Title of Meeting: Anglo American Investor Call December 2018

Hosted By: Mark Cutifani

Mark Cutifani

Good morning and good afternoon, ladies and gentlemen. Thank you very much for joining us. Stephen and I will give you an update on second half 2018 and will provide some indicative numbers for 2019.

Despite some challenges, the business continues to make good progress, and we have more improvements to come. Before we go into the numbers, let me set context and talk to where we started the journey.

Slide 3: as you know in the last five years we've reduced the number of the assets by almost half, upgrading the portfolio and improving the performance from those assets we've retained. And in fact, each of them is averaging 30% more production than they were achieving five years ago. At the same time, we believe we've improved our risk profile.

We're more efficient with around 10% more production coming from those assets, from around 45% fewer heads, driving around a 95% higher productivity as a consequence. It's a significant step change in performance driven by the operating model, our design and technical changes across the portfolio, and obviously the quality of the asset mix. We also believe that we have more step changes to come, and we'll try and unpack that during the course of the next hour or so.

Slide 4: our asset improvement journey, we first showed this margin and cost position chart in July. We've had lots of input and questions, and we thought that it was worth revisiting again, but we've done something a little different. We've gone to an external source to verify the internal information that we presented last time we spoke to you, which is what we're showing on this slide here. I made the point then and I am now that these curves are dynamic, they're not static, and they do change from quarter to quarter and half to half. But from our point of view it's a very important piece of data that we use to analyse where we stand on an absolute basis and how we're rating against our competitors in our improvement journey.

What it shows is that we've improved the position on the breakeven curve for nearly all of our businesses over this period. The key point is that our overall competitive position has moved from the 49th percentile, which is the average revenue weighted margin position across all of our commodities, and we've improved that to the 37th percentile.

Two weeks ago, we showed you the copper position in H1 2018, and we showed we were in the second quartile. Wood Mac has our business

in the third quartile, but this was before we upgraded our unit cost guidance for 2018 to $1.40/lb and that would place us very solidly in the second quartile. So as you see, some of these numbers move around a little bit, but overall the directional indication is right and we're pretty happy that it's a good representation of where we sit at any particular time.

Slide 5: we answer the $64 question that people ask us as a consequence of the first slide which is, "Well that's fine, we can see you're improving, your costs are down 25%, but how does that rank against your colleagues in the industry, because everybody claims to be improving?" So again, using independent data, we're rating pretty well. Yes, everybody has been working to bring their costs down, but on a relative margin curve position we have improved more than any of our peers. We were behind the pack back in 2013 in terms of competitive performance as you can see by the light blue bars. Now, we're comfortably within the pack and even nudging towards the front. We're highly competitive and we believe we have a number of new opportunities to continue that performance improvement and that's where we're focused. This has become part of a new culture that sits within the organization.

Slide 6: having refined the portfolio, the focus is on our key assets and making sure that we're getting the best out of those assets applying our unique operating model and the technical adjustments we believe are available to us in the organization. The operating model is the name we use to describe the processes, the activities we drive. For example, real focus on the details in planning and scheduling then how to convert into effective execution and make sure that we continue to drive operational performance above and beyond the targets and the benchmarks previously set.

It's now become part of the way of doing business in Anglo American. It is not achieved overnight. It takes years to drive this culture through an organization. We've made some significant steps, and still have a long way to go, but it's now part of every conversation we have in the organization.

In terms of the approach, we focus on two things. Firstly, establish stability to the operation and that is consistency. Then once we know we have the operation in control, we take logical, measured steps to improve the business on a consistent basis.

We then follow an iterative process where every day we're looking at every part of the process and where we can take our next steps to improve the overall process which impacts production and our operating costs. It's rigorous, it's methodical and it drives a different set of conversations.

From that higher but stable base, we continue to look to get better and we've now started a new conversation in the organization. As our equipment starts to move towards best practice, we're now talking with each operation about going beyond the best in the industry. The best in the industry we define as P100. So when you hear someone in Anglo American talking about P101, they're talking about how they get their operation and their equipment to better than the best.

