



Anglo American 2023 Results – Q&A

22 February 2024

Jason Fairclough (Bank of America): You talked a little bit about the one adjacency, the one that you've announced today. We had dinner last night with Glencore, that's another adjacency. What are the thoughts there? Why are you and Glencore and Teck not talking more about that? It seems like there's a lot of value on offer there.

Duncan Wanblad: There is, Jason. The logic of that is very similar to that of Serpentina. It is one of those very rare opportunities where you get to either share a resource or share infrastructure and the construct there is that there's a lot of infrastructure in terms of water and plant. There is some fantastic high grade ore body at Collahuasi, the industrial logic on the face of it seems to be pretty obvious in terms of how we could extract value out of there. We are talking, but as with all of these sorts of things, it's a negotiation and every party needs to win in a negotiation like that. I assure you that there are discussions that are going on between the three partners and the other partners, because there are a number of partners on that particular joint venture, to see if we can extract value outside of a potential expansion.

Jason Fairclough: You are talking about the expansion of Collahuasi, shouldn't plan A be the adjacencies?

Duncan Wanblad: Yes, you know me, I am a plan A, plan B kind of guy. I want to be absolutely certain that we have got the right ions in the fire. As I say, these types of synergies can take many years. The Serpentina deal was three years in the making – it had been actually three years almost to the day that those debates and conversations had been going on. And here, the prize is pretty big, I think both need to progress because you do not want to take one and then it takes two or three years longer and you have missed another opportunity. But the key will be at the point that you have to start allocating capital to the actual construction of plant.

Ian Rossouw (Barclays): Serpentina - it seems like you are giving up a lot of the upfront value in the business in Minas-Rio, and I understand obviously it is a much better ore body and you will obviously not have to spend all this capital beyond 2030. But could you give us a bit more detail to understand that value proposition?

Duncan Wanblad: The logic of it makes an enormous amount of sense because the Minas-Rio ore body is comprised of the friable ore, and then as we get deeper into the ore body, you go through a transition zone and you get it to the very hard itabirite. With the combination of these two ore bodies and the optimisation of the higher grade ore from Serpentina going through the processing facilities in Minas-Rio, we offset the need to compensate for that hardness with a lot of really expensive upfront comminution kit, being milling and crushing, that we would otherwise have to spend at Minas-Rio.

As soon as we get permits, we can start moving some of that higher grade ore into this plant and of course, you optimise any operation with high grade ore. So that that is the upside opportunity. I do not really see it as giving up in the short term for the long run, but the long run value is extortionate there in the context of the quality and the size of that ore body and the possibility, if the iron ore markets go in the direction for high quality pellet feed, to be able to expand rather rapidly off that ore body.

Ian Rossouw: On Woodsmith - last year at the time of the impairment, you mentioned the opportunity, if shaft sinking goes well, that there is potential to save up to ~\$1 billion and a year ahead of schedule. Is that still possible?

Duncan Wanblad: Those are roughly the metrics. Based on the base plan across the whole project timeline to first production, we expect to do roughly one metre a day, if you could do

two metres a day, it is almost a year that you save. And as you know, the capital costs there are almost like an operating cost, the longer you are there, the more the costs are.

Ian Rossouw: And how is that progress going on?

Duncan Wanblad: Very well. We are not in the sandstones yet. But we have run through a couple of sandstone lenses. If I am perfectly honest with you, when we hit that sandstone lens just before your visit last year, we were doing a metre every two weeks. And so we were learning a lot about it. The team have adopted quite a lot of those learnings into change of the design of the cutting drum, the picks that we're using. And right now, they're doing a little bit better in a similar sort of lens, but we're not into that solid rock yet. They'll get there around the middle of this year, but very positive indicators.

Myles Allsop (UBS): On Woodsmith, could you confirm whether there are any active conversations going on now with potential partners? It always takes a long time, but it seems there is a very strong intent to try and bring in the right partner, but have those discussions started and what is the response like? Is there lots of interest or is there not?

Duncan Wanblad: I can confirm that we are having conversations. We have not set up a formal process as it stands at this particular point in time. As I said to you in December, the most important thing for us is to be sure that we have the right partner at the right time. But, there has been inbound interest and we are also having conversations on a bilateral basis with a few people.

Myles Allsop: And then going back to the restructuring, because I guess over the years, we have heard you say that anything is for sale at the right price, but this seems very different in terms of the way you are looking at the business and the potential kind of assets that could come out of it. If we take what Stuart said at the beginning, is basically everything except for iron ore, copper and Woodsmith on the plate? So we could exit PGMs, we could exit diamonds, we could exit nickel, we could exit steelmaking coal? Is that the way we should interpret what you and Stuart were saying?

