



Investor update – Q&A

Friday 8 December 2023

Jason Fairclough (Bank of America): Duncan, you inherited a company running a series of tier 1 assets. Today, it feels like we have pressure in at least four major businesses - in PGMs, in diamonds, at Kumba, and at some of the copper assets. And then on top of that, you are going to be burning about \$1 billion dollars a year at Woodsmith for the foreseeable future. And today, you are taking quite aggressive steps to conserve cash. So, how do you think about this? Is there actually an opportunity to focus the portfolio, perhaps to shed some of the assets that don't have a position in Anglo American longer term? Some people would say that diversification is the enemy of simplicity - interested in how you are thinking about the portfolio, please.

Duncan Wanblad: Thanks, Jason. You picked up a couple of interesting points in terms of elements of the business that are exposed to a cycle. Very unusual that we have the confluence of a number of effects like PGMs, diamonds and the transport issues in South Africa related to Kumba, all happening at the same time in a portfolio of this nature. But this is what's happened. And what you're seeing is us take the appropriate level of response. Certainly from a whole of portfolio position, there are a couple of points that I want to reiterate there. First of all, every asset in the portfolio has a role. Some are cash generating assets, and some into which we then invest that cash in a value-balanced way in accordance with our capital allocation model, including returns to shareholders, and developing other assets over the business. I think that's how you have to think about a portfolio. Cycles will be cycle, they will come and go, and we expect that with the quality and the type of assets that we've got in the portfolio, through the long run, there are extraordinary returns that get developed.

Now, of course, part of what we have to do in response to the current economic climate and some of the issues that we've got temporarily and uniquely in this particular portfolio, is that we have to be sure that we are conserving cash, and we are allocating that cash even more rigorously. That's what we said that we would do and this is what you're seeing us do. In the context of Woodsmith, this becomes part of the portfolio that will replace this portfolio over time. So what we will get in Woodsmith is one of the world's pre-eminent orebodies with a great level of flexibility in the right commodity set to serve the right customer base, that sits at the bottom of the cost curve, spinning off large volumes of cash for multiple decades. Now, that doesn't just happen, it has to be built up over time, and therefore, this allocation is very careful and very thoughtful.

In the context of your question about is this time to review elements of the portfolio? I think all of the time is the right time to review elements of the portfolio. Every asset in the portfolio has a role to play and it is important that that role is effectively played through the lifecycle of those assets and through the holistic cycles of the macroeconomy that affect the business over time. So we do review every single asset and its role in the portfolio on a regular basis. So not just now, but even at the tops of cycles, it is our job to continue to ensure that we have the right mix and suite of assets within the portfolio. So it is ongoing.

Jason Fairclough: When we were up in Yorkshire one of the investors asked you if there are any sacred cows in the portfolio. Is everything for sale at the right price?

Duncan Wanblad: If you're managing a portfolio like we are, there are clearly no sacred cows in it; because if every asset has its place and its time, we have to look at it through that lens all of the time. So, no, there are no sacred cows.

Alain Gabriel (Morgan Stanley): You have reset your volume guidance, doubled down on the cost-cutting programme and pulled back on capex. But the market doesn't seem to think this

is enough, judging by how the share prices have reacted today. Is there more or deeper restructuring that you can, or are prepared to, do across the various businesses to speed up the turnaround?

Secondly, Woodsmith is the single-largest consumer of cash today, and for the foreseeable future as well. Is finding a strategic partner on the table to help share the capital burden? I think we've addressed this before, but in light of your new guidance, is there new thinking?

Duncan Wanblad: Second question first. There's no new thinking - we continue at pace to find a partner, the right partner at the right price for this particular asset. And so, no new news there.

In terms of the levers that we've got to pull, we continue to focus on the things that we can control, and we will continue to control them in an appropriate way in response to the conditions as we move forward.

Tyler Broda (RBC): Can you go a little bit more into Quellaveco in terms of the guidance for next year, which looks a little bit soft versus expectations. Why did this come about?

Secondly - working capital: obviously there will be lower production, but the diamonds, PGMs, the Kumba build up, how do you expect to see that evolve over the next 12-24 months?