Some of you have heard us talking about this language, this culture, these conversations in South America in the copper business. It's not just in copper, it's in every part of the business.

In addition, we are progressing the next round of improvement that goes on top of this; we call this FutureSmart Mining. That's about step changes in application of new technologies, it's about digitalization, that's using data to make significantly better decisions in the way we run the business, and what we're driving is to reduce our energy footprint, our water footprint, our broader environmental footprint, which improves efficiencies and ultimately improves our costs. It improves our competitive position while also creating a far more sustainable business in every sense of the word.

Stephen Pearce

Slide 8: We recently hosted a site visit and I want to touch on some of the key takeaways as an example of both the transformation that Mark talked about, and the optionality we have within the copper portfolio.

Firstly, from a future perspective, our copper portfolio has potential to grow to around 1 Mtpa. It will be a low-cost business with C1 cash costs averaging around the $1.20 a pound.

In 2018, the copper business has really delivered. We're at the top in the production guidance and lower unit costs than we previously guided. Importantly, both will continue through 2019 to 2021 before our organic growth really starts to kick in from Quellaveco.

We then have further options, from Collahuasi, Los Bronces and other smaller but high quality projects, such as Sakatti. Importantly, the options are our own, we don't need to buy them. They're highly attractive, and should keep us at this production level for 30 years or more. Few companies have this quality, growth optionality and risk profile.

Slide 9: In common with copper, across the business we have upgraded production volumes and unit costs for 2018, 2019 and beyond. Overall, in copper equivalent terms in 2018, our production is up 2% on our previous guidance and is up around 5% on 2017.

Unit costs are down around 5% versus our mid-year guidance - partly helped by the strength of the dollar in the last few months. As we look forward, production levels are up a further 3% in 2019 with Minas Rio back online and a further 5% in 2020. A similar number in 2021 gives us an average 4% CAGR over the next three years. We're also going to successfully absorb inflation in that timeframe, keeping flat nominal costs in 2019 and will aim to continue that in 2020 as well.

Slide 10: 2018 hasn't been without its challenges. We've had some logistic issues at Kumba, some processing issues within PGM's and we've seen some market weakness in some of the lower value diamonds in recent months. This has led to a build-up of working capital around year end of around $600 million and it's trapped around $200 million of EBITDA that would have otherwise flowed through to earnings. We expect about half of this to release in 2019 and the balance in 2020.

On cost and volume improvements, we delivered the underlying improvement initiatives to hit our $800 million target, but this has been partly offset by the $200 million trapped in working capital and about $200 million of above CPI, oil and cost inflation. So a net $400 million improvement expected for the current year.

Slide 11: We talked to you previously about our approach to capital allocation. We delivered sustaining cash flows, paid our ratio-based dividend and ensured we have a very strong balance sheet that gives us flexibility through the cycle.

In the last three years, we have reduced net debt by over $9 billion and in the last 18 months we've paid out almost $2 billion in dividends. We're now in a position to look at all of our options.

The portfolio is largely where we want it. From time to time, we'll look to upgrade that portfolio where we see value and we now have a range of growth options, but we will deliver those in a conservative fashion, not overcommitting. If and when an operation improves its operational performance and hits its productivity targets, then we'll consider growth capex but always for value.

We're comfortable with our 40% pay out policy, but will always consider our growth options versus additional returns to shareholders. The aim is a balanced offering built off a strong balance sheet, attractive shareholder returns, and value adding disciplined growth.

Slide 12: How does this work in practice? Long-term sustaining capex guidance has increased to $2.8 billion to $3.1 billion. That accounts

for our larger portfolio including Quellaveco, the ramp up of Moranbah-Grosvenor and Minas-Rio moving to full production.

In the near term we have some important and attractive life extension projects to execute. Primarily Venetia Underground in diamonds, small high returning life extensions in thermal coal and Aquila in Met Coal, which is essentially a life extension for Grasstree.