Duncan Wanblad: What we are saying is that there are three key demand drivers for the business as we see them today. But at the same time, you also heard Stuart say, and you heard me say, that every asset in the portfolio has to play its role. And if you have a really good cash generating asset that just doesn't happen to be one of those at that particular point in time, but has a reasonable life, then it could be very synergistic with the whole of the portfolio and being able to develop and support growth in those areas. That is the way I would like you to think about it in the context of the reviews that we are doing this year. We have a person with a very specific role in our organisation who has a very specific job of understanding in a strategic context the role of every single asset in the portfolio, both short and long term.

Myles Allsop: Is there a timeline around the strategic route? It sounds like they are happening right now and it is this year?

Duncan Wanblad: There is an urgency that is required. We need to move really quickly. There are some constraints to it, of course, that I want to be sure that we are cognisant of. When you look at something like this in a view, a number of factors play to what value looks like and feels like: the plan of the particular asset, the time in the cycle that you are looking to make these decisions, the frictional cost potentially of making any of these decisions at the wrong time of the cycle. These are all very, very important and have to play into the decisions that you are making. I am not going to tell you that there is a very specific date at which there is going to

be a magic answer, and we are going to execute at that particular point in time because that indeed could be very dilutive from a shareholder value point of view. But what you should take away from this is that there is an urgency to this. We are absolutely focused on it, and we are looking at it through every single asset. Nothing is off the table.

Liam Fitzpatrick (Deutsche Bank): On Woodsmith, I think all of the clarity on the portfolio is really good to hear, but should we read it as it is a prerequisite for Board approval to bring in a partner? And should we assume that this process will be timed along with the final approval expected in H1 in 2025?

Duncan Wanblad: When my Chairman stands up and says we are working on the syndication of Woodsmith, I think it's probably going to be very difficult not to take the project to Board approval without a syndication solution either done or very, very close to being done at that particular point in time.

Liam Fitzpatrick: On the copper bridge that you showed, it did not include the plant restart at Los Bronces. Is that an option and what is the thinking there?

Duncan Wanblad: The restart of the plant at Los Bronces is absolutely an option. It is very much in our thinking. Matt who is facilitating the running of the mine plans there is looking at the restart of that concentrator probably closer to the end of this decade. What the constraint will be there is that when we shut it down, what we really want to do is optimise that whole resource, which is getting the geometry of the mine into the right shape, so it can sustain a sink rate that can feed 150 thousand tonnes of capacity every day. And therefore, in the intervening period of time, we are also taking care of our sustainability obligations – we want to move that Pérez Caldera Tailings dam.

It is one of those GISTM classified dams. It is potentially high risk because of its location. It is not high risk technically in terms of the way that it is managed and operated today, but the safest solution is to move it out, and we have a commitment to do that. We are going to combine that. The combination of those two things and our view of when those two will coalesce, we will be closer to the end of the decade, which is when you would expect us to start that back up again.

(Note: Los Bronces plant does not feature in the bridge as it was operating in 2023).

Alain Gabriel (Morgan Stanley): Going back to Serpentina, your release this morning focused on the growth of the combined assets. What are you thinking in terms of timeframes, capex etc, and would the production and cost profile change in the next three years?

Duncan Wanblad: Naturally the production and cost profile is going to be impacted because this transition is in play today. We are already moving in, but in terms of what we have guided, there is no change. It is going to take, in speaking to Ruben, probably the best part of four or five years to get to a point where we are in the permitting process. And then from there, the permitting process can take about that equivalent amount of time too. At that particular point, we then have a decision to make as to whether we are going to actually run that expansion or not. So is it, or is it not, economic? That's going to be ~ 10-12 years from now.

Alain Gabriel: A press article attributed comments to you on your openness to separating South Africa versus ex-South Africa assets. This proposal was absent from today's presentation. What would the rationale be of such a transaction? And is it something that you are contemplating?

Duncan Wanblad: I cannot remember that article in terms of my openness to separate South Africa from non-South African assets, to be perfectly honest with you. But I refer you back to what I said in terms of that whole portfolio review and the role of every asset in the portfolio. We have a capability of running assets extremely well in South Africa. The single largest cash contributor to Anglo American's portfolio today is Kumba, and it is in South Africa. And just two years ago – this is how quickly things change, of course, as people forget sometimes – PGMs delivered a \$7 billion contribution to the Group's EBITDA, all out of South Africa. So this isn't a decision on South Africa versus the rest of the world. This is a decision on the commodity, on the asset itself, our ability to drive value out of those assets in terms of the complexity or the simplification, etc and the role that particular asset has in the portfolio in supporting a very clear strategic objective to support the business under those three key three trends that we speak about.

