Anglo American

2019 Investor Update Call

10 December 2019

Paul Galloway	Thank you very much for joining us. It's our update call for 2019 and I am emphasizing "update" call. We have already updated you on our bulks at the seminar and site visit in Australia last month, so we will building on that information. You'll hear 25 minutes from us and then we'll open for Q&A. Thank you.
Mark Cutifani	Thank you, Paul. I have a few things that I'm going to share with you and then I'll hand across to Stephen.

I'm on slide 3. Very simple, we've come a long way. Today, as we've said before, we are a fundamentally different business. The portfolio restructuring has been significant and now we're continuing to evolve the portfolio, as you'd expect, and improve. The technical reconfiguration, which is really referring to the major changes to mining strategies at most of our assets is well advanced and certainly yielding significant improvement, and obviously the Operating Model will always be a work in progress and we have implemented but continued to do a significant amount of work, and we're probably, if you look across the portfolio, about 60% to 70% complete. So there's still a lot of things that we can do and a lot of things that we can do better than we currently do today.

So far those changes have driven a more than doubling of productivity. Or another way to say it is we're producing about 10% more product with 50% of the assets. And yes, even though the assets that we have either sold or in some cases closed, due to the marginal nature of the business, the assets that we've retained are each doing better than they were a few years back. So the underlying efficiency improvements in those assets have been quite significant and hence, the 28% nominal production in unit operating costs is closer to about 45% in real terms. And again, it's about the combination of the portfolio restructuring which is about 1/3 of the improvement, the technical reconfiguration another 1/3, and the implementation of the Operating Model and the focus on efficiencies another 1/3.

If you go to the next slide, again, same message, key focal points. Just to give you a sense of how much we've improved relative to our peers. Back in 2012 into 2013 our average cost position across our commodities and that's weighted by revenue, was around 49%. The last time we did the review at the midyear, we were at the 36th percentile and our peers were in the range of 34% to 47%. So there's one peer that was ahead of us and those numbers were taken from independent sources, so we think they're pretty robust.

We would hope in the course of the last 12 months we would continue to improve that position, but sometimes there are changes in other businesses. But we'll do our reconciliation again in February and share with you where we believe we are in the next round of conversations. Pleased with the improvement, but there's still a lot of things we can do and a lot more work to be done.

On slide 5, I want to talk to three parts. Firstly, the operational excellence, some of you have just come back from our bulks conversation, so I won't go too much there. The 200% met coal productivity is actually a tripling of productivity. That's 200% above where we were some years back. Kumba has more than doubled its productivity of its major shovels. Again, I know that a bit of time was taken explaining how we're doing our P101 work, focusing on all the kit that we have across the site driving significant improvements across the asset base and again, still a lot more we can do across the business.

In terms of our focus and portfolio, the bulks business is the one that you'll continue to see evolution and transformation, and from a long-term point of view we're going from where we were in 2012 which was Kumba in iron ore, the Aussie met coal assets and thermal coal, which was a mix of Aussie, South Africa, Colombia assets. To the long-term where we see high quality iron ore, high quality met coal, so from our point of view, continuing to improve our margins off a high quality base and certainly that's where the focus will be and certainly underpinning the position on a go forward basis. And as you see there, in metallurgical coal when we talk about quality, we're talking about hard coking coal. So 85% of our product would be in hard coking coal and the 65% reference in iron ore is the average quality of the material that we're producing to market. So those percentages refer to different context, but they're both scratching at the concept of quality.

If you look at what we're doing on the marketing side, the marketing work that we do in relation to the quality of those products is actually very important to us and has certainly been a good part of the margin improvement story across the portfolio - one that quite often gets missed when people talk about the transformation of Anglo American, I think that is a significant point.

In terms of slide 6, just a quick summary of key points in the other parts of the business. Diamonds, obviously it's been a tough market. Prices on a full year basis are down around 20%. Price index is down about 5% and the mix is down in terms of quality, by price, about 15%. That's partly around cleaning up of the lower grade stock position and making sure that we keep a balance in the mix for sales on a go forward basis.

We've certainly seen a little bit of improvement later in the year. I think the best thing to say is the first couple of sights in the New Year will be I think a better point in terms of how that market is going. We've seen some encouragement, but I think it's still a little too early to bank that in any more of a substantive sense.

In Copper, the focus has really been on continuing our efficiency drive. Costs are down another 5%. And PGM's, Chris and the guys have kept the costs pretty tight, although there's some more work to be done at Amandelbult where we had a bit of a slow start during the course of the year but said to be coming back much better more recently. And we've benefitted from a pretty strong market in PGM's. And certainly from our point of view, there's clearly focus in the automotive sector on making sure that they're managing emissions. And from that perspective we've seen very strong demand for palladium. And at this stage we don't see that pulling back too quickly, so in a pretty good position. And certainly, from our perspective, very pleased to see the strength in demand.