Our near term sustaining capex will be around $3.2 billion, just a touch higher than our longer-term guidance. But we estimate these lifex projects give us an additional ten years of average mine life at around 500,000 tonnes of copper equivalent production. These projects come and go, so some years we may be above that guidance and others below.

Slide 13: Here are some of the value enhancing growth projects that we have, as well as spend for some of the new technologies to deliver productivity improvements. Each of these options comfortably meet our return hurdles. Overall, we'll be spending between $600 million to $900 million in 2019 on growth projects.

We've previously flagged some of the small brownfield projects that we have - within the Moranbah-Grosvenor complex, as an example. We can do these projects in a disciplined manner without overcommitting in the next three years. The ability and flexibility to do this is one of the reason that we syndicated Quellaveco.

Growth capex in 2020 will be a little bit higher given that we're likely to peak on Quellaveco capital expenditure. The amount depends on some of the small projects that may get approved through 2019 and 2020. We'll update you as that occurs.

Slide 14: The disciplined growth plays to key macro themes: an electrified world, a greener world and a richer world, and not necessarily just a China world. This includes our high quality bulks products, suitable for modern steel production. Our future copper business at one million tonnes per annum. Diamonds, if the market demands, 37 Mct. 5 Moz of PGMs with attractive expansion optionality around Mogalakwena. Around 30 Mt of met coal. With Minas Rio back online, 70 million tonnes of premium quality iron ore. Other business units are in a steady state. This combination should deliver very strong free cash flows and returns across the board.

Slide 15: All of this drives margins. Our improvements so far have driven an 11 percentage point increase in our margins. Next, our P101 initiatives, technology and the growth projects drive a further 5-10 percentage point increase in our mining EBITDA margin to close to 50%.

We're also reiterating our commitment to the $3 billion to $4 billion of cost and volume improvements by 2022, despite the challenges in 2018. We're also reiterating a $0.5 billion improvement in 2019.

Mark Cutifani

Slide 17: At Minas-Rio, the clean-up inspection and the repairs in the pipeline are complete. We have taken a responsible and cautious approach, making sure that the authorities were fully involved and informed as part of the process. We've installed some new fibre optic monitoring system and we will increase the frequency of the PIG inspections.

We've received one of three approvals in order to restart and hope that the other two awards are imminent. We're on track for a restart this month as guided. New guidance is on the slides.

Slide 18: At Quellaveco - some of you have already seen it – and were surprised that we're further ahead on the project than most people realize. We are largely done on permitting – as we have told you.

Construction is well advanced. Of the critical path items: Earthworks at 23% complete, concrete is 40% complete (since inception), engineering is at 60%. Contracts and Procurement are in good shape. Over 2/3 of our peak workforce is already on site.

Tom McCulley describes this project as more "moss coloured" than green field, due to the work already achieved to date.

We have the right team in place. They're ready to deliver all of our targets. And they're well set up to be successful.

Slide 20: Return on capital employed and asset life are both competitive in terms of their industry positions. We'll continue to improve our potential and delivery. We would expect to average 20% ROCE through the cycle – and in 2023, post Quellaveco, at H1 2018 prices, our ROCE would be around 25%.

In addition, we expect to maintain our average asset life around 30 years despite annual depletion from production.

As I said before, we're not only in the pack, but we're nudging towards leading the pack.

Slide 21: Sustainability is the heart of the business. Behind our performance the sustainability strategy is critical to the business and how we connect with all of our stakeholders. That is what we do and how we've been building our reputation. It's the culture of Anglo American the foundations we build on.

Being a trusted corporate leader is absolutely critical to the relationships we build in the countries in which we operate. Consistent with that, focusing on the development of thriving communities, our most important neighbours, is also key. As is making sure that we're part of the long-term creation of a healthy environment.

This approach is good for our stakeholders and good for us. We work to position ourselves as a partner of choice in countries and communities to develop resources. The feedback over the last ten years indicates that we're in the lead and we want to continue to lead the industry in all of these aspects. It is vital to the long term continuity of the business and the future of our company.

