Anglo American 2017 Results

Thursday, 22nd February 2018

Housekeeping and Changes to Board Personnel

Stuart Chambers

Chairman, Anglo American PLC

Good morning ladies and gentlemen. My name's Stuart Chambers. I'm the Chairman of Anglo American. It's my great pleasure to welcome you all to our 2017 full-year results presentation.

Before I hand over to Mark and Stephen let me quickly refresh you on board changes that we had last year. Stephen took over from René Médori. We had two new non-executive directors join us: Nolitha Fakude, a South African businesswoman and Ian Ashby, a very experienced miner, and finally myself, who had the great privilege and pleasure to take over from Sir John Parker as Chairman of Anglo American.

Let me hand over to Mark, who's going to kick off our results presentation.

Business Performance

Mark Cutifani

Chief Executive, Anglo American PLC

Welcome

Thank you, Stuart. Welcome ladies and gentlemen, and thank you very much for taking the time to join us.

Agenda

I'll start with a very short business overview. Stephen will talk us through the numbers and then I'll focus on where to from here. The key themes I would like you to take away from our presentation are: the quality of our asset portfolio, our leading capabilities, and finally our focus on capital allocation and capital discipline.

2017 – delivering on our commitments

The simple message is we've done what we said we would do:

- Production volumes are up 5%, reflecting improvements and the commissioning of new projects. Consistent with the performance improvement, we've also exceeded our $1 billion cost and volume improvement target by achieving $1.1 billion.
- Earnings and cash flow reflect both the continuing improvements in the business and yes, we saw some help from prices, but almost half of that improvement has been delivered on the back of the improvements we've seen in the business. Cash flow of $4.9 billion, has been very important in improving our debt position.
- EBITDA margins are up 15% at 40%, and for us, a very important number, return on capital employed now at 19%.

Safety, health and environment

The disappointment in the year: safety. We've improved our fatality frequency rate by 40% but one would never say that's a good number. Nine fatalities in the year, exceptionally

disappointing for us. We have established an 'Elimination of Fatalities Taskforce' working across the business looking to drive the next level of performance to zero and we've still got a way to go. Six of those fatalities were in platinum and three in coal in South Africa. In particular the focus in South Africa is going to be very important for us and so a lot of work still to be done.

Occupational health and environmental issues have been well-managed during the last few years. We continue to improve the business as our planning and execution disciplines have been improved.

Productivity improvement continues

Productivity improvements since 2012 have been significant at 80%, half coming from portfolio changes, the other half coming from internal efficiency improvements. The most pleasing aspect of 2017 was the 28% improvement in productivity and explains a good part of the cost reduction performance during the course of the year.

We have had some price help but some of that was taken away by foreign exchange and inflation.

Over the same time, we have seen a 26% reduction in unit costs and the other real cost Improvement has been around 40% when I take inflation and foreign exchange movements into account. Despite the sale of 30-odd assets, we've actually delivered 9% more production than we did in 2012, and that gives you a sense of the scale of the improvement inside the business.

Enhancing our competitive position

Our mining margin, which reflects our underlying mining business was 40%. The key drivers: productivity improvements; efficiencies that we've achieved through the implementation of the operating model and the technical changes; and our marketing team focussing on high-quality products.

And so, with that, I'll hand across to Stephen.

Financials

Stephen Pearce

Finance Director, Anglo American PLC

Thanks very much Mark.

2017 – delivering on our commitments

It is a good set of numbers, and it's a clean set of numbers.

We'll touch on EBITDA and how that flows into cash flow, what we did with that cash flow, particularly in terms of capital allocation, EPS and dividends and we'll also provide a little more detail in terms of how we're looking forward and how we're thinking about the business in the years to come.

Clearly for 2017 the priority has been around de-gearing the balance sheet and you've seen that in how we've allocated the cash flow and the reduction in net debt. We have maintained

a sensible spend in terms of stay-in-business capital. It's the combination of those things that sets us up also for a very, very strong 2018.

Self-help underpins stronger price environment

There's really two key themes that you can see on this slide. The left-hand side is about the macro themes. We have had some upside from commodity prices, which increased about 16% on the prior year, but offset by strengthening currencies and underlying inflation in the regions where we work.

On the right-hand side you can see more of the self-help theme. Continuing on the work we have done over recent years: on cost, on volume, on productivity improvements. At the start of the year, we had identified a $1 billion challenge and at that stage we had identified about half of those initiatives and we backed ourselves to deliver the other half. So really pleasing with the delivery of $1.1 billion for the year.

I'm just going to touch on inflation briefly. There's been a lot of talk about inflation and while it is an emerging theme in the UK, Europe and the US, it's really been part of our lives now for a number of years in the regions where we operate. It's been vital that we really focus on productivity and efficiency so that we're outpacing inflation. We haven't had the benefit of low inflation and even in areas like the Pilbara you've probably seen deflation in recent years and that hasn't applied to us.

The other thing I would remind you of is that often a period of higher inflation is driven by increased activity, which is fundamentally good for commodity prices in most cases. And obviously the third leg of that is really currencies.

Delivering further cost and volume improvement

It's a fifth straight year for us in terms of delivering improvements: $4.2 billion since 2013. The next dollar gets harder than the last dollar and similar to last year, we've identified about half of what we're going to look at in terms of our forward-looking targets.

We did have some headwinds this year: we had Cyclone Debbie and we had extensive rains through Southern Africa. We were able to overcome those and deliver the $1.1 billion. I would remind you that the $4.2 billion is a run-rate number for us of improvement per annum in underlying EBITDA.

Further $3–4 billion cost and volume improvement target

But we're not going to stop there, so we've targeted $800 million for 2018. We've identified a bit less than half in terms of specific initiatives. We're going to back ourselves to deliver the balance through operating costs and productivity. As we look forward to 2022 we'll start to pick up some of the themes of innovation and technology. We often get asked what are the things you are going to focus on and it is the sum of a lot of little things. It is hard work, it's not just one key area, or key initiative, it's the sum of an enormous number of parts that help us deliver this.

Stronger earnings, cash flow and returns

Underlying EBITDA reflects what we've done with the portfolio: the improvements we had in marketing, cost-out, all the efficiencies that we have focussed on and that's delivered the step change in underlying earnings, up 48% to $3.3 billion; free cash flow up 93% to $4.9 billion and the return on capital employed, up 73% to 19%.

For those of you that need it looking forward, the effective tax rate will be in the low 30s.

Continued CapEx discipline

The year also saw us focused on continued capital discipline. At the start of the year we guided to $2.5 billion. We revised that guidance down to $2.3 billion and then we came in under that at $2.2 billion for the full year.

The focus for me is two-fold. One, when we spend it, we spend it well on the things that we need to spend on. Two, are we spending enough to maintain the assets in the condition that we want to maintain them?