Duncan Wanblad: On working capital first. At Kumba, the response there has been to slow the mine down and move the stockpile until such time as Transnet recovers. There has been an enormous amount of work by business, government and Transnet to get on with the recovery of that particular institution and the logistics infrastructure. And that work is progressing. It is unfortunately not going to represent in a massive turnaround or recovery to the original capacity that that line had in the next year or two. That's quite a long time for a business to remain stock-bound and very difficult for us not to effectively respond to that. And so that's what Mpumi and the team are doing. We have absolutely not lost faith in the fact that this will recover and it will come back. But being very realistic in terms of the progress that's been made over the last year or so - it is unlikely, in our view, that this recovery will be next year. Therefore, we are just planning accordingly.

There are no material or significant impacts to the mine itself because as soon as we get the transport capacity, we will be able to ramp the operations back up. With that in mind, we will be able to take care of the excess working capital at Kumba over the next couple of years.

In PGMs, there's a little bit of slag as a result of the original Polokwane deferral about a year ago that we need to work through. The biggest impact to working capital though, as far as PGMs are concerned, are the impact of the POC agreements and the prepayment agreement that we had with one of our customers that is just unwinding into a lower pricing environment at this particular point in time.

John is completely focused, as are we all, on working capital management.

AI - could talk about diamond inventories and the cycle management, please.

AI Cook: Through the course of particularly the second half of this year, we've seen a downturn in demand for diamonds, driven by predominantly macroeconomic factors. As Duncan said earlier, we know that cycles are by definition: cyclical. And because of that, we've kept production relatively steady through the second half of this year, and that has led to a build-up of inventory. Because so many of our costs are fixed, that appears to us to be

the wise things to do, and sets us up very well for the inevitable upturn during the course of the next year. And we're growing in confidence in that upturn coming sooner rather than later.

Having said that, if there is continued lower for longer prices and demand for diamonds, we have a series of levers that we can pull during the course of 2024. We work with our producer countries and our partners in those countries to do so, including, of course, mining lower-grade ore and making operational changes on that basis. So there are a series of levers we can pull depending on the circumstances ahead. But as I say, we are in a good position if, as we believe, there is an upturn beginning during 2024.

Duncan Wanblad: Matt, can you talk to the fault at Quellaveco, please?

Matt Daley: The Quellaveco orebody continues to impress us, as we progress the mining and learn more about this particular orebody. We have always known about this fault zone. And we continue to look at our pit designs to optimise extraction for both productivity and costs. What you are seeing is a re-phasing of the copper over the business plan period. And in fact, this redesign, while slightly lower copper in 2024, actually delivers higher total copper and hence value over the next five years. So mining progresses pretty much as planned, and we will continue to optimise this pit well into the future.

Liam Fitzpatrick (Deutsche Bank): On Woodsmith, you said partnering or syndication was part of the longer-term strategy at the right time. Has there been a bit of a shift there? Because I think you suggested that there may be a process? Is there an active partnering process going on at the moment?

The share price performance today and this year, is telling you that the market doesn't think there's enough action at the moment. Could we expect any further kind of details from you and the management team next year in terms of perhaps how you see the portfolio, whether that's in terms of the asset base or division?

Duncan Wanblad: The syndication process is something that we will do, and it will be done at the right time and for value. I think that that's really important, given an asset of this nature.

And then as far as any portfolio changes, we will continue to do what we need to do to ensure that we have a high-quality portfolio of assets that delivers through the cycle, and we will continue to respond in whatever way is necessary to respond to both short- and long-term circumstances.

Liam Fitzpatrick: At this point, there's no production cuts at De Beers. How long do you wait before we could see something a bit more meaningful on the production side, just to react to the weakness we're seeing in the market?

Al Cook: We're not waiting. We are working actively at the moment with our partners in the producer countries in order to identify the levers that we can take step by step during the course of the year. We need to be careful with this because a large number of our costs are fixed. So we need to avoid doing something that just disrupts mines, which then take a lot to recover from and doesn't create the cost savings that you really want to drive out of this. But no, we're not waiting. We're working actively with our partners at the moment and to ensure that if things do stay low, then we're ready to react to that.