This is not an add-on. It has been and continues to be an integral part of how we do business. We've increased the focus even further, with FutureSmart mining. Anglo American is in a very different place to our competitors. Less water, less power, less footprint, less costs – this will drive the business and improve margins over the long-term.

Slide 21: to summarize, we have world-class assets across the business, and we have started to phase in new long-term attractive growth options. Each of those options provide us with the ability to enhance our margins, improve our returns and grow sensibly, maintaining discipline, and a focus on balance sheet.

We have leading capabilities through the operating model, our application of technology, our sustainability strategy, and our marketing work.

We prioritize returns: with a strong, conservative balance sheet, with disciplined use of capital and deliver attractive returns. Delivering returns to shareholders is what we're here for.

Very happy to take questions.

Jason Fairclough (BAML)

First, on Minas Rio, seems to be a bit of confidence on the restart in December and I guess we've seen your Norwegian neighbours in Brazil run into some problems saying they could restart but then it hasn't exactly happened. So my first question is, what makes you so confident that that restart is going to happen in December?

Second one is on projects. How do you think about the capacity of the organization to execute projects? Is one enough?

Mark Cutifani — On Minas Rio, we've done all of the technical work and in doing so we've had the technical advisors that advised the government authorities as part of that process. So there's alignment with them.

Secondly, from our surveys, we have more than 94% approval and support in the local communities, and in my experience in Brazil I think that's important.

The relationship with the authorities has been constructive. You can always be surprised but I would expect it would be a matter of days not a longer-term issue.

On projects: we've rebuilt the projects organization in the business from the ground up, and Tony has that responsibility to make sure projects are resourced and then together we've made sure that we have the team in place. Tony, did you want to add something?

Tony O'Neill — P101, and digital and innovation is almost the size of another project and we're retooling the company fundamentally. So, you have Quellaveco and you have this other project underway as well.

Mark Cutifani — P101 work, and innovation are two packages that we think will exceed Quellaveco in terms of the contribution they make to the business in three to five years and beyond. Another project like a Quellaveco is not the right thing on the moment. Our resources are deployed in the right areas, so the next three to five years we have the organization focused on what matters.

Miles Allsop (UBS) — First, can you give us an indication of your 2019 free cash flow at spot would be based on your unit cost, volume and capex guidance?

Second, when do you step up returns to shareholders? Should we be looking at the non-South African debt as needing to reach a certain level before you'll be more generous with cash returns?

Third, on capex, because that's the one number that was a bit of a surprise, it's a bit higher than we were expecting, could you go into a bit more detail on these incremental sustaining projects?

Stephen Pearce — Spot prices and exchange rates move around daily, so with a very high qualification, it's around $3.5bn free cash flow, before growth capex.

On returns to shareholders, it's great that we have choices. We have the business in a good place and a big part of that is getting the balance sheet in a better place. On SA cash vs the rest of the world, we manage the liquidity of the group broadly as one pool with a lot of that South African cash kept here in London in US dollars.

The 40% pay-out ratio, is a forward view, over circa a three year period. The cash flow has worked out broadly as we expected, so we're comfortable, but we will always make our choices on the discretionary use of that cash flow.

Capex is a bit higher - by $0.1bn or and $0.2bn for some brownfield projects as highlighted. Some of them haven't yet been approved – such as Moranbah-Grosvenor de-bottlenecking, the additional ship in Marine Namibia. These projects have a fast payback, are high returning so the right thing that that we consider for our capital.

On sustaining capex, we have more assets than before and as some of those assets ramp up, like Moranbah-Grosvenor, the production rates go up and so you need to spend development capex more quickly.

Tyler Broda (RBC) On diamonds, the profile is higher than we have seen recently. What the plan is there?

Also, on met coal, is the new guidance about as far as you'll can push those assets or is there further capex or growth potential in due course?

Mark Cutifani On diamonds, we are doing well from Gahcho Kué, Jwaneng and Orapa. There is always room to improve. The switch across at Venetia from open cut to underground is going well. We are also watching the market and in particular the small sized diamonds which seems to be a little over supplied recently.