As we look forward to 2018, our guidance of $2.6–2.8 billion, slightly higher than previous guidance for a couple of reasons: there's a little bit of rollover from 2017, some stronger currencies that we're assuming as we look forward and then there's some stay-in-business capital for the new projects that we've delivered.

The longer-term guidance is $2.6–2.9 billion. This excludes unapproved projects but it does include life-extension projects like Venetia Underground.

A resilient balance sheet

Net debt almost halved, down to $4.5 billion. That resulted in a Net Debt / EBITDA ratio of 0.5x and gearing ratio down to 13%. It's the combination of all of these three measures that I focus on, rather than just one in particular. They have their place at different points in the cycle. Absolute net debt a real priority for us and will continue in 2018. We have guided a net debt to EBITDA ratio of 1–1.5x but at that low point in a cycle we wouldn't want to exceed 1.5x for any extended period and we'd look to bring it back inside that range.

Gearing is the strength of the underlying balance sheet that allows you to keep consistency of strategy no matter what point you are in the cycle. The priority for us is to continue to de-gear. This is a once in a Financial Director's life cycle that you get to fundamentally reset the balance sheet in the way that we have the opportunity to do now. We are seeing strong bulk prices continue and that's generating a significant cash flow for us so we do intend to continue to de-gear the balance sheet as we go forward.

Delivering returns to shareholders

We’ve done what we said we were going to do. We reinstated the dividend early at the half year and we announced the 40% pay-out ratio policy. We had a higher profit in the second half, so dividends are up $0.06 to $0.54, brings the total payment for the year to $1.02, or $1.3 billion to shareholders off the 2017 result and just to note that that's the highest dividend we've paid in ten years.

Strong cash flow transformation balance sheet

This is what it's all about in terms of how we're thinking about running the business. Sustainable cash flow underpins both the balance sheet and the returns to shareholders. That strength of balance sheet has been driven well and rapidly over the last two years but particularly the last 6–12 months. That's enabled us to make significant returns to shareholders. And obviously, then we can see to the discretionary options we have after hitting that first lot of key targets.

We will consider additional returns to shareholders as part of that evaluation. It is part of our choices as you see across the bottom of the slide. Right now, we think we've got the right balance in terms of returns to shareholders, continued de-gearing of the balance sheet and sensible growth where it suits us within the portfolio.

As we look forward, what should you expect? The answer is more of the same. We are going to continue to focus on cash flow, balance sheet and returns to shareholders and you should expect that to continue in the next six months, the six months beyond and in the years following.

Mark, back to you.

Building on Firm Foundations

Mark Cutifani

Chief Executive, Anglo American PLC

Thanks Stephen.

A fundamentally different business

I think the most important point to make in talking about the future is to draw a line under where we are today. It is a fundamentally different business: 47% fewer assets yet we're producing 9% more product. That productivity improvement and the efficiencies that go with it have helped to us reduce our costs by 26%. Our EBITDA margins are up 33% against 2013, so that's against a backdrop of an 18% lower price basket.

As a consequence, cash flows and returns have substantially improved. And most importantly, return on capital employed at 19% remains a number that we focus on as the measure of whether we delivered those cash flows the right way.

In talking about the future I want to focus on three points:

- Firstly, we'll outline the key points in the transformed business as it is today which builds off that foundation tagline.
- I want to also talk about how we think about capital allocation in the context of the future evolution and improvements we see available to us in the business.
- And then, beyond that, where we see further scope for material continuous and step-change improvements that will help deliver the $3–4 billion improvements that Stephen mentioned earlier.

Portfolio upgrading continued in 2017

- Gahcho Kué delivered on time and budget.
- Grosvenor completed it's first longwall at the end of last year. During the changeover Seamus and the team corrected some technical problems with our hydraulic supports. We've started in the New Year with the second longwall and so far, so good.
- Minas-Rio – 26th January is a very important date in terms of our stage three licensing. During the course of this year we'll complete the preparation for the next phase of expansion. We require a confirmation that we built the asset consistent with the

stage three license at the end of the year and that will help us then start the next phase of ramp-up through 2019 into 2020.

On disposals and closures, we've done a lot of clean-up work through the year and you'll see some of those transactions confirmed in January and that demonstrates our continuing focus on the assets, on margins, on continuous improvement. I want to be clear, we like what we have in terms of the assets and now we're focused on making our current businesses improve in terms of their margins and their delivery on returns.

Portfolio uniquely differentiated

As a consequence of the focus on asset quality, we have a business that is diversified by commodity and by geography. Our job, as a leadership team, is to bring the capabilities that we have within the business to bear on those assets and with the unique nature of the portfolio, provide a very unique value proposition to our shareholders.

South Africa – a higher returns business

I will make a couple of points on South Africa. In the last three years we've gone through major restructuring of all of our businesses in South Africa. We've reduced from 31 assets to 17 assets and with the efficiency improvements that we've also delivered across the portfolio, our EBITDA margin is around 35%. We generated $2.3 billion free cash flow in 2017 and we delivered a healthy return on capital employed of 23%.

We're encouraged with the leadership changes in the country and certainly we're encouraged with the hand that the president has offered to the industry. The deferral of the court case around the mining charter is a very important development and we're very focused on working across the portfolio and with the government and with other stakeholders to make sure that our South African business remains competitive and continues to improve.

South Africa is like all other jurisdictions. From our point of view we want policy certainty and we want to make sure that we're doing the right things in the country to ensure that we have got a competitive industry. When it can be demonstrated that we can make returns in the country, then investment follows. It's a very simple thesis and one that drives our behaviour across the global portfolio.

Disciplined Capital Allocation

Stephen outlined our broader approach to capital. I'd like to add some further shape to that conversation, dealing with both discipline and our allocation priorities.

Our track record over the last five years has been one of discipline and delivery and we're determined to repeat that in the next five years. One statistic that I think is very important to reflect on: in 2012 our sustaining capital was $2.9 billion. In 2017 it was $1.8 billion and our production was actually 9% higher than it was in 2012. And yes, there's always a bit of lumpiness in those capital numbers but from a sustaining position the efficiencies we've achieved in our capital spend reflect the efficiencies we've achieved throughout the application of the operating model.

Portfolio – asset quality focus

The focus again is on asset quality. Any expansion proposal that we look at is subject to intense competition for capital and is scrutinised against strict investment criteria at each stage gate.

In copper, we've got significant growth options both in existing assets and with our greenfield project in Quellaveco. We like the commodity, we like the resources we've got, we like the assets we've got and we believe we've got the potential to continue to improve the copper business.

On De Beers, we continue to supply to market demand. And as we see demand growing, we have the capacity to respond to the market in a sensible way, without significant capital allocation.

On platinum, we're still on a business improvement journey and we're in a market that doesn't require more product. The focus has to be on continuing efficiency drives and incremental improvements and that journey is continuing.