With that, happy to hand across to Stephen.

Stephen Pearce

Thank you very much, Mark. As I work through the next few slides, I'll wrap up 2019 and look forward briefly to 2020 and beyond. We'll be focusing on some of the same themes as Mark, improved asset performance and value delivery through disciplined growth.

As Mark mentioned, a number of you have been to our recent site visits. I'm looking at slide 8. You've seen the positive impacts that the Operating Model's had on the operations - you went to Copper last year and Bulks just recently and back in 2016 you also did PGMs and in that time you'll have seen the improvement in assets like Mogalakwena as well. And just to remind you, these three businesses contribute a large portion of our earnings.

So 2019, production up 1% to 2% this year. It continues to improve, but to be frank, a little less than we would have liked. As Mark mentioned, softness in the market in De Beers, having a little bit of water constraint at Los Bronces in Copper, and more recently some of the power curtailments in PGMs. We've also had a domestic customer, a domestic steel mill in South Africa, impacting on Kumba sales over the recent months.

On the cost side, a very strong performance. As Mark mentioned, Copper down 5%, overall costs tracking to 5% lower for this year. We had a little bit of help from FX, but nonetheless more than offset inflation right across the board. We've seen improvements in Met coal and also a very strong performance from Minas-Rio.

For 2020, we see continued improvement in production as some 3% forecast for next year driven by PGMs and hopefully we also will get some assistance from the Diamond market coming back to balance.

2020 - costs are broadly flat next year. We have a little bit of impact from some additional and increased rates, with degassing at met coal as our production increases. We also have what we call mining inflation or geological inflation at Kumba where we're getting a little bit deeper and further from the plant.

Turning to slide 9, a quick look at some of the other items. Share buyback, obviously you're all well aware of. We're tracking to just under $800 million for the end of the year. And just a reminder, we brought on the IFRS operating leases like a lot of other companies did at the start of the year.

We're seeing a little bit of build in inventory consistent with the slowdown in De Beers, where we're quite happy to carry some extra stock into next year and potentially just with the power outages in PGMs in South Africa we may see a subtle increase in stocks towards year end. Again, quite confident that we'll clear those positions into the New Year.

In terms of cost and volume improvement, so $0.3 billion for this year. You'll recall at the half we flagged about $400 million, subject to a few moving market pieces. We just had a couple of slight headwinds there with the South African steel mill, De Beers and some ongoing water constraints at Copper. None of that major and some of those benefits will roll into next year as we run the working capital down. Just to note that the $0.3 billion does exclude the market impact on De Beers.

Tax guidance, I know it's important for the EPS and dividend numbers, and we're tracking to an effective rate of 30% for this financial year.

Turning to slide 10, so this slide gives you a bit of a proforma view from the H1 net debt position. So the buyback, which I just spoke to, and just a reminder our capex guidance means our H2 spend is always normally a little higher than our H1. In this year's case by about a billion dollars driven by two primary things: general timing, we always tend to be a little second half skewed, and also the Quellaveco spend - remember that we were utilizing the cash from the sell down in the first half and then we switched in the second half to contributing our proportion but also consolidating the Mitsubishi proportion.

Turning to slide 11, capex for 2019 we expect to come in marginally below the bottom of the guidance, so at around $3.7 billion. For 2020, guidance is unchanged overall. We have some movement between SIB and growth. The SIB is a little bit of rollover from this year, a little bit extra on water and then some additional work on the Moranbah-Grosvenor (M-G) gas given the productivity that Mark spoke about at M-G.

In summary, for 2021 and 2022, marginal increase at the top of the range, but relatively small changes and really just reflecting the timing and crystallization as we get a little firmer on exact targeting for some of the projects in those years. No change to the longer-term guidance.

Turning to slide 12, I don't intend to talk in detail to this slide. This slide is updates to information that we haven't previously provided. The full production guidance and outlook slide is contained in the appendix. Again, just a reminder, overall production up this year 1% to 2%. 2020 and onwards, we continue to see that improved production profile coming through.

Just a note as you're looking at the Met coal numbers in particular, they do reflect the planned sale of 12% of the Grosvenor mine. So that equalization transaction that we announced a week or so ago.

Turning to slide 13, unit costs, again, I don't intend to talk in detail. Again, there's a complete summary of all of the operations in the appendix. Overall, as we look through to 2020, again, we're up 2% on a flat FX assumption but doing better than underlying assumed inflation.