Richard Hatch (Berenberg): Are you able just to sort of give us a bit more colour on that Copper Chile volume cut? Is it entirely Los Bronces, or are there other bits and bobs

elsewhere? And at Los Bronces, what is that second plant run rate and what kind of price situation do you need to see that ramp up again?

Duncan Wanblad: At Los Bronces, it is the old Los Bronces plant, which takes out around about 60,000 tonnes per day of capacity. It's fundamentally led by a couple of things. First of all, the mine development has been held back. We're monophasic out there at the moment. It's going to take a couple of years to get Donoso 2 opened up. And during that period of time, the capital required for this plant and the operating costs on this plant are extraordinarily high. The margins on every copper tonne that come out are very close to zero or negative on that basis. So, it doesn't make any sense for us to keep running that plant at current short-term pricing.

Ruben and the team are going to use this time to deal with one of the tailings dams that we are in the process of moving and manage the cost. We will be able to start this plant back up in the right price environment and certainly pretty quickly in a couple of years' time if that transpired. It's the right response: value over volume.

Richard Hatch: That probably means that in the capex numbers, there's a little bit less stripping in there if you're not having to push as hard?

Duncan Wanblad: That is correct.

Richard Hatch: Met coal costs continue remain elevated. I get that there's a Queensland royalty change that's impacted the cost curve, full stop. But on that met coal business down in Queensland, is 20 million tonnes now the right long-term run-rate to think about where it can be? This business has previously operated at \$60/tonne. I completely get it's a different environment now – but what's a good long-term line in the sand to set a target for on costs for that business?

Duncan Wanblad: I think the right sort of long-term full capacity run-rate for this operation is in the order of sort of 24-25 million tonnes per annum [based on total coal volumes and if the wash plant debottlenecking was to proceed which isn't currently in any guidance]. Themba, Dan and the team are now ensuring that their long-run cost base is appropriate. It'll take a couple of years to get from 16 million tonnes, which is where we're going to end around about this year, to the 20 million tonnes guided to in 2026. In advance of that, we're making sure that we've got the right cost structure to support that sort of output.

Myles Allsop (UBS): This is the second consecutive year where we've had some fairly material cutbacks to guidance. What can you say, just to give us some confidence that this is the last of the bad news, that when we get to December 2024, we're not going to have another round of cuts to production guidance?

Duncan Wanblad: We've got some very good assets in the portfolio. Many of them have been impacted by some very unique set of circumstances coming out of the Covid years and then some specific logistics and infrastructural issues. That's been the biggest issue. We have adjusted, I think, dynamically to these circumstances and as things become clearer, we've used this great team of people and our planning processes to come up with something that we believe is a very meaningful and realistic outcome for the next couple of years in this business. I can absolutely assure you that the things that we are in control of, that we need to be in control of, are being well-controlled by a team of extraordinary people, and that once we come through some of these cyclical impacts, particularly in diamonds and PGMs, we will be very, very well set.

Myles Allsop: On the cost savings. Obviously, that's the other new news from today - this \$1 billion that's coming through. To what degree is that embedded in the unit cost guidance, or as we look into 2025 unit costs, obviously you're not guiding that at this point, can we hope to see a further step down in unit costs across a number of the divisions?

John Heasley: \$500m we talked about previously on the overhead work - that continues and is well underpinned, well progressed and is coming through nicely. The new \$500m that we've announced today, that's more operationally focused, given the action that we've been talking through. That is coming through in the unit costs and that underpins the 2% step down in unit costs in 2024. I think it's important not to underestimate the scale of that, given that's 2% net offsetting, with CPI running at 4-5%, plus mining inflation on top of that - so there is significant action there. Obviously, that won't all come in immediately on 1st January, there will be a carry forward of some of that on an annualised basis into 2025. We expect to see that those unit costs will hold broadly at the sort of 2024 levels for a couple of years thereafter, which I think gives good confidence that we see a little bit more in the tank to continue to manage to offset that inflation that I just described.

