Speech by Cynthia Carroll, Chief Executive, Anglo American plc to the African Mining Indaba, Cape Town (5 February 2008)

'Opportunities in Africa'

Mr Chairman, honourable Ministers, ladies and gentlemen

I was delighted to be asked to deliver the keynote address at this year's mining Indaba, which as you know is one of the premier conferences of the mining industry. As chief executive of Anglo American, I head the mining group which for the best part of a century has been the leading mining investor and employer in Africa, and which today provides direct employment for around 150,000 people globally with 110,000 of them here in Africa.

In 1917, –Anglo American was born in Africa, and not only are our roots here but we retain a strong commitment to the continent. More than 40% of our assets are located in Africa. These include all the mining and refining operations of Anglo Platinum, the world's number 1 platinum producer; many of Anglo Coal's mines; and the great majority of the mines of our associate De Beers.

Furthermore, Africa still accounts for a high proportion – nearly $4.5 billion – of the Anglo American Group's ongoing project pipeline, which amounts to some $12 billion, with another $34 billion at various stages of feasibility or under consideration. Africa also makes up a very big share of our on going EBITDA – the results of which we will be announcing on 20th of February!

I think it is important, though, to set the context as to why Anglo American, as a major mining Group, intends to remain a major – and, hopefully, ***the*** major, investor – in African mining going forward.

Quite simply, we see Africa as a land of unparalleled opportunity for the mining and extractive industries.

Strength of Africa

First, the resources are here. The continent is estimated to have the best unexploited or under-exploited mineral reserves. It may only cover 20% of the world's landmass, but Africa is estimated to have 88% of global reserves of platinum and 73% of diamonds – the two great differentiators between ourselves and our mining peers/competitors. It also has an estimated 30% of global bauxite reserves, 40% of gold, 60% of manganese and 60% of cobalt – not to mention substantial untapped offshore oil and gas fields.

Second, our industry over the years has proved we have the ability to turn these resources to account. Here in Africa – indeed within my own Group – we have the world's deepest mines; and we have pioneered undersea diamond mining.

It's amazing how much more innovative we all become when oil hits $100 a barrel or gold nears the $1,000 mark!

Third, Africa has been making great strides toward its own regeneration. The continent as a whole has been enjoying GDP growth of 5.7% a year since 2003. And here in South Africa, where the ANC government has presided over sound management of the economy, the economy has grown at 4.5% a year over the past five years.

Fourth, Africa has moved forwards politically, too. Democracy is becoming the norm rather than the exception. African countries are working together to solve Africa's problems – for example, in bringing a number of long-running conflicts to an end, most notably in the Democratic Republic of Congo. The continent's own initiatives to improve standards of governance and conflict resolution have been bolstered through the strengthened African Union and NEPAD, with its important Peer Review mechanism, as well as through organisations like the Extractive Industries Transparency Initiative and the support of several outside multi-stakeholder initiatives.

Mining companies and Africa

Mining companies are not development agencies, but we are important development actors. We can mobilise know-how and resources in a way which is unique. I hope that the relationships with various southern African governments to which I referred earlier provide a hint as to how, as a Group, Anglo American intends to go about its business on the continent. It's going to have to be a story of partnerships.

And that means we as a Group are having to change the way we do things.

While we can point to our own long and enduring partnerships – such as the De Beers joint ventures with the governments of Botswana and Namibia – there have been times too when our mining developments have faltered, and even foundered, because we haven't been able to develop sustainable working relationships with stakeholders in our operations, whether they have been governments, local communities, NGOs, mining or exploration juniors, etc.

Often, we have had to learn the hard way. But it is clear to us that our relationship with Africa has to be a symbiotic one: we believe Africa needs a world-class Anglo, and a world-class, leading Anglo needs a strong Africa.

Our Group is actively involved in eight African countries and we are looking at opportunities in five more. In the second half of last year we also opened a representative office in Kinshasa and an exploration office in Lubumbashi – reflecting our growing confidence, despite the many difficulties there, in the DRC. Our exploration expenditure is also showing our increasing interest in Africa. It grew from R285 million ($38 million) in 2006 to R375 million ($50 million) in 2007 and it will rise to R485 million ($65 million) in 2008. In addition, Godfrey Gomwe, currently finance director of Anglo South Africa, has been appointed to take charge of searching out new investment opportunities on the continent as head of business development for Africa.

As evidence of our more positive outlook in Africa, through our subsidiary Kumba Iron Ore we are to conduct exploration programmes in Guinea. We are working closely with our partners, the Guinean government and key stakeholders, to move the project forward. We expect to commence drilling in March and we are already undertaking a detailed analysis of the social and environmental needs of the relevant communities.