You'll note that Copper, the standout, continues to do very well - on the back of the strong year this year and, again, a good outlook for next. Again, details in the appendix so please speak to the IR team and also a reminder that the Anglo EBITDA one-pager is in the appendix, so you can update that with unit costs and production information.

On slide 14, just to capture our overall journey from 2018 to 2022, you will recall that we set ourselves a target of $3-4 billion across three primary categories. So cost and volume, the Operating Model & P101 category - where we're expecting to exit this year at $0.7 billion and we've identified another $400 million for 2020 in terms of cost and volume improvements. So that substantially moves us through that category.

In terms of the Technology & Innovation, we continue with our work there and we're starting to roll out, we started this year and we'll progressively roll out next year some of that technology going live in the operations. The first major pieces of kit are the bulk ore sorters, particularly at El Soldado, in the Nickel operations in Brazil and at Mogalakwena in PGMs. You should start to see the benefit of those towards the end of 2020 and then hopefully far more visible for you with that and the following series of initiatives in 2021 and 2022.

Growth Projects, we're on time and on budget and should expect to see those towards the end of 2021 and 2022 period.

So just to wrap up on slide 15, over that forecast period we continue to drive production growth focused around value. We think that's a very highly competitive position, if not market leading. We continue to focus on margins, as Mark said. That's a combination of marketing effort and focus on costs to drive cash flow and EBITDA. We've set ourselves net debt targets so that we can both act counter cyclically and continue to invest in the portfolio across the cycle.

So the focus remains around P101, the technology investment, around margin and real focus on value. At all times we'll look to maintain the commitment to get the balance right in terms of the balance sheet, returns to shareholders and discretionary allocation of those surplus cash flows.

Mark Cutifani

Thanks, Stephen. As we go forward, looking at the growth across the portfolio, it really is about focusing on quality and working the opportunities that we have. I'm on slide 17, I won't go back through the Operating Model, but I think it is important to reinforce the work we're doing on P101.

We've improved the underlying performance of shovels, trucks, in some cases 20% to 30%. And in cases where we really weren't working the assets at all, more than 100% improvement, as you saw at Kumba, and more than doubling of productivity off the big shovels. We've also found some bottlenecks in the system that we weren't aware of. For example, the big shovel at Mogalakwena, a Chinese operating system we've had to reconfigure and help people understand how to get the best out of that unit and we're expecting that to improve significantly over the next 12 to 24 months. So we're working those sorts of issues through the system.

Consistent with the focus on getting the best out of the assets, we're making both technical changes, mine configuration changes, pushing digital approaches in understanding how to run kit better, and in some cases, making technical changes, but we are, as Stephen said, already building and in some cases commissioning new approaches, for example, the three bulk sorters, and we're also progressing well with the installation of course particle floatation at El Soldado. We're shadowing that from a Los Bronces perspective, that will be very important in terms of our water recovery work in Copper. So, those things are starting to land on the ground. And through the course of the year, that will be a very important part of the work.

The other thing that I wanted to point out was that on the marketing side, the work around doing better in the market has been quite successful for us and we will continue to push that work as we get more consistency in terms of the products. And Minas-Rio is an important part of that and, again, the focus on the Met coal assets and getting the blends right into the market.

In terms of growth, again, our focus is on quality, margins and return. And whenever we talk about growth, it's about growing margins and returns.

I'm on page 19. In terms of projects, Quellaveco, very pleased with the progress. The project is on track and, in fact, we've just had photos of the major concrete pours for the big mills. So, very pleased with the progress we're seeing there and still starting to come up from the ground. And for those that understood the key issues in Quellaveco, it was around the civil works and the amount of concrete needed across the site. Those were the two big issues and we're doing very well and very pleased with the progress.

In Namibia, the ship on order is due to be in the water in the second half of 2021 and we would expect to be producing by early 2022. Again, on track.

Minas-Rio, we've received confirmation on the first vote on the licenses through the system a couple weeks back and we're setting up for the second vote which will occur later this month, so pleased with progress there. And certainly there have been no issues flagged to us that would indicate anything untoward in the process, but again, we've worked that through and made sure that we have all the angles covered.

And on Aquila we're on track for Q1 2022. The guys are doing well on the development side. So in terms of our projects, we're very happy with the progress and, again, we expect all of those to be in pretty good shape.