On bulks, we've developed Kolomela, Grosvenor and Minas-Rio over the last few years. There's been significant capital outlay, so today we're working hard to continue to improve our margins, make sure those assets are delivering on their potential and whilst we will continue to spend money on incremental improvements, that business is playing a very important role in generating significant cash, helping us with our debt and it certainly has turned out to be a great decision on making sure that we stayed focused on value and kept the quality of the assets. The team has done a great job in delivering on the expectations and the potential in those assets.

Capital allocation in diamonds to be demand led

Continuing with the capital allocation theme, it's important to make a few points in respect of important markets. We will allocate capital to De Beers if the demand is there for our products. We certainly have incremental improvement opportunities that we will pursue. Let me give you a sense of how we think about the business.

Recent indicators are that trading conditions, particularly in the US, are pretty strong although we also see opportunities in other markets. One of the most standout features of what we've seen in the market over the last 18 months is the amount of diamonds that millennials are buying. The 45% represents the amount of diamonds bought by millennials in our four most significant markets. People say that buying patterns are changing. Well, from our point of view millennials are the single-most important buyers of our product and it demonstrates that consumers are still buying diamonds for engagement rings but they're also buying diamonds to celebrate other significant events in their life. They're looking for something that's special, that's unique and that says something special about the event and the person that they are celebrating that event with.

The other significant change in market dynamics is self-purchases by women, which are growing. In the US it has increased by a-third to around 33%. The autonomy and the change in the demographics and purchasing behaviours is very much related to women.

On geographic demand, again, the US remains our most important market and in the last three months we've seen encouraging trends. We'll continue to commit to marketing spend

and that's very important in making sure that we promote our goods and growth in the market. Synthetics deserve a comment. The way I characterise synthetics is they're a very different market offering, they compete in a different market, whether it be with crystal, or other costume jewellery. It's important that we continue to differentiate the value proposition for a diamond. It's unique, it's rare and that proposition still holds. The responsibility of us at De Beers and the industry is to make sure that that proposition continues to be articulated in a very clear way.

PGMs and electrification of the drive train

Let me open with an obvious point…the PGM market does not need any new supply for the next few years…and we continue to see supply rationalisation… so capital allocation will be modest.

The electrification of the drive train is certainly something that we're aware of and watching very carefully but let's put it into context. Light duty vehicles in Europe represent about 15% of the demand for platinum. The initial switch will be from diesel to petrol / hybrids. As a PGM producer the switch to either is not a concern.

We expect overall global combustion engine vehicles and hybrid market will hold reasonably well up to 2030. The question we have in our minds is how much will fuel cells play into that market and counterbalance and drive growth across the sector? Certainly, as an industry, we have to do more to promote our products. But we think the prognosis for our products is very solid over the next few years.

Asset focussed PGM strategy

Mogalakwena

Our position, particularly with Mogalakwena is that even today where it's a pretty tough market for PGMs, we delivered a 54% margin in 2017. When you look at the character of our revenues: 40% platinum, 40% palladium, base metals and other products which will play a more important role in the revenue stream.

A 54% margin off a diversified revenue base puts us in a very good position, and we've still got a lot of improvement that we can deliver through the operating improvement programmes and the application of new technologies that both Chris and Tony are working on across the asset.

Amandelbult

Amandelbult is a significant resource that needs to continue to improve its cost. Chris is targeting a 25% cost reduction.

Processing

Our processing operations are arguably the most efficient in the industry delivering a stable 9% margin. We need to continue to improve to make sure we stay there. We think we're very well positioned in the industry so we will continue to drive down the cost curve and protect our margins.

Positions for steel industry structural changes

On capital allocation in the bulks, we've been very targeted in the way we've developed the portfolio. In going from 68 assets down to 37 assets, we did sell a number of coal and

smaller scale assets. So today, we have niche positions – Kumba, Minas-Rio, metallurgical coal – quality assets, good margins and we continue to improve our performance in each one of those areas.

Seamus and Peter are partners in positioning those products at the top end of the revenue scale. As a consequence, our margins in those businesses are challenging the lower cost, lower quality producers out of the Pilbara. Margins drive returns so we are making sure we keep our capital allocation tight, we drive our revenues, our costs, our margins and our returns and challenge the major players in the industry.

High quality brownfield growth optionality

We've got lots of opportunities to improve the business on an incremental basis that are small scale capital, quick return projects that add cash flow and returns to the business. A couple of examples:

- Moranbah-Grosvenor – by debottlenecking the processing plant, we get ourselves another 25% capacity for $200 million.
- In De Beers, some of our highest value diamonds are delivered from our marine operations in Namibia – adding another ship with less than a three-year payback is a very strong business case that we are developing.

We have a number of other options across the portfolio – in copper, De Beers, PGMs, Met Coal – that we can kick into play depending on market demand and the margins that can be delivered.

Quellaveco – a world class copper resource

Quellaveco remains a very important resource in the context of Anglo American. We're currently finalising our feasibility. We expect to bring the project to the board for review around the mid-year. We believe there are significant additional resources that could be added to improve the 30-year life that we see today, potentially doubling that life. The current estimates on operating cost is around $1.10/lb, and we've done a lot of work in de-risking the asset from a geotechnical point of view. All of the key permits are in place. We've built our relationship with the local community. We've built our relationship with the government.

If there's work to be done to complete, I wouldn't expect it to be significant.

The syndication of the project is also an important principle. We believe it's appropriate for these types of projects to bring in partners that add value that can support the development of these projects both from a risk point of view and to bring value forward.

Realising asset potential

Driving continuous improvement and innovation

Over the last five years, we've restructured the business. I talked about an 80% productivity improvement. Half of that productivity improvement has come from portfolio changes. Half of that productivity improvement has come from actual underlying efficiency improvements.

We expect to continue to improve the business. As Stephen said, we've identified $3-4 billion worth of cost and volume improvements that we expect to deliver by 2022.

On the continuous improvement front with our operating model, we'd expect most assets to improve in the range 3 to 5% a year.

On technical, we've got loftier ambitions in terms of step changes. They will tend to be a little backend loaded given the innovation work and where we are progressing with energy, water, the concentrate, the mine, course particle flotation but they will certainly start making a contribution inside that timeframe.

Embedded in a culture of continuous improvement, every person in the business is responsible for identifying and improving their part of the business. It's a way of life and an everyday conversation across the business. We're confident we can deliver at least $3-4 billion worth of run rate improvement over the next three to five years.

Realising our full potential

With that type of culture, the quality of the portfolio is important and one measure of quality and potential we have is that we've got a life of mine average across our assets of around 30 years. Our job in the next five years is to continue to identify improvements and work that potential so that every year we're getting better across the asset suite. It also provides us with the flexibility to think about where we are in the market and make judgments on the best way to operate the assets under various market conditions.