Naturally enough, the quest for commodities to meet what essentially amounts to entirely new sources of demand from China, India and elsewhere in the developing world, has prompted the arrival, or substantially bolstered presence, of many of our competitors here in Africa.

Nowhere is this more true than in the case of China, which has been thrust even more into the limelight during the past week through Chalco and Alcoa's purchase of a stake in Rio Tinto and, separately, our own announcement of a Memorandum of Understanding with China Development Bank. The Chinese, unlike some western companies and countries in the past, have not been guilty of under-appreciating Africa's economic potential, or slow off the mark in trying to secure reliable sources of supply of Africa's mineral resources. This heavyweight entrant in the new 'Scramble for Africa', with its enticing menu of investment, infrastructural development and aid, offers for many African countries another partnership opportunity.

Electricity

Let me turn briefly now to South Africa and the challenges it is going through with the interruptions to its electricity supply – and offer you Anglo American's 'take' on the situation.

Not only do we have more existing operations in South Africa than any other mining company, our substantial project pipeline means that we must maintain the closest of links with Eskom, government, our industry peers and the trade unions if we are to come through the next decade in good shape.

I don’t regard the problems relating to the security of energy supply here as a disaster. And South Africa is not alone: there are pressures on supply too in places like Chile, Brazil, the US and China to name a few. Sure, the problems here are serious, and overcoming them will require a lot of ingenuity, especially in energy efficiency and energy savings, as well as the development of alternative power supplies. But if we act in unison to tackle the present situation, we **will** be successful. Whatever the reasons for the present situation, this is not a time for finger pointing, but for all key players to work together in finding solutions. And, furthermore, this is only illustrative of the reasons why we must be linked up with governments and key shareholders in times of uncertainty and perhaps difficulty.

From my own company’s perspective, this energy challenge requires a preparedness to commit the managerial and technical resources, and time, of senior executives to finding ways to devise and deliver solutions, thinking creatively and considering all options, both near-term and long-term. It also means an unwavering commitment to our programme to promote a step-change in our energy efficiency. Over the decade 2004-2014, our goal is to improve the Group’s overall energy efficiency by 15%. The present circumstances only reminds of the importance to do better.

Perceptions of Africa

At this stage, with concerns being raised about the power-supply situation in South Africa, I would like to dispel some of the notions that are bound up with so-called ‘Afro pessimism’. I find it unhelpful that if there are problems in, say, Zimbabwe, or Kenya, or Somalia, many people, quite reactively and unthinkingly, put all of Africa in the same category. Whereas, if there are problems in Bolivia or Pakistan, we don’t write off the whole of South America and Asia. Unfortunately, it’s also the case that if we look at successful African economies that have been built largely on the back of mining – such as South Africa, Botswana and arguably Namibia – we don’t talk enough of the success stories to brighten Africa’s overall reputation.

Of course, it isn't always easy doing business in Africa. But with the world's burgeoning demand for the extractive industry's commodities, Africa will be a principle player for many generations to come.

The key driver of the resource intensive nature of this growth is urbanisation, particularly in Asia. Never before in history have so many people been lifted out of poverty, joined the ranks of the middle class, or moved from country to city at such a rate. China's level of urbanisation stood at 30% in 1996, but is expected to reach 45% by 2010. Factoring in India's growth, the prospects are that between 2000 and 2020 almost 600 million people will have moved to cities in those two countries alone – hard to imagine!

With this forecast, one would be naturally bullish about the long-term prospects for commodities.

To fully capitalise on this outlook, however, will demand a broad consensus, and close co-operation, between all relevant stakeholders. When it comes to a new greenfield project or a brownfield expansion, for example, I think there will always be lively debate between mining companies and governments as to what constitutes an equitable share of the costs of providing infrastructure, or supporting community development, job creation or economic sustainability.

On numerous occasions, I have been asked what mining companies look for when considering the development of new mines.
In the ideal world, we would look for:

- reliable energy at competitive costs and dependable water supplies;
- access to well maintained infrastructure;
- a workforce which is experienced, educated and skilled with a pipeline of young people who have a desire to join the industry workforce;
- communities who respond positively to economic development by world-class companies and who have access to healthcare; and
- governments who
    - encourage and reward investment;
    - operate in a transparent environment;

- uphold the rule of law;
- set global environmental standards;
- develop sound labour practices;
- support safe mining;
- who see companies like ours as partners; and
- who recognise the requirement for businesses to operate in an environment which is cost competitive and adaptable to changing economic realities.

We all have investment options and we have to prioritise and choose carefully. Governments, communities, partners and investors who apply best practice and strive to implement what I have just outlined, which will attract leading companies like Anglo, to operate in their country and encourage others to follow, further bolstering economic development.

