million	1 815	2 008	2 605	2 765	2 528
Total costs	R million	1 516	1 702	1 707	1 835	1 552
Operating profit/(loss)	R million	299	306	898	930	976
EBITDA	R million	378	304	898	1 030	976
Capital expenditure	R million	248	425	562	413	246
Cash operating profit	R million	299	304	898	1 030	976
Plus: Interest received	R million	–	–	–	5	–
Less:						
– Interest paid	R million	(104)	(118)	(138)	(164)	(320)
– Depreciation/amortisation	R million	(569)	(479)	(424)	(425)	(355)
– Re-measurement adjustments	R million	36	278	55	325	(50)
(Impairment loss)/reversal of impairment	R million	–	(1 121)	3	–	–
(Loss)/profit before tax	R million	(338)	(1 138)	394	771	251
Tax	R million	78	51	(118)	(138)	(70)
Headline (loss)/earnings attributable to ARM	R million	(260)	36	274	633	181

¹ FOB free-on-board.

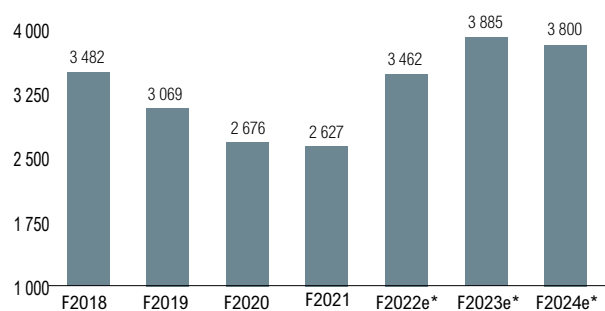
² FOT free-on-truck.

Outlook sales volumes – attributable basis

Local sales (000t)



Export sales (000t)



* F2022, F2023, F2024 represents estimated volumes.