Stephen Pearce Lifex capex is up a bit from prior guidance at Venetia underground - because development progress is ahead bringing that capex forward, which drives highly valuable early diamond flows and is NPV accretive.

Mark Cutifani Bruce and Tony got together and looked at the ways we could improve the efficiencies on that project. With that we think we can bring it in a year early, another good outcome from work done at grassroots level.

On coal, we continue to set new benchmarks at Moranbah and Grasstree on productivity, so more to come. It's the most productive operations in the country and just won coal mine of the year again.

For example, we forecast around $200 million to debottleneck Moranbah-Grosvenor, but with the P101 work the team's already squeezed another 10%. An increase to $300 million, gets another 10% to 15%.

Liam Fitzpatrick (Deutsche Bank)

First, on capex, the sustaining number of $3.2 billion per annum for 2019 to 2021: should that be a fairly consistent number across the years or will there be some lumpiness across that three year period?

On the life extensions of $500 million per annum, does that include Moranbah and Marine Namibia? If it doesn't, can you give us a detail on the two or three bigger projects within that number?

Separately, I heard you say you're looking at opportunities to upgrade the portfolio. Are you talking organically or outside of the group?

Stephen Pearce: Sustaining capex will come and go depending on where life extensions fall. A couple of examples of lifex projects are Venetia underground, and some spend at South African coal. Moranbah and Marine Namibia is growth capex – if approved.

On portfolio, we're just talking around small acquisitions as we did in Canadian diamonds. We also bought out a joint venture partner at Mototolo. We sold a couple of the smaller South African coal operations. It's around the edges where we see opportunity to add value to the portfolio.

Mark Cutifani: In the next three to five years we're growing the business around 20% through Quellaveco and incremental enhancements. We're targetting a free cash flow before growth of around 15% of our capital employed - consistent with better than 20% on ROCE through the cycle.

Edward Sterck (BMO): First, on the target of $3 billion to $4 billion in improvements by 2022. Where do you feel you are in that and what's the profile of those improvements expected to be over the next years?

Second, can you update on the derailment at Kumba and how progress is going in terms of shipments.

Stephen Pearce: On the $3 billion to $4 billion, confidence is increasing as we further build out the plans, particularly as we get into the details of 2019 from an operation perspective and embedding cost/volumes/P101 targets.

On the profile, some of the technology and volume benefits are more year to three to five. You will probably see an increase in the second half of that period to 2022.

Mark Cutifani: There are three buckets in the $3-4bn: operational efficiency of $1.5bn, technology and innovation of $1bn and project delivery of $1.5bn. By the end of 2019 we expect to have achieved $1-1.3bn of this.

Stephen Pearce — At Kumba, the temporary bridge is in place. We did have some stock at the port when the bridge incident occurred, so we're bound to keep some of the sales moving. Kumba indicated they would be towards the lower end of their guidance range.

Menno Sanderse (Morgan Stanley)
First, when the team came to Anglo American a few years ago, it mentioned that one of the issues that the company was trying to solve a lot of operating problems via capital spending. Can you help us understand why today is different, because you're clearly lifting capital spending for the next three years quite materially?

Mark Cutifani — Today our sustaining capital spend is 30% lower per unit of production than it was six or seven years ago.

Second, we're averaging almost 30% more out of each operation since we applied ourselves to improve these assets back in 2013/2014.

We can see sensible, relatively low-cost investment to improve our business by another 20%. 10% of the capital employed to deliver this, we get 2 for 1 over the next three to five years in terms of the improvements. We've improved the underlying production and productivity from the operations in the business so we're starting to hit some natural bottlenecks. Now we're focusing on the bottlenecks..

Stephen Pearce — Depreciation is around the $3 billion mark, not an exact dollar point, but a useful reference for sustaining capex level.

Menno Sanderse — On the slide 26, the volume guidance, how many of these projects on slide 13 are included, especially, for instance, the 4 to 6 million tonnes at Moranbah-Grosvenor, but all the others as well? Have you incorporated all the growth projects already in your volume guidance?