At the same time, I realise that this is a partnership and that we too have a responsibility to positively contribute to the country and its people.

Anglo contribution

To this end, Anglo American is not just a believer in Africa for what it can extract from the continent, but for what it can put back. In Africa in 2006 we contributed almost R49 billion ($6.5 billion) in value added, generated R56 billion ($7.5 billion) in expenditure with BEE suppliers and raised R12 billion ($1.6 billion) in taxes for our host governments.

Our contributions in other areas are no less real, though they may be harder to quantify. South Africa continues to punch above its economic weight on the world stage, not only because Anglo American itself and the likes of Anglo Platinum and Kumba boost the JSE through their continued presence, but because Anglo's boosting of the BEE process is widening the economy as a whole.

Out of the Anglo Group have emerged the majority of South Africa's big BEE mining companies, such as Exxaro Resources and Mvelaphanda, which are now successful in their own right. It is good to see many of the representatives of these companies here today. To date Anglo has concluded approximately R60 billion in BEE transactions.

At the other end of the scale, there is the Anglo Zimele enterprise development unit. What is especially unique is that Anglo Zimele, which has been something of a pioneer in small business development in South Africa, creates real jobs through the creation of real opportunities in the real economy. An integral part of the unit's work is the transformation of our supply chain and in that role it assists our procurement function to identify BEE suppliers. Anglo Zimele, together with the Anglo Khula Mining Fund – a partnership with the South African government to support the emergence of small-scale, black-owned mining companies – is currently invested in 39 companies employing well over 4,000 people. During 2007, the Anglo American Group achieved a procurement and business development spend of **R**17.3 billion – 41% up on 2006.

Anglo's unique Socio-Economic Assessment Toolbox or SEAT has been accorded wide international recognition for the way it is assisting our operations in improving the management of their social economic impacts. It continues to be a vital tool in ensuring that communities and governments realise a benefit from our operations and view us as a responsible business partner.

SEAT will become especially important as the effects of climate change start to make themselves felt – which are likely to impact Africa particularly hard in the sense that developing countries will be hit first, hardest and have the least capacity to cope with such changes.

Nowhere in this respect will the issues become more critical than in the case of water. Here in southern Africa, and elsewhere, many of our operations are in extremely arid areas, where there is inevitably competition with communities and other industry over this vital resource. Fortunately, Anglo American has ongoing programmes to ensure that we use water wisely and efficiently – exemplified by our R300 million newly commissioned Emalahleni water plant in this country's Witbank coalfield. Here, millions of litres of underground water are being converted into clean drinking water for the communities around our two companies' coal operations.

In terms of health care, Anglo was a pioneer in the fight against HIV/AIDs starting first in South Africa and we now have the world's biggest voluntary counselling and testing programme. This is making a real difference by prolonging the lives of affected employees, who are able to continue with normal jobs and support their families. Simultaneously, we are trying to do our bit to eliminate HIV once and for all by allocating substantial resources toward finding an HIV/AIDS vaccine. Already, vaccine trials are under way. And because Tuberculosis (TB) is so closely linked to the capacity to resist HIV, we are funding research in this field, too – and especially in the case of the virulent new XDR strain that has recently emerged in southern Africa.
In Botswana, we through DeBeers support hospitals, which provide medical treatment to thousands of employees and members of the surrounding community.

In the area of education, for many decades Anglo has been acknowledged as the leader in the field of corporate social investment in South Africa. It has funded the building of well over 1,000 classrooms and has recently given education in the country a R40 million boost through two independent trusts founded to provide crucial funding in the teaching of science and mathematics. In addition, during the last 5 years we have trained over 3,000 artisans and in 2006 alone we supported 2,000 apprentices; 560 graduate trainees; 2,100 learnerships; and 1,200 bursary students.

In conclusion, Anglo is unique in having such a longstanding presence in Africa. In fact, our aim is to leverage this extensive experience and strong track record while helping to jump start some exciting growth possibilities in an

Africa that we believe has huge potential--potential to build, to learn, to grow and ultimately, to succeed.

I believe that African mining can look forward to a decade of real opportunity. Inevitably there will be peaks and troughs in commodity prices and, to survive and be competitive on the global scene, we must be low cost, but the underlying strength of demand from structural changes in the world economy will provide an underpinning that has been lacking in recent decades.

With the improvement of governance, growing investment in infrastructure and an increasing focus on the role of business in development, I believe that the mining sector will – and must – play an increasingly important role in development and poverty alleviation in the continent.

But the extent to which we can help make this Africa's century will depend, much more than it did in the last century, on buy-in from a variety of stakeholders, and especially governments.

To everyone here today I want to say: " Will you join all of us in the mining industry in helping to realise Africa's vision?

"Africa's time has come!"