Going to page 20, a couple of very simple messages. We are playing to the broader themes, as a supplier of goods to our customers, and certainly with Diamonds, Copper and PGMs a very clear story around consumers and a greener world. And in terms of bulks, the focus on quality and making sure that we're a niche player in a pretty aggressively competitive market and with those products we've continued to reduce our costs and/or improve our quality. So our quality adjusted competitive position, particularly in iron ore, has moved from third quartile into middle second quartile. So that's been a significant improvement in the business and in Met coal we're already bouncing around the edge of first and second quartile. So those positions are very important to us and obviously they reflect the inherent margins in the business, which we think for the longer term are better positioned than most given where we think those markets will go.

Finally, on page 21, again, a slide you've seen before. Our focus on the quality of the assets both in terms of cost competitive position and the life of those assets, which gives us other flexibility we can work on, particularly on the quality side. From the capabilities point of view, lots of work going in, in terms of improving efficiencies. The innovation and sustainability work we think is industry leading. But again, we're still on a learning curve. And the marketing work has been a real winner for us and in many conversations doesn't get the recognition that it probably deserves, and I think Peter and the guys have done a good job there.

As a consequence, margins, returns, the focus on capital allocation has been absolutely critical and I think the discipline that Stephen has brought and the conversations around capital are the right conversations and it's one that we continue to focus on to make sure we have the right focus right across the business. And with that, very happy to open the conversation to questions.

Paul Galloway: Can we try and keep it to one question per questioner? Thank you.

Liam Fitzpatrick (Deutsche): On Quellaveco, can you just remind us how much contingency is baked into the capex guidance? And how comfortable are you with the overall capex guidance given progress to date? Then just linked to that, could you just remind us on what the key development milestones are for that project through 2020?

Stephen Pearce: We haven't given specific guidance on the exact contingency, but to say that we are very comfortable with where we're sitting in terms of both the progress and dollars spent. And very happy as we sit here today in terms of the forward look on the capital project.

Mark Cutifani: Key milestone, mid-2022 commissioning, that's the 45-month schedule, we're happy with where we are. Spends are coming in certainly well in line with the overall project and the progress has been very good.

One thing we keep an eye on, Liam, is the community side. I think that's something that you have to be alert to in Peru, probably most locations. But to be fair, even though there's been a bit of noise in Peru the guys have handled it very well and we've not had a lot of fallout from other conversations in Peru, so we're pretty happy with the way that's landing as well.

Stephen Pearce: And all the civil works in concreting should be all be finished by the end of 2020. I think that puts us in a great position for the run home to commissioning, etc.

Sergey Donskoy (Societe Generale): Can you remind us, when should we expect some updates or news on your broader expansion options in Copper, say, Los Bronces underground or Collahuasi expansion?

Mark Cutifani: To talk specifically to Los Bronces underground, we've actually lodged the environmental applications and documentation. That was around mid-year. It's a three year process. So, Ruben, Tony and the guys will continue to work on some drilling and the key sensitivities, and we'll probably give an update at the half year which will be on the one year date from the submission. So, we were assuming we'd give an annual update on the progress and also just update you if there's been any technical adjustments or changes based on the drilling. But so far we're pretty happy with all the things we've seen so far and the drilling has been positive.

Stephen Pearce: Just working through the normal feasibility study processes that will happen over the next year or two. And you'll see on some of the other forward-looking capital project slides that we've had in previous and more detailed presentations a general expectation on timing as to when those projects will come through. Nothing's really changed in respect of those at this stage.

Mark Cutifani: The only other one is Mogalakwena. It's in feasibility. In our view there will still be some conversations around the final technical configuration of the plant. The real question is how much of those new technologies can we build into the plant. So I would look for a final decision on those sorts of things early in 2021. So we'll work it through the course of next year, we'll do our final configurations and that conversation I would expect to be early 2021.

Myles Allsop (UBS): On succession planning, there's been quite a few announcements by your competitors of changes. Mark, can you give us a sense as to what you want to achieve before you hand over the reins and how you're preparing your potential successors for stepping up into the role?

Mark Cutifani From my point of view, clearly seeing Quellaveco through to a point where everyone's comfortable that we've delivered on our own commitments I think is very important. Given the context of when I joined, in terms of Minas-Rio, demonstrating that this is a very different organisation, Quellaveco is very important to us and I think we've demonstrated across a number of projects that we have the discipline and the skills in terms of all the things that we've corrected. Continuing the journey, making sure we deliver on our financial commitments, so the $3 to $4 billion cost and volume target is another key piece of work and making sure that we have the platform right.

We've not hard wired an exit. It remains open, but at the same time I don't want to stand in the way of the organisation if and when someone is ready to take that next step, and that's a little while away yet from a Board perspective. But again, we have some really capable people and I imagine that they will figure prominently in the Board's thinking at some point in the future.