Chris LaFemina (Jefferies): The weakness in the diamond market, which you're attributing to consumer weakness, feels like a bit like 2008/2009. But the global economy obviously isn't as bad as it was then. So, I'm wondering how much of this is a function of a structural shift into synthetics? And could you comment on whether synthetic demand is down as much as natural diamond demand, or is it just the real diamonds that are getting impacted more by the weaker consumer?

Al Cook: This is a question which, as you can imagine, preoccupies a lot of our waking thoughts. We see three main causes for the downturn in diamond demand over the course of the last year. The first is obviously macroeconomic. When global growth rates fall as they've fallen, diamonds are often disproportionately hit by that. The converse, of course, when growth rates go up.

The second is China and the lag that we're seeing in the Chinese market responding. And when Chinese consumers are going out at the moment, they're buying investments rather than diamonds in the same quantity.

The third aspect that we're seeing is that engagements, and therefore the purchase of engagement rings in the United States, are down. And that's because 2-3 years ago, when the people who would be getting engaged today should have been meeting for the first time, we had the Covid lockdowns. So we're seeing that lag there.

Now, you asked about lab-grown diamonds and the encroachment that lab-grown diamonds are making. This is really interesting. What we're seeing is three things. Lab-grown supply continuing to rise out of India and China. We're seeing lab-grown sales in terms of the amount, the numbers of diamonds, going up in the United States, not really outside the United States - this is mainly a US issue. But we are seeing lab-grown diamond prices plummet - they are down 90% over the last two years. And that's why you're seeing lab-grown diamond manufacturers heading towards bankruptcy at the moment.

So greater volume and much lower prices. What does that mean for us? This is actually as we predicted - it's just happening a bit faster. And what we're seeing is this bifurcation, this total splitting of the natural versus lab-grown markets. It's painful in the short term, undoubtedly, because it means a lot of lab-grown volume going in, but it's good in the long term in that now that prices for lab-grown are less than 10% at a wholesale level of those prices than natural,

and there is less and less confusion between the products. We believe that we're moving towards a time where we're going to see very, very differentiated markets for those two products.

Chris LaFemina: So you're not concerned about lab-grown diamonds taking significant market share from natural stones in high-end jewellery? And is that even happening, or is it more lower-end jewellery where synthetics are getting the market share? My concern here is that the US economy is not terrible, and you're seeing the rough diamond market there very, very weak. So, just wondering how much of a real recovery we can see even if the US economy stays resilient, or do people just buy more of these synthetics?

Al Cook: It's a really, really good question. There are a couple of things going on. Firstly, the natural diamond demand in the United States is not that bad at the moment. And we saw relatively good performance during the Thanksgiving and the Black Friday to Cyber Monday period. We can't complain about that. What we are seeing is a push that's happened through the last 2-3 years where lab-grown diamonds did encroach on areas such as engagement rings. But with the rapid fall now in lab-grown diamond prices, down 90% in the last two years, we are seeing lab-grown diamond moving towards being more of a fashion item, fashion jewellery, rather than the jewellery that marks the most meaningful moments in people's lifetimes, which is, of course, what we focus on in De Beers.

Now, when you're at that period where the forest fire is burning most brightly and we're seeing large amounts of supply coming in, I think it's very important that we look at the profitability of that business, at the prices of the lab-grown diamonds. That's why we're so confident in the bifurcation of the market going forward. In our view, natural diamonds remain what they have been for hundreds of years, symbols of the most important moments in people's lives. And lab-grown diamonds do what crystal Swarovski crystal, cubic zirconia has been, and that is - they remain a fantastically fun bit of fashion jewellery.

Duncan Wanblad: And in terms of the quality of the assets that we have in the portfolio, from a diamonds perspective, these are second to none. There have been no new diamond discoveries in the last 15 years or so, and some of the older diamond assets are shutting down too. So all of that, everything that Al said, particularly in terms of what we're seeing as a natural break in the lab-grown markets to the natural markets, and what's ultimately becoming a scarcity of supply of natural diamonds I think stands this business in very good stead.