That's not about high grading assets. That's just about making sure we're delivering on their potential and responding to market conditions which is a lot tougher when you've got high-cost assets. We believe that with the internal opportunities we have, we can continue to grow profitable production around 16% over the next five years.

Our investment proposition

So finally, our investment proposition. We characterise Anglo American today, firstly off the asset base. We've got a portfolio of high quality assets that have the potential to continue to improve as we get smarter. Second, we've built the people capabilities to get the best out of those assets. And third, we've instilled an operating and capital discipline that understands our job is to deliver cash flow and returns on a sustainable basis. And we've put ourselves in a position where we don't have to do anything outside our portfolio to continue to improve or provide you with quality enhancement opportunities. So with that, very happy to take questions.

Q&A

Jason Fairclough (Bank of America Merrill Lynch): Mark, two related questions. First, Minas-Rio has taken a really long time to get this thing ramped up. Why? And then just from that, looking to Quellaveco, it sounds like we're reaching a decision point. How do you think about the readiness of Anglo American as an organisation to do another mega project because to be frank, it didn't really cover itself in glory with Minas-Rio?

Mark Cutifani: Two good questions. Firstly, on Minas-Rio, we overpaid for the resource. We bought a project that was at concept level. The permits weren't in place and we underestimated the project cost – there were a number of errors. I'm just saying this as

we've turned that upside down and inside out to make sure we've understood every lesson that can be learned. And that process has been very thorough.

On Minas-Rio today, the final license has remained a constraint on the footprint for the mine. So, that stage three license has been very important to us. The completion of the license process will allow us to step out the footprint of the mine and mine at the 26.5 million tonne rate. So now, it's just physical constraint on the footprint.

If you remember the Samarco incident, anything that had anything to do with a tailings dam in Brazil became an issue. And so, we lost probably 18 months on that final approval as a consequence of Samarco. So, we've got through that process. It's not finished but certainly I think the key point to make is the technologies that we've used for the tailings dam at Minas-Rio is very different to the Samarco. It's downstream, so it's a different engineering principle. So, that's the key issue.

Now going into Quellaveco, as I said, the learnings have been applied. At Quellaveco, we have all of our major permits. We've been through a process with the local communities and with the government, both of whom are very supportive of the project. We've gone three times back through the engineering. We're doing a final external review. If anything, they're arguing that we may have been a little bit conservative in the process. That's good news but let's wait and see what the final outcome is in terms of the review.

All of the project disciplines have been reviewed under between Tony and Duncan and their teams.

In the last five years against all of the major projects that we had when I started back in 2013, we've delivered all of those projects on time for $1 billion less than the estimate I gave you back in 2013. So, the discipline is there. The learnings have been applied. We've got a different team looking at this business. This is a different business and the approach to Quellaveco is very different to what you would have seen with Minas-Rio.

Sergey Donskoy (Société Générale): I have a few questions. First on net debt which I think was a big positive surprise, came in about $1 billion below consensus. I wonder, to what extent this could be because of one off factors - I think there was a $900 million working capital release and I think the taxes paid were also about $600 million below the figure on the net – on the income statement. So, the total about $1.5 billion. So I wonder, on normalised working capital and excluding this movement in deferred taxes, what would be the adjusted net debt figure for the year? That's question number one.

Second, you expect capex to increase by about $500 million next year. If you could give us an idea which divisions, which projects, will be the main drivers here?

Third, the diamond production guidance, you expect 2018 to be a bumper year and then production to go down to about 20 – about 32 million carats. Is this because this is the physical constraint, you cannot go higher, or is this how you see the market; you just don't see more demand?

Stephen Pearce: Thanks. So, firstly, on net debt, I'm really pleased with the outcome. I suppose we appreciate it's a bit lower than what people were expecting. We're pleased about the translation of EBITDA into cash flow which has been a primary focus. Yes, working capital has been a focus, and I think I flagged that at the half year as well. So I can't promise we're

going to continue to reduce it, what I can promise is that we'll continue to understand it better and better in terms of days, etc.

We saw a little bit of price increase flow through into receivables towards the end of the year. Inventories, in fact, were probably a little bit higher than we'd hoped in a couple of areas, in Kumba and in Met Coal, in particular, we couldn't quite get all the tonnes to the ports that we wanted. But offsetting that was a really positive move in creditors, which is probably a little more than what people were expecting. And one of the bigger items in that has been the prepayment that we have through the Platinum business, which increased again this year, and also some of the change in the arrangements as we've moved some of the operations and joint ventures into processing of concentrate, or POC contracts; you've seen that translate into some working capital movements as well. So, I'm pretty comfortable with where it is from a working capital point of view, but I wouldn't be banking on major steps forward from a dollar point of view.

On tax, yes, there's a couple of timing things. Probably the major one I'd point out would be Met Coal in Australia. We will probably have about a $400 million pick up towards the tail end of 2018. And that's just timing as we've come out of construction and lower prices into profits, so that will true itself up through 2018.

On Capex, again, just a reminder, our original guidance was $2.5 billion. Our guidance into next year is $2.6 to $2.8bn; again, carry over from 2017 FX and some additional projects that we've either brought on or kept are probably the main influences. The majority of the CAPEX, though, is really around stay in business, pre-stripping and mine development, so they're really the key things that we're focused on. And some of that's really the continuation of the projects we've already got in play, so Venetia Underground is a great example. That's probably about the major point, it was this year and next year, in terms of, you know, expansionary or lifex-type capital, but there's still some work to do in Met Coal for example, in terms of getting ready for next longwall moves and all those sorts of things. So it's a combination, it's broadly spread, so nothing I'd particularly pull out there.

Mark, I might let you comment on diamond production. But, obviously, the switch in Venetia – from open pit to underground plays out in those, sort of, years three, years three to four as well.

Mark Cutifani: And, in terms of the diamonds, we run a two to three year look ahead. If you think back, we had a big kick-up in sales early last year, which was the release of the lower-priced carats. This year, Bruce has set the organisation up to deliver against what we think the demand will be; we'll continue to adjust as we go. Stephen made the point about the Venetia switch. What Bruce is doing at the moment is looking in the sequencing of some of the other operations to see that, if that demand remains strong, what he can do to bring a bit more production forward to get more balance in the second year. But I think you've got to go with the guidance, as it is today, knowing that Bruce and the guys are working hard to watch the demand carefully, and if there's an opportunity to make more sales, we don't want to miss a sale. And so the team's very focused on balancing up, depending on where the market is.

Stephen Pearce: Mark, also, it's not something we've traditionally guided out years two and three in terms of, you know, market demand for diamonds, so I suppose we're trying to provide a little bit of extra clarity.