Myles Allsop So is it a 2022 type event? – is that the way we should think about it with Quellaveco and your sort of cost improvements?

Mark Cutifani Myles, if I answer the question, I'm going to get another five questions. So it's some time in the future.

Sylvain Brunet (Exane): Diamonds - the one thing which is a bit difficult to estimate from the outside is the profitability with the change in your mix. Given EBITDA margins were 20% with the standard mix in the first half, would you say that halving those margins in the second half would capture it? Or would you think there's even more downside to EBITDA in the second half?

Stephen Pearce It's been a tough half, obviously as we've indicated, for Diamonds. In addition to the general price decrease and general market conditions and softness that we're seeing, we have also sold a lower mix of diamonds and with that comes lower EBITDA margins. What we've actually got then sitting in stock is a pretty good mix that we'll exit the year end on, which should have some pretty good EBITDA margins, so you should expect the second half will be substantially lower than the first half. I know that's not a precise answer for you, but hopefully that guides you appropriately.

Mark Cutifani And I think Stephen's made a very important point that we've tried to keep the mix in stock in a good position because if you get a lift, that we're hoping for in the first half next year, usually that lift is certainly amplified the higher you go up the quality curve. So, from our point of view we think we've made the right calls. Yes, it means that it ends up being a tougher six months that we've gone through, but we think we're positioning ourselves correctly for next year.

Dominic O'Kane (JP Morgan): Could you comment more broadly on the impact of the Eskom load shedding on all of your assets in South Africa? And also maybe give us an update around the thinking on AMSA - so the reduced tonnage you're seeing answer, do you think that will be available for the export market?

Mark Cutifani On the power side, there's no doubt that the current load shedding is having an impact. We've had guys not go underground yesterday. So that will certainly impact let's say on Amandelbult. But on the other side of that we have a good proportion of our metal coming from Mogalakwena. It does impact concentrators, but we have a little bit of catch up capacity there and we have catch up capacity in smelters and refineries and we're certainly keeping our refineries going.

So, obviously we wouldn't like to see this last more than a few days. I remember back in 2008 when we had the first significant load shedding and you had a couple of technical issues plus wet coal, and I think we have a fairly similar situation now where we have wet coal and it took us probably a bit over a week to get the place squared back up. I'm hoping that Eskom is able to recover and improve its position.

So not significant because we have a much higher proportion of our assets in open cut operations now, but it does impact the underground operations and concentrators. So yes, some impact, but again, all quite manageable from our perspective. So I think that's the first question.

On the AMSA situation, I know the government's keen on trying to rescue something. I can't comment if that looks like it could be successful. I just don't know and we'll have to wait the next couple of weeks.

Stephen Pearce Obviously, we're probably more port constrained than rail constrained. So we'll need to work really hard to try to make up those tonnes to get them right out through and on to a ship. So it's not easy to recover, but certainly we'll be working very closely with Transnet on the basis that those tonnes were there to try to make sure that we maximise the whole product demand.

Paul Gait (Bernstein) In the longer term you don't have thermal coal in and yet there's production guidance out to 2022. Should we interpret that as basically saying that thermal coal will stay in the portfolio until at least then and that you're not looking to exit the business prior to that point or is that just over reading the dates that are in the slide deck?

Mark Cutifani Paul, can I suggest that it remains in until we say it's out. I think that's the right way to play it. From our point of view, we've not made a call. We are working through issues and options, and we would expect to update early next year. Not suggesting that's when we'll have a final call, but I think during the course of 2020 we'll make it pretty clear where we're going. And that requires us to take into account a number of moving parts: conversations with governments; employees; and customers. And the one thing we won't do is do something that's inappropriate or unfair to any of our stakeholders, and that includes thinking about how you make changes to the portfolio. So our commitment to a just transformation remains very solid, but at the same time it is an active conversation and we'll keep everyone posted and certainly I think we'll have quite a clear position during the course of next year.

Stephen Pearce We'll still continue to allocate sensible capital into life extension programs across particularly the South African assets. So while they have a relatively shorter life, we're still investing in them for the next couple of years.

Alain Gabriel (Morgan Stanley): The Chilean operations - if you look at slide 25, can I confirm that your guidance for cash cost is based on a 650 Chilean peso to the dollar? And how do you factor in the water situation? - can elaborate a little bit more on the challenges there.

Mark Cutifani We haven't used the last month's exchange rate. We've actually held that more constant around the mid sort of 600's.