Chris LaFemina (Jefferies): The \$1 billion opex reduction plan is an impressive number. It would be a 10% increase in your EBITDA from last year. To deliver that over 12 months is very impressive. How much of those cost reductions are a function of weak markets and some capacity you have taken offline, and therefore they are costs that would come back in a recovery?

And, is there an associated revenue impact or other kind of negative consequences as a result of these cross cuttings?

Duncan Wanblad: Other than the restructuring of Los Bronces, which we fully expect to bring back into production closer to the end of the decade, none of the costs that we are taking out today should come back into the business at the current production profiles. To the extent that we were to start to expand the business in any of these assets, you would expect some of these costs to come back. Bear in mind, some of these are going out because we had big expansion plans almost everywhere and we were set up to do that. Now, we have deliberately decided not to do that. Those costs must come back out of the business. There is nothing that is directly related to market that immediately the market swings you would say is coming back unless there was an expansion associated with that particular asset, which you would be clearly aware of long before that happened.

Chris LaFemina: So even higher prices would not drive reversal of some of those cost savings?

Duncan Wanblad: No, this has got to be the ultimate trick in mining, right? When you are in higher price zones, you want to be sure that you are appropriately structured for the bottom of the cycle unless you are expanding. And then that expansion needs to be robust at the bottom of a cycle too.

John Heasley: On the point on ambition, this has not been a blunt instrument that has been applied. It has been very, very thoughtful. The \$1 billion is split in two. So the first \$0.5 billion is the corporate type costs – that was a very detailed process through the course of 2023. That is done. That cost is already gone and will be realised in full this year. So you can have real high confidence in that. The other \$0.5 billion – we quantified that in December, but it is very complex, as you have seen with the South Africa announcements this week. That is more than 4,000 jobs, consultation, etc. So it is a thought through very detailed bottom-up process. Confidence in delivery is high and then we will see the benefit of that next year.

Richard Hatch (Berenberg): If I look at the portfolio, there are three assets that jump out as being challenging at the moment. Amandelbult in PGMs – with the chrome price holding it up;

the second is nickel, which at the current price looks like it is cash neutral after capex; and then De Beers - negative return on capital employed. Is there a consideration here that you need to start tempering volumes, putting these assets on some form of care and maintenance for a period of time? I appreciate it is difficult. De Beers is obviously challenging given the Botswana relationship, Amandelbult difficult because 13,000 people work there and it's a challenging one as well. So how do you sort of stop these assets from bleeding cash in a period when you need to conserve cash?

Duncan Wanblad: I'm going to ask Al to talk to De Beers and what he is doing to stop bleeding cash and I will talk to Amandelbult and nickel. So Amandelbult currently is cash positive. Very important to understand that. In our portfolio, in the event that PGM prices continue to fall and stayed down for longer, Amandelbult is probably, and Dishaba in particular, is probably the place that we would have to go to, to deal with cash negative ounces. In the same way we dealt with that at Los Bronces, cash negative tonnes, which we saw persisting over a reasonable period of time, that is important. So the cycle question is very important when you make these decisions because they have major consequences to people, to communities, to governments and then to the structure of the business. Because bear in mind, every time you take people out of a business like that to temporarily shutter production, you change the mine plan. And if you change the mine plan, the transition from one plan to another plan takes 12-18 months. And so you have got to be really sure that is the right thing to do, but just waiting isn't good either. So what you are seeing us doing is acting early, but without cutting the throat of the viability of that business. But absolutely, if the PGM markets persist and continue to decline, we would have to take more action and that action would then go directly to removing ounces out of the business. But when you remove them out, you remove everything that goes with those ounces and they do not come back very quickly once you have done that. Amandelbult is cash positive at this point in time.

Nickel is in a difficult space. Certainly, in terms of what we are seeing coming out of Indonesia at this point in time, there is quite a lot of pressure in nickel. Nickel is actually quite cruelly one of our best run businesses. If you have a look at every single operating metric for that business, it shoots the lights out - one of the most stable businesses that we have got and one of the most optimised in terms of cost management and capital management. But with nickel prices sort of languishing around \$14,000-\$15,000 a tonne, it is hard yards for Barro Alto. I am not giving up on that team to see if they can reconfigure themselves for the time being. They will also be part of the asset review to see where it comes, but they can't end up with a minus \$5,000 per tonne cost impact for a significant period of time.