Stephen Pearce — Moranbah-Grosvenor debottlenecking is included. Venetia underground and the next cuts at other operations in Diamonds. Copper nothing until Quellaveco in 2022. Platinum is steady state even though we do have significant growth optionality at Mogalakwena. Kumba is steady state. Obviously we need to work with Transnet regarding the ramp up to steady state. Minas-Rio, ramping up to steady state. Thermal Coal has lifex in. Nickel is steady state with the briquetting plant.

Mark Cutifani — SIB+Stripping capital back in 2012 was around $3 billion – without considering lifex. We're increasing our development because our production is increasing. Production already up 10% on 2012 - with the additional 20% that we'll deliver by 2023, we will have sustaining capital of $3-3.2bn. Taking inflation into account, our capital efficiencies are 20%-30% better.

Menno Sanderse On Minas Rio, I see a 22 million to 24 million tons in 2021. The nameplate was planned at 26.5Mtpa. Is this a phasing issue or is this a reset of the designed capacity? And can we expect the same type of costs once in production, adjusted for local inflation and currencies?

Mark Cutifani It's sequencing and where we are in the ore body. We're looking at the sequencing and the quality we can present to the plant to get to the full rate but it's a work in progress. We're still focused on the 26.5Mtpa wet.

On costs, breakeven delivery into China at these sort of numbers of less than $35/t. That's ~$28/tonne FOB cost in the long-term.

Menno Sanderse The $0.6 billion other corporate cash flows is a very big number, some FX in there, but the treasury share purchases have been off the charts this year, which is understandable given where the company is coming from, but can you give us an indication of how much is still outstanding and is there a catch up purchases to cover the share option program?

Stephen Pearce Treasury shares step down to ~$200m from 2019. Also in 2018, we've had bond buybacks as we've dealt with the debt capital structure, and FX translation.

Grant Sporre (Macquarie)
Minas Rio: how dependent is your guidance on getting the final operating license.

On diamonds, in 2020, you've upped your guidance. How is the mix going to change then? Given some weakness in the smaller end of the market - is that guidance predicated on a recovery in pricing of the smaller end of the market?

Mark Cutifani We're assuming we get the operating license in May, but we've now scheduled June, so we have a bit of room. The process is being split into two parts and so we may be able to do some things earlier, but we're assuming a June license award, which we think is prudent and appropriate.

If it goes longer, we still have some flexibility, but it does get tougher in late Q3 and into Q4.

On diamonds, we expect the market will improve a bit by 2020/2021. The big contributors to lower value diamonds last year shifted a lot of volumes but some of that comes out of the market the next two to three years. We don't want to add to that volume, that's why we're not really pushing our own volumes beyond what we're showing in the guidance.

We expect better pricing on the higher quality products where the bulk (~70%) of our revenues come. That's the more important end of the market for us but we'll continue to manage volumes in the lower end.

Stephen Pearce

We haven't traditionally provided multi-year guidance on diamonds for the reason that it is market dependent. We are trying give a little bit of clarity, particularly as we move through the Venetia underground transition, and it's that production kicking in through 2021.

Dominic O'Kane

Capex guidance (slide 13): on the technology and innovation number, should we expect that type of range to be a recurring item or is that a 2019 or 2020 front loaded capex spend?

Capital availability: You clearly have multiple small-scale growth options, but equally you have a balance sheet is that materially below your 1.5x net debt:EBITDA ceiling, and you are unique amongst your UK listed peer group in currently only fulfilling the ordinary dividend, i.e., no excess capital returns. So could you join the dots on when or if we should start to think about excess capital returns for the group?

Mark Cutifani

On the technical and innovation, we're currently installing our first bulk sorter at El Soldado and are starting to move on several other fronts. In the next couple of years you will see a little bit more. Tony has a pretty extensive plan over the next five years, but the next two years will be quite intense. We're setting them up as improvement projects in the business with very good returns.