The water impact at the moment has mainly been fairly marginal, but we're talking at Los Bronces. So the team are working very, very hard to obviously preserve and conserve all the water that we do use, looking at a lot of initiatives there. We're going to allow a little bit of capital for that through the next year or so as well just to try to help ease the pressure. It's a little bit hard to predict rain and exactly how things fall but it has been quite dry for a period of time, so we remain tight and sort of challenged on water. At the moment it hasn't had a big impact on production. Hopefully that will continue to be the case.

Jason Fairclough (BAML): Just following up on the Copper business, we're starting to see a little bit of civil and social unrest in LatAm and particularly Chile about higher taxes, and then in Peru, obviously, we have the protests around Los Bambas. So I guess what I'm wondering here is there any sort of impact on your business so far? What sort of steps are you taking to mitigate? This would be both for Chile, but then also for Quellaveco.

Mark Cutifani	The first thing I would say is our portfolio is a little different to some of our major colleagues, so we do have experience in dealing in jurisdictions that might have a little more complexity than others have experienced. So what we've learned over a long period of time is your relationship with the local community is absolutely critical. And in times when you have this sort of noise, making sure you're working with your employees and having them work through our security protocols is critical, making sure that we're connecting with local communities and making sure that you're not creating yourselves as a target, both in Peru and Chile the same rules apply. So we've not had significant impact other than we've had people stay home based in Santiago a few times when we've seen that things have been a little too noisy or too rowdy and didn't want people to take risks. But apart from that it's been business as usual. We continue to monitor very closely and make sure that we're keeping people safe, but generally our operations have continued on. In Quellaveco, there's been quite a bit of noise in other areas. Around our operations it's certainly been much quieter, but not unaffected. And again, dialog, connecting, making sure people understand who we are and explaining how things might impact them in relation to our operations is an ongoing piece of work, it's a full time job and we're making sure that we're managing those things very carefully. So, it's not good, the Chile situation, but from our point of view it's times like these that your local relationships really start to make a difference in terms of the way you're managing the security of your people and the movement of people to and from work.
Jason Fairclough	Just to follow up, on taxes, can you remind us of the fiscal stability agreements you have at each of the ops?
Stephen Pearce	So Chile, we operate just under normal tax rules and regimes, so nothing particularly special there. In Peru, we're in the midst of a process at the moment in terms of finalising stability agreements. So we're hopeful that that will sort itself out in due course.
Mark Cutifani	We've certainly not seen any change in conversations around those issues, Jason, so we've not seen any changes. At the end of the day, I think Chile has a lot of things they're going to have to navigate, including the constitutional work. And whether something comes out of that, don't know, but from our point of view we've not seen anything specific at this point in time.
Tyler Broda (RBC)	Minas-Rio, can you just discuss in more detail around the process there at the moment? I'm just wondering what are the risks from here from this second vote of a further delay? Then if you can just remind us what happens in that circumstance at the moment just with us being closer to year end and understanding capacity levels a bit better perhaps?
Mark Cutifani	We go through two votes, we have a local vote and that got pretty solid support. There are some technical processes where the local judiciary and other interested parties put their cases forward, but again we've had pretty good support. From a technical point of view, the Minas-Rio technology is right at the top of the tree in terms of application of new technologies. And effectively it's a water containing damn. It's actually beyond a tailings damn, it's actually beyond that. So, there have been no technical issues that have been raised that would concern us. This is a normal course of events process. We got our stage three licenses, that was the more difficult one, this time last year and we got it six months early. So we'd expect this one to go through. If there's a question on some technical point that's the only thing that I could think might be a question. And I would imagine that would be solved in a matter of days or weeks. So, we're not anticipating an issue, but you never say never. And from our point of view, we have months of capacity available to us in any case. So, I'm certainly not losing any sleep. In terms of some of

the commentary I've seen externally, you guys probably are losing more sleep than any of us are. But again, we're closer to the process and we're certainly seeing pretty solid feedback. We think we're in good shape, but I'd like to see it done this year so everybody moves on and we get on with getting it up to full rate. And certainly the progress we've made so far has been good.

One thing we do ask you to remember is we'll take the pipeline down during the course of next year for a month while we're doing the pig runs. We might get a little bit of time out of that, but that's also an impact on next year's forecast.

Ian Rossouw (Barclays) Just a follow up question on the guidance changes you've brought through. Just on Copper, is the lower 2020 number, is that just taking into account the risks around water at Los Bronces? And 2021, maybe just talk about that, please? And also at Kumba, I would have thought the AMSA volumes was already in the November guidance. Can you just explain that, please?

Stephen Pearce So just on Copper, it's probably a combination of a little bit of an allowance on water, tightness at Los Bronces and then some general grade movements just across that couple of year timeframe as well.