Ian Rossouw (Barclays): Firstly, the PGM business is roughly keeping current production from own operations flat. But you talk about a review underway to identify further opportunities. Is this an opportunity to more meaningfully cut some of these higher cost, deep underground shafts maybe? Just curious what that could entail and what the business could look like in, let's say, five years' time.

Secondly, just on some of the copper growth options you mentioned, how should we think about the timing of these with regards to Los Bronces underground and Collahuasi expansions. How do the investments dovetail with each other, or will there be some overlap in the second half of this decade?

Duncan Wanblad: On the PGMs front, Themba and Craig are absolutely having a look through all of the operating performance of all of these assets. Value over volume will be the driving mantra in all of this. But, of course, we are optimistic on PGMs and certainly the quality of the assets that we have in the portfolio are, again, very, very good and therefore, we believe

should be right-placed to be able to present into this demand that we will see coming for all the reasons that I spoke about earlier. If you plot the industry returns over the last 30 years, we are absolutely at the lowest of the lows in that period of time - that can't be right in terms of this industry generally and our assets in particular.

Themba and Craig will continue with the review of the general performance of this business. We are absolutely focused on being sure that we are the best at what we can be the best of and what we are in control of. We'll see what comes out of that review.

As far as the copper growth options are concerned, the first one is going to be Collahuasi after Woodsmith. The fifth ball mill is now up and running at Collahuasi. We've got a few opportunities around de-bottlenecking there within the current permit, but then we will need to get the permits for the fourth line. Our expectation is that we would be able to acquire these permits in around 2027. So, by the time that we get the permit would be after we have got through the peak spend of capex at Woodsmith. So we would be into the execution of the fourth line project at Collahuasi 2028, 2029, 2030 - so, coming into production in the early 2030s.

We have got the first Finnish permit for Sakatti. Now it is going through the European Union permit process that would probably conclude in 2029. So construction probably 2030-2031, and that's more or less at the tail end of the Collahuasi construction.

Los Bronces underground is probably out beyond that. We're busy doing the pre-feasibility study-B for that now. We have, by and large, the environmental permits, and there's a number of other permits that we would need to go through for that. But my expectation is that the majority of that spend would occur naturally just after Sakatti is completed.

Ian Rossouw: Maybe just to push you on the PGM restructuring, if you say that you'll look at value over volume, does that mean that 2.1-2.3Moz from own mines and how much can that meaningfully fall?

Duncan Wanblad: Through this review, every ounce needs to have its own margin on it, and not only in the short run, but in the long run too. We're not going to make deep, hard, cutting-to-the-bone, irrational decisions in terms of the short run, when we've got a view on what the long-term demand for these products is going to be. But if we cannot see sustainable value on every ounce, then we will take those ounces out.

Matt Greene (Goldman Sachs): On the brownfield growth at Collahuasi, you suggested previously an uplift of around 20-50,000 tonnes with the debottlenecking initiatives, and you seem to have landed on about 25kt. And then the fourth line expansion seems to have increased from around 100kt to 150kt from the early 2030s. What are the scope changes between the two options, and is bioleaching still part of the thinking?

Duncan Wanblad: The fourth line is pretty much in the same sort of dimension in terms of quantum and timing. And as far as bioleaching is concerned, that remains potentially one of the options but you need relatively high and sustainable price environment to make that work because we will have to do a little bit of capital to put the appropriate leach pads and plants in place to do that. That is under consideration, but it isn't a high priority in the short run.

Ruben Fernandes: The recently completed 5th ball mill is 15,000 to 20,000 tonnes additional as our share. We are ramping up very well this month. And then we have the debottlenecking options – it can be leaching, it can be a little more flotation cells, we are in a process to discuss

that with our partners. And then the fourth line, that's the big expansion. No change in scope, it's just an adjustment of the profile or the roadmap for each phase of the growth.

Matt Greene: And Quellaveco - near-term, with the plants and operations fully ramped up, how's your freshwater usage been relative to expectations? And are you comfortable in the immediate term that you won't be water constrained given the droughts in the region?

And then on the longer term, you've highlighted the fact you have scoped that mill up to 150,000 tonnes a day. You're permitted it to around 130ktpd if I recall. So, just in terms of both infrastructure and permitting, what's required here to push Quellaveco to 150,000 tonnes?