Stephen Pearce

We're pleased with where we are on the transformation journey. We're pleased with where we are from a balance sheet, operating performance and cash flow point of view, but we are probably at a reasonably good point in the cycle. Emerging from this phase, we've always said we have this period before we need to put our hand in our pocket in terms of contribution to Quellaveco.

We have always intended and still do intend to really make sure we're rock solid as we emerge from this part of our cycle and from the broader cycle. Nonetheless, we will always consider alternatives for free cash flow, including using it for additional returns to shareholders in whatever form.

Having said that, our 40% dividend pay-out ratio gives us ~5% yield. That probably sits fairly comfortably in the market just where it is at the moment.

Sergey Donskoy (SocGen)

On long-term capex, which has increased by about $200 million. You mentioned in the presentation Quellaveco as one of the examples of the

expanded portfolio, but as far as I understand it, it adds about $70 million only and it's by far the biggest project you're adding. If you could explain maybe two or three other significant items that drive this increase in capex longer term.

And in the near-term of 2019/2021 total sustaining capex, which has increased compared to your previous guidance, I'm just trying to understand the reason why you're feeling more confident now compared to one year ago. Is it because you're thinking that commodity prices are going to be more helpful or is it that you identified some issues that need to be addressed? Why are you feeling now more confident and why are you investing more than you were going to one year ago?

Stephen Pearce — Part of the answer is that the assets and the productivity and production from existing business is much better than it was in years' past. So, our actual capital costs per unit of production has moved in exactly the right direction. You see that there's a step up in production at Moranbah-Grosvenor as an example. The development that you need to have in front of that production profile increases when you increase production rates. That's quite typical of the increased productivity we're seeing from the assets does mean that you need to stay in front of that mine development.

A lot of our sustaining capex is around mine development and getting the assets ready for that production phase. It's almost a natural extension of the increased productivity. It's all for exactly the right reasons. The business is running so well and the assets are now performing at a much higher level than they were previously, it comes with a slightly accelerated cash flow on the sustaining capital side.

We also have some life extension expenditures that we classify as sustaining capital because they're not really aimed to increase production. A good example over the next year is ~$150 million in South African coal. Perhaps we may have underspent on some of that life extension expenditure in SA coal, and you'll see that little dip in production through 2019. It's going to bounce us back as that production comes back online. I think all for very good cash flow returning, higher productivity reasons that number steps up a little bit.

Mark Cutifani — SA coal specifically was an asset that was on the block but we weren't happy with what we were being offered in terms of multiples on cash flow. We said we're going to nurture it, improve the business, spend a little bit of money, keep a five-year window ahead of us, and extend the life of those assets. Its now delivering somewhere between $500 million and $700 million EBITDA and the guys have done a good job and they can see more opportunities to improve.

Stephen Pearce Extra production doesn't come free.

Serge Donskoy One more question: Higher guidance for diamonds, especially in 2021. Is this increase driven mainly by faster than expected ramp-up of Venetia or you think that now Botswana will be operating better than expected? Or something else?

Mark Cutifani Three things. The guys are doing well on the project and we expect that we can get there a bit earlier. But more important than that, we think the market will start to show improving trends because we think supply is becoming tougher, particularly on the quality end. We want to be in position to take advantage of that if the market's there.

We always watch the market very carefully and if the market is a little softer, then there's no point putting product out there if you're not going to get the right price. But we're going to make sure that we're in a position to take advantage of a favourable market. So, yes, it is partly thinking about where we could be if the market goes our way and not wanting to miss that window.

Sylvain Brunet (Exane) On Minas, what exact license do you need to go in full production? And when you refer to 1.2 million tonnes run rate per month on slide 17, is this a run rate you can produce at already today with the license you have?

On the slide in appendix on Quellaveco, if you could just help us on the phasing of the capex over the years 2022? Should we assume bigger spend towards the end of the project or evenly split across the years?

Lastly, inflation was of course a headwind in the second half, but on the very latest indicators, are you already seeing this inflation pressure receding going into first half of 2019?