On Kumba, the AMSA issue was really just evolving at the time that the site visit was on, so we didn't quite know exactly how that was going to fall. Obviously we now know the announcements are gone and we've been working hard to look at our ability as to how we can mitigate that in terms of how we get tonnes down the line. It is still a work in progress. So as Mark says, hopefully something may be resurrected, but nonetheless we'll be working hard with all of the parts of the supply and logistics chain trying to get as many tonnes down both the train line and then obviously maximize the full capacity we have as well.

Mark Cutifani I think we're being appropriately cautious. From our point of view, they are moving parts. Unless you have a specific answer or solution, we always think it's better to go a little bit lower and keep working on an opportunity to improve.

Ian Rossouw On Diamonds then, is that more market-based sort of adjustments or is that operational or technical changes?

Stephen Pearce It's a combination of both as we're moving from the open cut of Venetia to underground, that sort of crystallizes a lot through next year and obviously a bit of allowance for market movement and hopefully that starts to turn through the first half of next year.

Richard Hatch (Berenberg) Just on the weakness of the Chilean peso, are you starting to see any form of cost inflation being pushed through in Chile?

Stephen Pearce Not anything out of the ordinary at this time, but obviously it's something we'll keep an eye on as things move forward. Obviously, it's been a relatively short period to date that we're seeing the elevated exchange rate. Obviously we get the benefit of that in terms of flowing through with some of the cost structures, but let's see how that flows into inflation over time.

Fawzi Hanano (HSBC) A quick question on your capex guidance. I know you don't split out 2021 and 2022, but if I look at that on average, taking out Quellaveco we're looking at about half a billion to a billion of annual growth capex, which on to 2022 as we see Quellaveco roll over it does seem a little high from my point of view. Does your guidance include some allowance for unapproved projects, for example, for some of the Collahuasi options within these numbers?

Stephen Pearce So part of the movement from 2020 into that 2021/2022 period has been MG with additional production and efficiencies just from our normal operations before we actually go into a debottlenecking then that's moved out a little bit, some of it's just crystallization of timing. Otherwise, we haven't really changed or moved anything specifically across those years.

Mark Cutifani — The other thing to be aware of is Tony and the guys are working hard on other opportunities that are still very much in their infancy, so there's a little bit of money in there on unapproved stuff for those types of opportunities that they keep unearthing. We have some really interesting stuff going on crushers, new crushing technology and VeRo crushers etc. So there's a little bit of a provision in there. It might be a little optimistic, but I'd like to keep the pressure on those guys so we can continue to deliver some new stuff into the system. So we made some minor provisions in there as well.

Chris LaFemina (Jefferies) — Long-term sustaining capex guidance - you're going to be a bigger producer from a copper equivalent basis in the long-term than you are today with Quellaveco online. Kumba is a relatively short reserve life asset, so I'd assume the sustaining capex will go higher there. And when I look across your portfolio, it's not really clear to me where sustaining capex might be materially lower in the very long-term versus where it is today. So I'm wondering, how do we get to that lower long-term kind of sustaining capex run rate versus what you expect over the next couple of years? And what sort of confidence do you have in those lower numbers?

Stephen Pearce — Obviously, time will tell. To say, yes, we are starting to look at beyond 2022 in that time frame. Remember, we have come up from sort of the 2.5 period up into the 3's sort of mark, so we have been spending a reasonable amount extra to make sure we are setting up the operations well for the future. So you're right in terms of increased footprint and production. We'd like to think that we'll get some of the same efficiencies that we're seeing in the operating expenses and the cost and volume benefits that we've been speaking about from P101 and some of the digital technology will also show its face in the capital spend. Remember, often in the same shovel will be doing operating expenditure one day and capital type development the next in some cases.

Quellaveco, obviously will be right at the start of its life, so it will be in that nice period in terms of just immediately beyond that 2022 period, very low strip ratios while versus some of the other assets that we have across the group as well. So listen, there are a few moving parts in there, but at the moment that's our best view of where we'll see it from perhaps a period of investing over the last couple of years, we think that would then set us up well for the future.

Chris LaFemina — Does that include capex to keep Kumba running beyond 2032? Or is that assuming that we just run the existing mines to end of life and that's it?

Stephen Pearce — To be honest, I wouldn't bank on that number for 2032. What we put in that sustaining capital is also what we'd call LifeEx projects. So, they will come and go across different years. So rather than putting them in growth, we tend to put them in the sustaining and the LifeEx element if they're just replacing production or replacing an old mine that was closing down. So, we tend to have a fairly narrow definition of the growth in a fairly more encompassing element for both mine development and life extensions.