Ian Rossouw (Barclays): Just two questions. First question just on unit cost. How can we relate these cost improvements that you quote to unit costs, given that they've been going up every year for the past few years, and it's guided to go up? I understand FX is, obviously, a key driver in that, but should we just accept, given your geographical exposure, that unit costs should just be higher than peers? And then, maybe, looking at those $3 to $4 billion cost improvements you're targeting now to 2022, do you actually think you can bring unit cost down, in nominal terms, over that period? And then the second question just on South Africa. You mentioned, I guess, in the past that it is now a much smaller part of your overall capital employed base, it's 25%, yet it generates almost 50% of your free cash flow. I mean, obviously, this is an imbalance that, as you've said, should normalise over time, but shouldn't you monetise or may take opportunity of this imbalance to monetise some of those assets?

Mark Cutifani: Firstly, on the unit cost, you know, for us the imperative is to continually improve our costs, and we look at two moving parts. Firstly, reducing our costs so that we are actually doing better than inflation on a global basis. And we've done a pretty good job of that; in fact, our unit costs on a nominal basis are down 26% over the five years. Clearly, inflation's becoming a bigger issue, but we've had to deal with inflation in the jurisdictions we're in over the years, whereas others have got a little bit of a free kick with deflation in Australia, as you know, and they've also had a depreciating currency. So maybe that's starting to turn. So, on that basis, we might get a more level playing field in looking forward. We don't want to rely on rising prices – because the one thing that comes with inflation is a better commodity price. We want to do better than inflation in improving our cost structure. So, on a real basis, you're chasing 3% to 5% a year; that's why that 3% to 5% continuous improvement number is very important.

Secondly, you want to try and run faster than your competitors. They are two imperatives that we talk about on a monthly basis. The continuous improvement work and then the step-change work that occurs later in the period, which then stands us in good stead beyond the five years, will be very important. We're very focused on the things that we can control; we're not relying on commodity prices or by-product credits to give us a free pass. It's cost that we control, that's what our job is, make sure the business is set up well.

Stephen Pearce: Mark, can I just add something to that before you move on? The unit cost guidance that we've given in the appendix includes the currency assumptions, so it is clear what underpins the guidance. What we have embedded in there, in terms of cost improvement, is only those things that we've specifically identified, so that's a little bit less than half of the $800 million. And, obviously, as we're still identifying other improvements that we'll allocate those across business units and operating sites as we complete that exercise, and we'll report against it in due course. Currency does play a part. Probably the other theme is just some timing of maintenance or moving of longwalls and those sort of things that influences volumes a little through 2018. We can take you through the detail later, in terms of some of the individual assets, but there's some subtle influences in there that are just influencing some of the volumes as they drop out in 2018.

Mark Cutifani: On South Africa, over five years we've almost halved the number of assets and we're delivering better results today than we were five years ago, in a better price environment. The restructuring that Chris, Themba, Seamus and the rest have done has been very successful. The guys have done a good job in South Africa. I think it's great; the political changes, the leadership, the hand that's been extended by the government continues to encourage us, but there's still a lot more work to be done. And what I would say is we're starting to see more significant contributions outside our portfolio, so the balance is starting to swing and, certainly from our point of view, in terms of earnings, I think it was about 70/30, Stephen, or 60%?

Stephen Pearce: Roughly that. So the split of the EBITDA is South Africa $3.7bn, and the rest of the world $5.2bn. So you can see the rebalancing that's starting to occur.

Mark Cutifani: 25% of our attributable capital employed is in South Africa. We are, at the moment, spending more of our capital base outside of South Africa because that's where we see significant opportunities, but that doesn't mean we're not looking after the assets, putting capital into the assets to make sure they deliver. So it's a normal portfolio conversation, but, again, we're very pleased with the progress we've made and with the restructuring. South Africa is in a very competitive position, but there's more to be done.

Matthew Hasson (Numis Securities): Have you taken any steps to mitigate the strength of the rand? Just on your sensitivities, it looks like it could cost you $750 million, the rise in the rand recently?

Stephen Pearce: So just to be clear, we do not hedge currencies in terms of the operations of the business. We view ourselves as a long-term price taker, and that includes currency as well. I come back to the point I made earlier – I encourage you to think about the other things that move with currencies and inflation, and that's normally commodity prices. So, as you've seen this year, you know, the impact of prices far outweighed the impact of FX and inflation, so just encourage you to think about all of those three moving parts as you think about the currency.

Mark Cutifani: And on South Africa in particular, Seamus, with Kumba and the team, have got a very focused business improvement programme looking forward, and I think that's going to be really important. And we're still not where we want to be in terms of benchmark productivity, so work to be done there. On PGMs, you would have seen and I hope noted the Amandelbult comment of a 25% cost reduction that Chris and the team are chasing, plus improvements at Mogalakwena. And in thermal coal, July, Seamus and the team, were focused on driving our cost improvements ahead of the inflation rate and taking into account that FX is going to move. So we've got to run twice as hard, but that's where the guys are focused.

Liam Fitzpatrick (Deutsche Bank): Two questions. Firstly, coming back to South Africa maybe a bit more directly, if the outcome of the new mining charter – potential new mining policy is positive for industry or acceptable, does that mean you're committed to your three big South African businesses: Kumba, Coal and Platinum? And then on the $3 to $4 billion target, can you break that down between cost and volume, and how much of that is approved already and in your volume targets out to 2020?

Mark Cutifani: On the mining charter, firstly let me make it clear that we're committed to the assets we have, as I said today, in South Africa. We always will assess, if there's a change in policy somewhere, how we think about capital allocation. But with Kumba, with PGMs, and in terms of thermal coal – we have good assets delivering good returns – we want to make those businesses better. The mining charter, however it frames up, will impact our capital allocation decisions, as they should. As we've seen in other jurisdictions across the world, policies change, and you can name a few that we've seen in the last few months, both inside of Africa, outside of Africa. So we're encouraged by what the President has said, that he understands for mining to invest there has to be policy certainty and an encouraging environment where we can make returns. We believe that that's a good start to the conversation, but I wouldn't want to pre-empt where those conversations will go. We'll make decisions, as we do with any jurisdiction we have in the portfolio, but we're very pleased with what we've seen so far and we're encouraged. We'll wait to see what we get out of the policy conversations.

Stephen Pearce: On the $3 to $4 billion – we still have to find the first $800 million this year. So without being specific on dollars against each initiative, let me give you a flavour of the themes that you'll see that will feed into that, and some are volume and some are cost and also in productivity. So you've got Minas-Rio ramp-up; clearly that will go from where it is this year, up to its capacity through that timeframe. Moranbah, Grosvenor, de-bottlenecking the Debmarine vessel that Mark spoke about.

Longwall hours and cutting grades through each of the met coal operations, cost out and efficiencies. Improvements in Mogalakwena, Khwezela (one of the thermal coal assets) getting back on track. It had a pretty tough year in 2017. Copper grades move across the years, but should be a bit better yet next year.