Al Cook: It is a good question and one that exercises us a lot. The first thing to say is we work with our partners, particularly the Government of Botswana and the Government of Namibia, but we are aligned with them in producing into demand and not prioritising volume over price. There is not a big disconnect there. Maybe the best way to answer your question is to look at 2023, in terms of what did we do, and for 2024 - what can we do. So in 2023, we had two levers to produce into demand and as the market fell off in the second half, we pulled both those two levers.

Firstly, production in 2023 was 8% down on 2022. We could have maintained production flat on 2022 if we had wanted to. We chose not to do that, which is why you see the production 8% down.

But secondly, beyond that, behind those production figures, we also reduced our purchases. And the total purchase reduction on 2023 to De Beers was ~\$300 million. So when John

quoted earlier that inventory figure of \$2 billion, that would have been \$300 million higher if it was not for the purchases that we reduced.

If we go into 2024, we will take the same approach. So production reduction possibilities and purchase reduction possibilities. We have got production levers that we can pull at Debswana in Botswana at Debmarine in Namibia, and Venetia in South Africa. And we will work with our partners over the course of the year to see, if the market continues being U-shaped, what should we do in terms of reducing production.

But the second thing that we are doing is working with our partners on purchase reductions as well. And even so far this year, we have pulled some levers around purchase reductions to make sure that we maintain our inventory and have a negative trend as over time we bring the inventory down. There are things we can do and there are things we will do, but that principle of producing into demand rather than seeking to maximise volumes, will be a fundamental tenant of how we work.

Richard Hatch: Thank you. That kind of feeds into my second point, which was for John. Over the last five years, working capital ground a lot higher, and I appreciate part of that is De Beers forced your hand, Kumba, Transnet issues as well - but the businesses' working capital has just gone crazy in terms of how much cash is in there. How are you thinking about trying to work that out and how should we think about that over the next couple of years?

John Heasley: You are right. There has been a big growth in working capital, and I do and we do think of that as cash. We know that that is tying up our cash - and therefore our shareholders' cash, which has to be a big focus. If we look at working capital and the component parts, then receivables and payables are come to a negative number, so that feels that it is probably not the root of the challenge. The root of the challenge is in inventory, which sits today at approximately \$7 billion, and you sort of break out what is in that inventory, then there is ~\$1 billion of raw material and consumables - so consumables on the mine, the tyres, mill liners, pump parts, etc. Then there is ~\$3 billion of work in progress, which is inter-process stockpiles. And then there is ~\$3 billion of finished goods.

Where do we go for opportunity? On that \$1 billion of consumable items and raw materials, then big focus on our managing our suppliers, making sure we have got those stock levels appropriate, that we are not carrying more than we need. The inter-process stockpiles, I am slightly cautious on, for all the reasons Duncan has been talking around the importance of the mine plans. You mess with those inter-process stockpiles at your peril, but we will get them right.

And so the bigger area of focus is in that finished goods and it comes to the diamonds, which makes up the majority of that \$3 billion. We have a big focus, and organisationally, we are ensuring that our general managers on the mine and our country managers have the information and the data to understand the importance of those working capital numbers and how they convert into cash. We are incentivising them appropriately to bring that down over time. In terms of phasing, we will do all we can to bring it down. I think it that it is probably not going to be immediate. The immediate priority is to make sure we do not have another increase in working capital in 2024. And I am confident that we will avoid that.

Julio Mondragon (BMO Capital Markets): On the copper segment - you mentioned to get to the 1 million tonnes per year in the mid-2030s, one of the main restrictions is permitting. Considering that in the next two to three years there are a wave of central government and

local government elections, what are your thoughts on your relationship with these stakeholders?

And the second question is on Quellaveco - what are the chances that you will face more impacts in your guidance potentially in other faults, in other areas of the pit?

Duncan Wanblad: Firstly absolutely - relationships with governments and approving authorities is extremely important. But by far and away, what is most important in term of permit acquisitions is your relationship with the communities who have a voice in the consultation as to whether they are going to be advantaged or disadvantaged by any mining activities that happen around them. And it is our experience without a doubt that to the extent that your communities are really confident and happy with what it is that you are saying and believe that the benefit is net positive to them, then the process of actually running through the bureaucracy with regard to permit approval and the many different agencies that you have to deal with, is definitely a lot easier.

I think it is a fallacy to believe that if you have an excellent relationship with a national government that you would get permits any quicker if you did not have an excellent relationship with the community. So our primary focus is on our relationship with our communities and what it is that we do in proper consultation with them to come up with win-win solutions for both of us.

Having said that, where you have any change of administration and where there is any political input into the change of the leadership in the bureaucracies or in terms of the diplomatic services, then you inevitably suffer a little bit of lag in the process. So the processes are generally well prescribed, relatively well understood and relatively well followed, but then you just have the catch up of new people at the top of authorities having to catch up with the background and the history.

