Anglo American
2023 Results

Thursday 22 February 2024

Refer to cautionary statement in presentation slides.

Investor update

Duncan Wanblad, Chief Executive

Slide 1: Welcome

Welcome and good morning ladies and gentlemen. Thank you for joining us today.

Slide 2: Cautionary statement

Slide 3: Chairman introductory comments

Slide 4: Agenda

Welcome and good morning ladies and gentlemen. Thank you for joining us today.

There's quite a lot we would like to cover this morning and I'd like to highlight that there's more detail in the appendix. I do encourage you to read that as well.

Strategic priorities

Duncan Wanblad, Chief Executive

Slide 6: Shaping the business for the 3 major demand trends

I will unpack our 2023 results but before we get into that detail I would like to set the scene in terms of where we stand today and our strategic priorities moving forward.

In short, 2023 was not the performance that I wanted. Much of that downturn was driven by factors beyond our control, but we can substantially step up performance without relying on price recovery – and we are now well progressed in the action plan to achieve that.

The fundamental driver of performance is the mine planning process and we have now set or reset the vast majority of the mine plans across the business to position them for the pricing, operating and geotechnical realities that face us. That is an ongoing and dynamic process and there's often a settling-in period of 12-18 months for a new mine plan, but I'm confident that we are now operating from a base that is much more fit for the circumstances that we face. We've also made material changes to the organisation with a bottom-up refresh that cut the cost of our senior roles by 25% but more importantly set up more effective governance with less duplication and more accountability.

This process has already involved some really tough decisions such as those that we announced earlier this week in South Africa to reset the Kumba and Anglo American Platinum businesses. I am very mindful of the impact of these decisions across our teams but these are essential steps to create a more competitive business that can then thrive over time to support all our stakeholders.

Underlying these changes is a portfolio with world-class assets and leading market positions that is very well aligned with the three megatrends that we have been highlighting for some time: the energy transition, uplifting living standards, and the provision of food security for a growing global population. Although the near term environment is really challenging in parts the long term demand trends have rarely looked better.

Therefore, I remain excited by the future but more importantly I'm confident that we have the strategy and capabilities to make it happen.

Slide 7: Clear strategic priorities to deliver value through the cycle

In terms of our strategy, we have three clear priorities.

Firstly and most importantly, operational excellence – I've already said that the mine plans are at the very core of our business and we need to deliver on these and improve the competitiveness of our assets through efficiency and cost management. This is the foundation to everything else and we absolutely have to get this right.

Secondly, we will work to improve our portfolio – practically speaking we will work towards having a simpler portfolio and every asset in the portfolio needs to be there on merit.

And thirdly, and it is third, over the longer term we are focused on delivering the attractive and highly value-accretive growth options that we have. We have a clear pathway with a well-sequenced capital spending plan behind it. But I do want to assure you that we will not compromise our balance sheet nor shareholder returns for growth investment.

The execution of our strategy is underpinned by the application of our differentiated capabilities built over many decades of establishing and operating businesses in developing and developed markets.

I shall go through each of these strategic priorities in the next few slides. And later will give some more detail on Operations and Growth.

Slide 8: Operational excellence: Committed to safe, efficient, profitable production

By far our biggest focus is on operations.

Operational stability and effective cost management represent our biggest margin levers, supported by sustainable production plans that prioritise value and thereby enhance margins and returns. We are intensely focusing on the Operating Model to achieve safer, repeatable and consistent outcomes.

We are also starting to see the benefits come through of the work that we did during 2023 to reset our organisational design. In removing the duplication it has moved much of the decision-making closer to the operations and not only is there better accountability but also it is easier to make the right decisions more quickly.

We expect these actions to come together to deliver $1bn in annual opex savings. These are now well progressed and on track to hit run-rate later in 2024, as well as $1.6bn in capex savings over the next 3 years.

I believe that we have therefore already made some significant progress but we are far from done and we are still in the process of systematically reviewing our assets in conjunction with the detailed mine planning work. We will then take the further actions that are needed to ensure their competitiveness and we are working towards positioning most of our key assets squarely in the first half of their respective cost curves.

Slide 9: Portfolio: Commitment to improvement & active management

Portfolio improvement is the second strategic priority, after operational excellence, and as we continue to go through the assets systematically we also assess portfolio role and fit.

As we go through that process nothing is off the table – but there has to be a clear value case.

There are a number of important components to value – that includes the plan, markets, cycle timing, portfolio role and frictional costs of change.

As everyone knows share prices and commodity prices can bounce around materially every day, but with a capital cycle that extends over many years and very limited numbers of Tier 1 assets those decisions need to have a deep-seated value logic.