And then there's all the operating efficiencies, so whether that's truck hours, digger rates, process recoveries, automation, use of data, particularly feeding into maintenance programmes. There's a lot of things that are going to come through our business as we keep getting more disciplined, and then adapting and running with technology and innovation. And then particularly on the innovation side, the things that Tony has previously spoken about, about our water use, our crushing technology, our recovery and our use of energy, all of those things will probably feed slightly more into the longer term, as Mark mentioned. Probably more into the three- to five-year timeframe.

And then there's marketing initiatives that Peter will be focused on in terms of the quality products into the market, remembering a dollar extra on revenue is just as good as a dollar out on cost. So, there really is no one individual thing. It's the sum of all of those parts, and there's a lot of other things, you know, I haven't mentioned, but it is a combination across volume and cost, and will be working really hard and backing ourselves to deliver those.

Mark Cutifani: We run a portfolio of opportunities on a continuous basis and on a step basis in terms of innovation, and then smaller capital options. So we are always looking at where is the best bang to be had for our buck. So we keep that portfolio running so it's across a range of opportunities, depending on where we see the markets going at any one particular time. So it's a good range of opportunities, and Stephen's probably touched 30% of them in what he's just said. So, that's our job, to look at everything we can see and then allocate our resources to the best opportunities.

Myles Allsop (UBS): Just maybe following up on South Africa to start with, how – I mean, Chris mentioned three to six months as a potential timeframe to see a new charter. Do you think that's realistic? Also, the ANC has got to win a general election next year. Are we getting ahead of ourselves in terms of thinking it's all rosy in South Africa, and, you know, the industry is going to have to compromise, I presume, with the new charter, whether it surrounds sort of 26% of power, or whatever. But if you could just give us a sense of how you're thinking about what kind of compromise as you are prepared to make, and the industry is likely to make?

And then maybe for Stephen as well on that debt, you know, very impressive deleveraging in a relatively short period of time. Is $4.5 billion the right number? Should we be thinking about, you know, spot free cash flow, I'm not sure you could give as a number on that, how much spot free cash flow you will be returning to shareholders? Is the swing now very much back to shareholders?

Mark Cutifani: On South Africa, very simply put: the future of the industry will be determined by the policy framework the government puts in place. The one thing that I think characterises Anglo American is the quality of the assets we've got across the globe. And we make the point of very simply put: investment follows returns, not the other way round. And we make that very clear.

I think the reason that the president has identified the mining industry is one of the great opportunities is, we all got that last conversation wrong. And the elements that were in that charter document from our perspective didn't provide a climate for returns, and therefore, capital application or capital spending basically dried up across the industry. So, I think we've got to give him a bit of time to settle in, have the right conversations. We will come to the table looking for and providing ideas on how to make the country and the mining industry better so it will attract returns. That is our job. And I think, based on what I have seen so far, they are in the same place. So, it's a matter of finding what works, and what works for the long term, because our industry is a 30 or 40 year industry. When we make investments, we make it for the long term. We want to see policy certainly that we can bank on. We got a long way to go yet. I think the toughest thing for the president is the expectations that have been built up, and the expectations over a very short period of time. We've got to give them time. It's going to take time. So, South Africa is going to require a lot of work.

Stephen Pearce: So, firstly on net debt, yes, I would love to see it lower, and I think we've got a real opportunity across these 12 months to continue that journey. How fast will it be or how far will it go depends on where prices are and all that sort of thing, so a little hard to exactly forecast, but, would I love to see another couple of billion drop down over the next 6 to 12 months? Absolutely. And as I said, we've got this real opportunity where we have few calls on our cash flow outside of sustaining and sort of stay in business capital, where we can sort of complete that journey and fundamentally reset the balance sheet. And I think, you know, the industry investors in particular, really appreciate the value of a strong balance sheet. And it's tapered quickly, and that's great, but we have still got a little bit further that we want to take it. How do we consider that versus incremental shareholder terms? We go around the wheel, exactly as you would expect. So, we had discussions at this full year, we'll have discussions at the half-year.

Right now, we think we have got the right balance, in terms of the 40% payout. It did what it was supposed to. It was a higher than the first half, based on higher profits. Balance sheet priorities and returns to shareholders, we think we've got that balance about right for where we sit today, but we will always consider that as we go forward.

Spot free cash flow. Spot prices probably year-to-date, they are a up on where they averaged through 2017, so, you know, you could conclude from that on EBITDA and then assuming a reasonable flow into cashflow would see some similar numbers to this year. So, I'm voting for prices staying high.

Alon Olsha (Macquarie): Three questions: firstly just on diamonds. Could you give us an indication of the mix of stones you've sold so far this year, certainly versus last year where you seem to have had greater demand for lower quality goods? How is it shaping up this year, and what is your expectation for that mix going forward, notwithstanding of course the lower carat stones coming from Orapa and Gahcho Kue.

Second question just on Minas-Rio, you've got the installation license in place, you're still waiting for the bigger, kind of the final permit, the environmental permit later on this year. Could you give an update on the timing around that, and the receipt of that license, would it impact guidance for Minas Rio at all this year or next year?

And then finally on Quellaveco, a syndication of that project, bringing in a strategic partner, is that a requirement for this project to go ahead? Would you consider doing it without a partner? And I'm sure you won't give me your long-term copper price assumption, but is it higher or lower than when the last time you evaluated this project?

Mark Cutifani: In terms of low value diamonds, last year I think it was about three million carats, Bruce, very early on in the year that were sold, so obviously it impacts the quality. This year, we'll do a better. On a production basis though, you're right in pointing out that Orapa and Gahcho Kue will drop the headline quality number, but also remember they are a low-cost carat. So even though the carats – the quality number or the pricing that we get on those carats will drop, we still think they are wonderful products. From our point of view, they will have an impact, but certainly our margins are in good shape, because they are lower cost carats as well.

Stephen Pearce: Just to add to that, obviously, early 2017 was more the anomaly, because we were clearing the lower stuff that had hung over from, you know, India demonetisation et cetera in 2016. We are really back to a normal mix now. So, fairly simply, that is probably the high-level answer.

Mark Cutifani: In terms of Minas Rio, the important thing for the final approval at the end of this year means that this year, the production is reasonably flat. And we start to ramp up during the course of next year off that, and then we start hitting our straps in 2020.

In terms of the approvals, there is a process that we can go through to try and bring a little bit of our movement forward, but we won't forecast that. That's an opportunity not yet realised. So, there is work going on to look at bringing things forward, but I think the safe thing at the moment is to forecast flat production, as we have done in the forecast.

On Quellaveco, we already have a partner. We will only syndicate for value. I think that is important. From our point of view, that is where we would prefer to be. We think the right

number is in the range 50 to 70%, but at the same time, a lot of debate with the board about getting that balance right. It is a great project. The debate is obviously, should you take a bit more of a great project, or should you balance that, take some profits early? That is the debate with the board that we will have at the mid-year.