By and large, I would say that in terms of in a jurisdiction like Chile, it has a relatively mature permitting process and a good permitting process. The fundamental requirements in terms of content of permitting we think is absolutely valid and good. It has also a very clear objective to reduce permitting complexity. Now what they mean by that is not, "we are going to approve permits more easily", or "we're going to reduce the content requirements of these permits", but they are going to focus quite a lot more on the connection between the multiple different authorities that have to approve the permits. So get a coordinating body. And I see that as broadly positive and in many ways an offset to any change of personnel in that process.

Our permitting timeline horizon expectations have definitely extended over time where it should take you a year to get a DIA, I think we would probably more budget two years for that sort of thing now. What you are seeing in terms of our thinking and timing of permit acquisition in many of these projects, has built in our experience and our view of what we can see coming forward at the moment. But it is a very sensitive issue. And again, just come back to the fact that the most important thing to get right is the relationship that you have with the communities.

Matt Daley: So a little bit of context, as you move from a feasibility study where you are working off a data set of geological infill drilling, hydrogeological drilling, and geotech drilling, you have got a certain database of information into where we are today, actively mining through these phases. Obviously, your database of information increases dramatically. What we have got now is geotech models with a very high level of confidence. So whilst we are having some short-term rescheduling of copper, as you see the slope angles move,

confidence levels as we move through the pit now are extremely high compared to where we were during feasibility study.

So a very high level of confidence now that we understand what is happening in the mine design, and we will be set up for future phases. The other positive is the fault zone has got a combination of structures that are running both parallel and sub-parallel to the pit slope so we believe that as we mine back into the mountain, we are actually mining through some of these structures and will have lesser impacts as we mine into further phases. Very positive outlook. And in fact, the more we learn about this ore body, the more we like it. And Duncan talked about some of the throughput rates. We are currently getting some of the trade-offs in the structures and the rock mass strength means we are getting higher throughputs now through the concentrator.

Ephrem Ravi (Citi): Firstly, on De Beers, you have a ~\$7 billion carrying value still for a business which made no EBITDA, and even in good times it was making ~\$1 billion EBITDA. What kind of cyclical recovery are you building in to support that carrying value?

And secondly, the third adjacency that you talked about with Los Bronces, that has always been an obvious one for the last 20 years. What has changed for that to the fore?

John Heasley: The impairment assessment is part of the annual process and we follow the standard methodology. The key assumptions in terms of valuation are long-term price, RPI assumptions and economic growth going forward. The assumption around lab grown diamonds and where that goes - I think that we have explained that we see that bifurcating through time, and, we are seeing the growth and demand slow for lab grown diamonds and through time, they will become quite different products.

In terms of the carrying value, it is a discounted cash flow basis and of course, long-term price is a big driver. The impairment that we have taken is reflective of that short to medium term impact of lower RPI, lower demand for luxury goods, as I said in my prepared remarks. I think AI has referred to more of a u-shape recovery and that is the assumption that sits behind the remaining carrying value.

Duncan Wanblad: On the Los Bronces Andina synergy. Yes, I have been looking at that for many, many years in two of my previous roles and this one, so you are right, it has been a long time coming. I would like to say that we have made quite considerable progress there. We are already leveraging some of those potential synergies in terms of the easement agreements that we have been able to put in place and the operating principles and protocols that we have been able to put in place with Andina. The relationship between Anglo American and Codelco and the mine management between Andina and Los Bronces is excellent and very, very cooperative.

The really big prize for us is to take this to the next step. But it is complicated, and I do not want to sugarcoat this in any way. There are some real constraints that are imposed on this by the Chilean constitution. And therefore, to effectively do this and get this right, leads towards quite a complicated set of arrangements. Now, I am trying to simplify the business, as opposed to adding more complexity to it. To the extent that there is complexity involved, then the headroom between the complexity of operations imposed by those sorts of agreements needs to be significantly offset by the value at stake that can be achieved.

What I can assure you is that both of us, Codelco and Anglo American, are absolutely working on this. We have dedicated work teams and have had those for just over a year now since we

got the permit for the Los Bronces Underground. They are trying to find a way to simplify some of this complexity and then get after these prizes. It is important for both of us, and therefore, I am a great believer that when you have an aligned objective and it is equally important to both of you, we can find a solution to it. But it is complicated and therefore probably takes a little bit more time to work, but it is not like nothing has happened. It is a three phase project. We are in phase three of that project at the moment. The first two phases have been very beneficial for both parties so far.

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