Mark Cutifani — On the Kumba point, we would like to add another at least seven years to the reserve base and we also have that low grade material that we're reprocessing which has a different capital profile that impacts later years because you're bringing more of that material in. So some of those movements will reflect a different processing profile as opposed to primary mining capital in Kumba's case.

Myles Allsop (UBS) — How are you thinking about the buyback in 2020? Is there a chance that it can be extended or do you think it's right to be proven given the step up in capex? And then secondly, just on the PGM cycle, what do you think the key risks are as you look out over the next couple of years?

Stephen Pearce — We tried to clearly say when we announced the buyback that it's a one off until we do it again. I would be putting in the 40% dividend pay-out ratio dividend in your model post this buyback completion. It should be completed through the first quarter of next year. Obviously it depends where prices go, but we are consciously coming into a growth capital phase over the next couple of years and so to be honest I think that will be our priority, together with making sure we have an absolute rock solid balance sheet through that part of the cycle for us.

Mark Cutifani: On the PGM cycle, I think there's no doubt that rhodium will be strong almost in most scenarios, so we're pretty pleased with where rhodium is. 5,000 is the number that we think the market is able to bear quite reasonably, and it sort of moves in and out around that, but the underlying demand is strong.

Palladium has been strong and all the feedback we're getting is that auto manufacturers are so focused on making sure their emissions are managed that they're tending to load up. And in palladium, your ability to switch out of platinum is a little constrained the closer you get to the heat source in the engine, so we think that looks pretty robust.

We still think platinum might pick up a little bit off palladium, but from our point of view, quite frankly, we don't care if it's in rhodium, palladium or platinum, we have a good revenue source. I think between palladium and platinum, each is around 30% to 40% of our revenue, rhodium is about 10%, the rest is in base metals, so we're pretty robust.

If I was betting, I would say there would be a little bit of switching to platinum, but maybe not a lot given the relatively low cost PGMs make-up of cost of the car. So we think the market is pretty robust. We think the hydrogen industry is getting a bit of a tick up. A lot of people are talking about new opportunities. We'll have the first off highway large truck on hydrogen probably towards late next year, so we think the prognosis is pretty good generally. Whether it's between platinum or palladium, I can't pick it that closely, but certainly palladium has been pretty resilient given people's tendency not to want to take a risk on switching.

Dominic O'Kane (JP Morgan): Going back to sustaining capex, we've seen across the industry a bit of a pickup in sustaining capex. Just wondered if you could clarify, is there any change in the FX assumptions or is there any sort of specific driver or is it a cyclical increase or is it a bit more of a structural increase in the sustaining capex for 2020/2021?

Stephen Pearce: We've flagged this for a little while, so we haven't really amended our guidance. Maybe a 0.1 or so in the range, but we've been flagging this slightly larger sustaining capital for a year or two.

Again, remembering that we include the LifeEx expenditure, so things like Venetia underground and those sort of things will actually appear in some of this. So we still have reasonable chunk of money to spend on that over the next year or so, so it's things like that we knew that they were coming through their normal cycle. But from our point of view it's been relatively well flagged. We will always update our numbers in the forecast for some of the most recent views on capital cost items and exchange rates and those sorts of things, but nothing major driving those movements.

Mark Cutifani: You need to look at our sustaining capital against the growth in the underlying production base. We are seeing growth in sustaining capital consistent with the increase in the underlying production base as you would expect. In one or two cases we're pushing ahead and putting a little bit more capital in inventory, in particular with Grosvenor where we want to get a bit more degasification on the coal blocks so we can get more consistent production, so that will cost us a little bit more. Than it will stay in sync. So we're getting ourselves a little further ahead so it can degas the blocks a little bit longer because at the high production rates we're getting a bit more gas generation. But overall, our underlying inflation rate is still being kept pretty tight. So that's where it's mainly coming from in our case.

Richard Hatch (Berenberg): The last one is a longer dated one in Diamonds. I appreciate you bought Chidliak from Peregrine or bought Peregrine in 2018, but can you just give us a quick update on what's going on there and when you might start to talk more about it?

Mark Cutifani Yes, the guys are looking at that's what we've got and how we could apply some different ideas on technology, which is what we had in mind when we bought the asset. We'll probably give you an update mid next year on progress. As I said, Bruce and Tony are partnering on some different approaches and ideas, and I think we'll be ready to start flagging the intentions on it mid next year.

More generally, in De Beers the focus is obviously on market and how we're positioning in the marketplace. Again, we think there's some encouraging signs, but we don't want to talk to those too early, so we'll wait and see the first few sights next year.

[END OF CALL]