Fraser Jamieson (JP Morgan): Another quick one on Minas-Rio. Obviously, still challenges to overcome there, and the priorities to get it up to the 26.5 million tonnes. Having said that, you know, price achievements are very good. It feels like there is a structural element coming into some of the pricing premiums, et cetera. So, you know, very long-term thoughts, phase two, phase three, is that plausible at all? I notice it wasn't on any of your slides talking about future growth options, et cetera. You know, should we forget about that forever? Or is it something that may come back in?

And then the second one, I just wonder if Stuart might be willing to answer a question. Coming into the organisation and the industry from outside, you know, what do you see is your key priorities in terms of guiding the board, and what are the key challenges for Anglo to be addressing over the next few years? Thanks.

Mark Cutifani: I'll go with the Minas question first. From our point of view, the focus, 100%, is get ourselves to the 26.5 and the cost target. The good news is, the quality looks good, and we think the quality premium from a number of perspectives is both cyclical and structural. We think there is a bit of both occurring. So, we think the project is well placed for the long term. Yes, we have options for the future, but we are not going to get ahead of ourselves. We are going to deliver the project, the cost, the margins, and the returns. Let's not think about the next phase. Let's make sure we get to it – that we deliver, and make sure we are delivering returns. At the moment, we are actually delivering cash flow. That is the encouraging thing.

Our costs, I think we are about 15% below what you would have normally expected at this sort of volume, so the guys have done a great job on the cost front. Let's keep the focus on what is important, and we will deliver it, and talk about the future when it is appropriate to talk about the future. Mr Chairman?

Stuart Chambers: Thank you for the question. I think in terms of observations, let me say the first thing. We had a board meeting this week, as you would expect, and it is interesting that the board continues to challenge itself and beat itself up about are we doing, and are we doing the right thing. But it's interesting, if you come in new, and you look back, this business really is a fundamentally different business than it was five years ago, and I think that really does need to be remembered. Therefore, what are the priorities? I think first of all, whatever happens to the market, whatever happens to prices, whatever happens to the various commodity areas, the one thing that you can never excuse yourself on is not doing everything you can which is in your control. And I think this annual drumbeat of continuing to drive cost efficiency, productivity improvements, volume improvements, by actually running our mines the best way we know how, better than the previous year, and better than the competition, is an annual drumbeat. And I think that is a really, really important thing to do.

The other thing I would say is, safety and environmental is so crucial to the mining industry, and that is from somebody who is coming new in. You can't choose where these mines are. They are where they are. So, the environmental issues and community engagement is just so

fundamental to success. And I was pleased to see Mark talking very early on about how disappointed we are in our safety performance. That step change remains to be required.

In terms of priorities going forward other than running things the best you can, I think we have to look at our business through an asset lens including mines and also brands. It's clear to me you can't market or talk your way out of a fundamental cost curve problem. So I think driving all of our assets regardless of which commodity they happen to sit in to the left and continuing to invest in those which can be brought there and can stay there is key. This will therefore result in us being continuing to be a successful diversified mining major mining company.

Menno Sanderse (Morgan Stanley): Just two questions. One clarification. First on copper. Clearly the resource endowment is enormous, but the company doesn't seem to be fully in control because the local expansion at Los Bronces requires the corporation of Codelco to go through that wall between two mines and clearly for Collahuasi you need to get into Glencore that is a good idea and they have plenty of growth elsewhere, so why would they commit more capital. So how do you extract yourself from this kind of slight dilemma? And secondly on diamonds, I'm a bit confused. So when we talked about in last two years, the capability was always put at 36 and 37 million carats from a production perspective. I understand we may be talking about 32 now because it's so far out and you don't give guidance that far out. So how should I look at that gap of 5 million? Has it come down the capability or is it just you being cautious on guidance?

Mark Cutifani: First, let me pick up the diamonds point that we've got the potential to hit 37 million carats but there is a timing as we swing from open cut to under Venetia and we're doing some other incremental work. So those numbers are in Bruce's forward-looking forecast. So I won't say when and how, but we have that capacity and in fact we know where those numbers are. What he is doing is making sure that we've got some flexibility in how we respond to the market because we don't want to bring that capacity on today when the markets still reasonable well balanced. So it's a phasing issue as opposed to an absolute quantity issue. First point.

Two, on copper, we're in and have been in in very constructive conversations with Codelco around the Andina pillar. Those conversations continue. One of the difficult issues we have is that with change of government, the senior management of Codelco changes but they certainly been a good base established, so we're going to continue working that through and we think that's important and we think there is a pathway there.

On Collahuasi, we believe there is still a lot more improvement available and we acknowledge the team's effort in terms of the improvements they've made. We want to keep seeing improvement, but we also believe that the technical work Tony and Duncan are working on, there were some compelling new technologies that will really shape a different future for our copper business in Chile. We think in terms of the arguments - those technologies don't require major capital to see delivery and improvement, they reduce water consumption which is a no-brainer in that sort of environments. So we think any partner we have on an asset that is sensible and rational and wants to make a lot in terms of returns, would consider those opportunities, but it's up to us to build the case and we think we can.

Paul Gait (Bernstein): Two questions if I could. First on Kumba. So you've upped your guidance in terms of production. I'm just wondering, we used to talk a lot about the changes on the mine plan that had been made there. Should we sort of regard those production increases now as sort of sustainable into the longer term or is that sort of going to come back there sort of after the next couple of years? And are you able to make those changes without compromising the grade or the lump fraction that you distinguish that mine?

The second question is outside South America obviously political changes there, we're also seeing Zimbabwe declaring itself open for business. Obviously the Great Dyke is a really significant, PGM resource. Do you think about moving outside of that South African footprint into Africa more broadly? Thanks very much.

Mark Cutifani: On Kumba, I think in many cases when I talk to people, I don't think people recognise how significant the changes were in spinning the mine around 90 degrees, a change which took about two years to execute. As a consequence, that's been the major shift and the focus on equipment productivity. I think we're up by a factor of 150% on our major shovels now. So the reason we are delivering additional tonnage is one, the big change in the mine, and two, the underlying productivities of the equipment where operating track used to be 4,000 hours a year. It's now 6,000 hours a year sustainable capital is also gone down.

So its sustainable rate. I think the life of mine is 13 to 15 years. What Tony and Seamus and the team are working on now, is what new technologies can enhance that resource base and build more life in the asset. So that's where the focus is now, and continuing cost reduction. We've got a great product. We get a lump premium. And our margins are matching the Pilbara as we speak today. How do we do better and protect that cost base with ongoing improvement. So it's cost and life, the two areas of focus for the business.