Mark Cutifani On the licenses, we have our installation license. The license to operate means that they come back and check that we actually built what we said we'd build. The license to operate is the last step. What we're working on with the government is that you could then do that in just two steps: do the mining side earlier, so it allows us to open the footprint up, and then do the process plant by June. Those are the two licenses that we require for the long-term operation of the asset that lets us open up the footprint so we can get ourselves up to the full production rate.

The really important license for us was the license we got this year, which was the license to install. The last step is more an administrative one, making sure that we haven't done anything different.

Secondly, in terms of the process for the pipeline in the next couple of weeks: The key approval in the next week is the environmental authority. I make the point that technical advisors have been involved every step of the way, we've provided them every bit of information and they've been with us through the process.

In terms of the run rate, the opening up of the pit room is very important to get the run rate to the desired level. The mining footprint is key to get the ore quality right so they can get the right flows through the plant to get our 26.5Mtpa production level.

Stephen Pearce — On the other question, so Quellaveco capital spending and phasing of that is set out on slide 43. For 2019 we've provided this.

We grouped 2020 - 2022 together, because the team will be working as hard as possible to bring that forward for all the right reasons. At this stage we would expect 2020 to be the peak capital year, around ~$1.5bn-ish. We'll break that out as time goes on as we get further down the track with the project. We only approved it at the start of August, so it's relatively early days still.

Cost inflation is probably the biggest thing that we saw moving in the second half of 2018, and oil in terms of an individual item. That's eased back a little bit, but it's on the run again given OPEC announcements in recent days. We haven't tried to be too clever in the guidance that we're giving you there. We're assuming a reasonably healthy oil price that feeds into our cost structure, so we'll be doing everything to minimize the impact of inflation, but remembering the geographies that we work in sometimes the mining inflation, whether that be salary specific to our industry or energy costs are a little bit above general CPI. It's by no means an easy gain to stay ahead, but it is something that we are forecasting that we can drive benefits in the business that will keep us head of that cost inflation.

Hunter Hillcoat (Investec)

You've kept your PGM profile pretty flat. Now, given the long-term outlook for palladium do you have any appetite for allocating expense and capital to the business?

Mark Cutifani — The team are very focused on first getting 25% out of the cost structure at Amandelbult. From our point of view, the market doesn't need more PGM's, although obviously we'd like to throw a few more palladium ounces out there given the price. But capital discipline, capital discipline, capital discipline, get the costs down. The guys are still in that frame of mind.

Given all of that, we are looking at options to continue to improve Mogalakwena. It's incremental stuff. We don't want to throw more

volume at it because we don't want to impact the market. I think there's more closures that will occur in the next year or two, and that's an important dynamic in the industry. We'll squeeze a bit more. Mogalakwena is the best place for us to source palladium, so the team will keep trying to squeeze that a little bit more, do a bit better. We think they can, particularly on P101. They still have a lot of room to improve their underlying equipment productivity. Whilst they've improved about 30%, they still have a long way to go. But we're not going to do anything too significant because it's better to continue to improve margins than drive absolute production.

Sam Catalano (Credit Suisse)

A follow up on Menno's question earlier about the long-term production guidance for Minas Rio being 22 – 24Mtpa. I think your answer was the team looking at the sequencing as to how they can ramp-up to full capacity. My question here is, given that the shutdown was due to the pipeline and you've had the asset for ten years, shouldn't that sequencing been worked out a while ago?

Mark Cutifani

That's a good question. The footprint in the mine getting access to the ore is something that we already had in the plan and we believe we can do a bit better. But it's tight in terms of pit and we want to see the performance in the pit consistently before we put that into a forecast. So, good question.

There's still a little more work to do on the ground when they're at full rate to show us that they can get there. Once they've done that, then we'll be a little bit bolder in bringing forward those numbers.

Sam Catalano

So we could call it sort of conservatism in seeing how the scale up goes, effectively?

Mark Cutifani

Partly, Sam. I also think that they're a fairly new and they've been very constrained in the pit. So getting the pit room open is very important. So you might argue it is a little conservative, but we also think it's prudent to give them a little time to get that balance right.

[END OF CALL]