Ruben Fernandes: No issue in terms of water for Quellaveco. We have availability.

Duncan Wanblad: Also, at Los Bronces, we had some really good precipitation during the course of this year, so stocks are pretty good going on into next year. And then, of course, we've got the new water scheme which will come in from 2025 onwards, but Ruben can confirm that.

In terms of the constraints at Quellaveco, we're currently doing 127,500 tonnes a day - that is our permit constraint. That permit was fundamentally constrained by water availability. We were pretty certain that given our design of this operation and the way we would be able to operate it, we would be able to demonstrate a water efficiency higher than what we were able to get permitted. And with that in mind, we should be able to then apply through the normal amendment processes for an increment in that permit to what we believe is the appropriate size for that shape and geometry of orebody, which would tolerate around about 150,000 tonnes per day.

For that to happen, we would need to have a few years and a few seasons of collected and demonstrated water management performance data and then use that as part of the baseline information that would go into the permitting process, and then that gives us the ability to bring that expansion. The intention would be in another couple of years to be able to start that process. We had in the original design of the project, in anticipation of this, keyed in the potential tie-ins for that volumetric expansion so it should be a relatively low capital intensity expansion when we get to it.

So Ruben, do you want to just clarify the water at Los Bronces?

Ruben Fernandes: As you know, Chile has been suffering a lot with water restrictions. As part of the long-term solution, we have this integrated water solution project that is progressing very well, 33% completed as we speak. So by the end of 2025, we should be up and running. It's a long-term contract with a partner, so that's going well. And short term, we need to have water trucks supplying water to the plant, but because of the good rainy season in Chile this year, we are not running those trucks at the moment. Of course, at some point next year, depending on the need, we might run a little bit of water trucks on the road, although because we're closing one plant, maybe that doesn't happen. As a result of closing the plant, we should consume 34% less water and remove \$70 million per year in water costs. So I think it's the right decision to shut the plant given the context that I've explained. And then, the water solution is well-balanced now to deal with the situation.

Alexander Pearce (BMO Capital Markets): I was wondering if you could drill down into the lower near-term guidance at Minas-Rio a little bit more please, and particularly in 2024, which is a little bit surprising given that strong performance you flagged in 2023?

And then longer term, is there still a chance that we could see that 25-27 million tonnes per annum run-rate in your guidance again, or is the new long term lower?

Duncan Wanblad: Two things going on at Minas-Rio, none of them unknown to us. The first is that, as a result of that water leak several years ago, we have to run a PIG through the pipeline every four or five years. We're just planning for that production drop as a result of the time that it takes us to pig the line and check the dimensions of the wall thickness of the pipeline etc.

The second thing, impacting the longer term, is that the ore body transitions over a very long time to a much harder rock – itabirite. As we run through that transition, there are various phases of a mixed proportion between the hard rock and the softer ore that we're in now, the impact of which is to slow processing rates down. There was a lot of thinking that it might be possible to get to 27-odd million tonnes per annum as we would be able to deploy some technology that would help us with the throughput and processing rate. That's probably a little bit more a way off than we had originally planned for it to be. So the mine is currently has the potential to get to 26 million tonnes, which is the original design capacity of Minas-Rio. I'm absolutely certain that Ruben, Matt, Ana and the team will tweak it a little bit above that, but for the foreseeable future and for those reasons, that's the outlook.

Paul Galloway: Thank you for all the questions. If you've got any further questions, then please give myself and the IR team a call. I'd be happy to try and talk you through those.

Duncan Wanblad: Thank you, Paul, and thanks, everybody, for your time this morning. Just a reiteration is that this is an extremely high-quality portfolio with some great people operating these assets. We are definitely close to, I hope, and the bottom of cycle, certainly, for PGMs and diamonds. A couple of the very specific issues associated with Transnet and Los Bronces are well in hand, and we're getting on top of all of these things. I can assure you we are absolutely focused on delivery, and we will continue to be agile in our response to current macroeconomic circumstances. And with that, again, thank you for your time and hope you have a good break, if there's a break coming your way. Take care.

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