Stephen Pearce: The only thing I would there is infrastructure capacity. We're working closely with Transnet who provide the rail and so making sure we're as efficient as we can be onto the train, down the train line and in and through the port is a real area of focus for us even though we don't own and operate all of that aspect. But we are bumping up against some of those capacity constraints. And so obviously then the focus for improvement can be around grade and quality and what we can do move more down the line, so we've got all those options in front of us.

Mark Cutifani: Don't forget, Kolomela when we started the work was about 10 million of design of nine. It's up only 14 million now. So again underlying productivity improvements have been quite significant in the operation so in terms of making each year a better year in terms of the underlying performance. So they've done a very, very good job.

On Unki or Zimbabwe, I think there have been a number of statements. I think there is still a lot of work to be done. We need to see a lot more in terms of the policy framework, infrastructure those sorts of things. So we will continue to nurture Unki. I know Chris is keen in terms of the quality of the resource, in fact I think both Chris and Tony agree it's a great resource, but we'd like to see a lot more colour before we think about taking any further steps. But we are continuing to nurture that operation and make sure we're doing the right things.

Sylvain Brunet (Exane BNP Paribas): First on diamonds. We know the first quarter is always quite important for the midstream where they make their decisions. We've seen a

couple of bankruptcies in the third quarter. Could you give us a sense of what happened in the fourth and what is your perception of the mood in the midstream right now.

Another question on diamonds. When we see a number of mines still ramping up until 2020. Do you believe that this industry could secure enough pricing power before then? Another question on the working cap to understand clearly, the change in the payables in the prepayment you mentioned, should we treat that as a one-off as a run rate from here or not?

And lastly on the $6 billion of cash you report in the consolidated account, last one, out of the $6 billion, how much is in South Africa? Thank you.

Mark Cutifani: I'll pick up the diamonds. In terms of the mood or the sentiment, yes, there have been some bankruptcies. I'd like to make a point that one of the bankruptcies and there has been a fraud case that's been broadly reported has nothing to do with De Beers. It's a separate entity and involves banks. But there are no relationships with our business. And in fact the financial reporting transparency piece that we have put in place is designed to identify and help us identify where those things may have occurred. And so there has been a big change in De Beers over the last 15 years as you know. So they are not connected to us.

Two, the mood generally has been pretty good. I think most importantly the US selling season was very positive and the mood coming back has been quite strong. There are always a few that maybe struggling for different reasons but so far the feedback has been good and certainly encouraging from our perspective and again looking forward we're cautious and slightly optimistic. I've learned in this business not to get too excited by one or two sites. But so far so good and certainly the feedback has been pretty solid.

In terms of mood or in terms of new mines being built, remember the diamond industry really has got a supply problem in 2020, 2021, 2022. So we don't think those new mines will disrupt. The industry needs more mines. I think as an industry the key is investing in new demand and it is a commitment we have made. Those programmes are going to be very important in making sure our product is front and centre in terms of consumer choices and I think that's the key for us.

From our point of view, we don't think those new mines will materially impact given what we think we can do with the demand. Stephen?

Stephen Pearce: Firstly, on working capital. We're broadly happy with where the levels are at today. There will be movements, whether it be creditors, prepayments, debtors, stock levels at different points in time and at different times through the year, for example diamond buying patterns and timing of sites all those sorts of things. You'll see some small pluses and minuses but generally happy with the overall level.

I should have probably mentioned, on the debt capital structure and the cash and net debt. Net cash in South Africa, $3.4 billion and net debt in the rest of the world $7.9 billion. That's how you get to that net $4.5 billion. What you've seen, and I spoke about it more at the half year and there is a slide in the appendix there in terms of the debt capital structure, so we've been progressively doing a number of things, extending the maturity, shaping the profile of maturities and also then looking at how we think about both the cash we have on hand, the undrawn facilities. And as we get control over our Capex as we get certainty over our cost performance and cash flow, just bringing all those things down and progressively just

tightening up as they don't all come for free, and so we can save $100 million as we work through that strategy to tighten those things up. So that's where our focus is on that front.

Tyler Broda (RBC): The results from all over the companies have shown that having an amazingly a strong balance sheet is no longer scarce thing.

Mark Cutifani: But still very valuable.

Tyler Broda: Which is very valuable. But in terms of the syndication thoughts around Quellaveco is the company entertaining any thoughts of recycling the capital that's going to come in for what is a scarce growth, high return growth project in copper. So any thoughts about recycling that capital into another opportunity sort of keep the total exposure but just have it structured it in a different way?

Stephen Pearce: As you will expect, we're thinking through all the things one would think about on that investment decision and ultimate percentages. Some of it is about we think about our balance sheet both for this opportunity and for the suite of other opportunities that now emerge largely within our existing portfolio or from without, and making sure that we do have that flexibility through all parts of the cycle without overstretching on any one particular project or locking ourselves out at other value creating opportunities. We think about all the things you'd expect: capex, cash flow, returns, other opportunities, sovereign risk, etc. They all are factored into our decision and will help inform where we eventually land.

Mark Cutifani: For us, syndication of major project is a strategic choice. In the end, we've learned a lot of lessons from Minas-Rio and we've applied those lessons to the project. But at the same time, we don't know what we don't know, irrespective of the amount of work we do. The oil and gas industry worked that out a long time ago. With these types of bets its best to share that risk. It's a strategic choice in the first instance. We've made that point a number of times and we'll keep making that point because Minas-Rio was a 100% bet. It would have been a lot easier to handle if we had shared some of that risk. We've got Duncan and Tony doing absolutely brilliant work on Quellaveco, but there are still things we don't know.

And secondly, the allocation model is critical. Debt, dividend, investment in the right places, every dollar of capital going through stringent justification, competition and stage-gating process.

Kieran Daly (UBS): We are at that point in the cycle where companies have started to look at their potential growth projects which are mainly brownfields. You obviously have Quellaveco as your first cab off the ranks in terms of growth. I was interested to see that you put Moranbah South in the brownfield slide. What's the latest on Moranbah South? Somebody said it is brownfield little tie-in with Grosvenor and Moranbah North as but just wondering what your current thinking around Moranbah South is and also obviously you have a partner there that was looking to sell out their share but it doesn't look like they are going to right now. So just report on that please?

Mark Cutifani: Certainly Quellaveco is the most advanced and it's a great project in what appears to be a very good commodity position. What we're trying to demonstrate is we have got good opportunities across the portfolio. It's important for people to understand we've got other options, but the team has got to demonstrate delivery, getting the margins, delivering

on cash flow. In the future we have other options in the portfolio that the guys are thinking about. That was the point we wanted to make.

Stephen Pearce: Some are more long-dated than others Kieran.

Mark Cutifani: Thank you ladies and gentlemen. To close, we will focus on the assets, capabilities and making sure that we continue to hold our discipline in terms of delivering returns. Thank you.

[END OF TRANSCRIPT]