That's how we are thinking about it – I can definitely see portfolio improvement as a value lever and I am working to remove complexity from this business, but any changes need to be for value.

Slide 10: Growth: Longer term, but substantial options in attractive products

Finally growth. At this time this is third on the list of priorities but that doesn't mean that the growth potential in our portfolio is not genuinely exciting.

We have highly attractive project options that we own and that offer considerable growth potential in value. We are progressing a well-sequenced pipeline in Copper and Woodsmith – and we have now created really valuable, longer dated optionality in high quality iron ore through Minas-Rio and the adjacent Serpentina deposit that we will develop at the right time.

We have more of these adjacencies in the portfolio where there could be significant value to be unlocked, such as at Los Bronces and Collahuasi, and we continue to progress those discussions.

We will look to syndicate the risk and capital on large greenfield projects for value, as we did with Quellaveco, and we plan to do for Woodsmith at the right time, with the right partner.

Slide 11: Differentiated capabilities enable value delivery

Our differentiated capabilities spanning sustainability and social impact, technology and belief in the importance of customer-centric marketing are a critical enabler for all three of our strategic priorities, as they position us as the partner of choice. These capabilities are critical to our day-in-day-out operations as well as our ability to achieve our portfolio improvement and growth objectives.

We have a compelling competitive advantage in how we bring through these development projects. Quellaveco is the blueprint for success in partnering for long-term mutual benefit. There is a deep expertise that runs through the heart of this organisation across multiple disciplines. We are applying these capabilities and taking them further at Woodsmith here in the UK and also at Sakatti in Finland. These will be mines of the future in terms of minimal footprint and sustainable impact and reinforce our credentials as the partner of choice.

We have a more focused and prioritised approach to technology, meaning that we can better realise the benefits from our investment in FutureSmart Mining™ of recent years. We have learnt a lot - with some wins, such as coarse particle recovery and our dry stack solution among others - and we've learnt that at this stage we must focus on the technologies that can deliver the greatest value to our operations. Our southern Africa renewables strategy, through Envusa, is a great example of developing big picture solutions to difficult problems – and solutions that are NPV positive – and we continue to make great progress there, with financial close expected imminently on the three projects that form the first wave of 520MW.

2023 operating performance

Duncan Wanblad, Chief Executive

Slide 13: Safety is our number 1 value

Moving on to our operating performance and our goal of zero harm.

We continue to make progress, achieving our lowest ever injury rate in 2023 – with a strong end to the year, delivering our lowest ever monthly rate of 0.91 in December. On behalf of the whole organisation though I would like to offer our deepest condolences to the family members and friends of our colleagues who lost their lives during the year. Clearly, with three fatalities from two accidents in the year, we have more work to do. But I am encouraged that our programmes are delivering results and I am committed to achieve our goal of zero harm.

This improvement in safety gives me deeper confidence in how we are improving our underlying operational capabilities. The foundations that underpin our safety performance – leadership accountability and our operating model – are also the foundations of improved operational performance.

Slide 14: 2023 operating performance

In December I spoke at some length to the operational performance of the business through 2023 – and you had the production numbers a couple of weeks ago – so I will keep this brief.

Production up 2% reflecting the ramp-up of Quellaveco which produced 319kt of copper at a highly competitive unit cost of $1.11 per pound. Minas-Rio set a number of performance records, while Kumba performed well but was limited by third party rail constraints. At Los Bronces we are in a temporary phase of lower grades and harder ore – and I'll come back to that later. And at Steelmaking Coal we continue to focus on safety protocols amid ongoing challenging ground conditions at Moranbah. PGMs and De Beers performed well operationally but faced markets at cyclical lows. These numbers could and should have been better though and that is where our focus on operational excellence is paramount to restoring the positive momentum within each and every asset. The opportunity is significant.

I will now hand over to John to take us through the numbers. I will then walk you through our thoughts, intentions and plans going forward.

2023 financial performance

John Heasley, Finance Director

Thank you Duncan and good morning everyone. It is great to be here in person at my first Anglo American results presentation. It has been just over two months since I joined and as well as getting to know the team in London, I've had the opportunity to visit a number of our operations through South Africa, Brazil and Peru. I re-affirm my view that Anglo has great people and assets but it is clear that we have opportunity to do some things differently to drive stronger more consistent financial outcomes, especially with regards to cash generation. While that will take some time it has my full attention, and the support of my executive colleagues.

Slide 16: Robust 2023 financial results despite $5.5bn revenue impact from market weakness in PGMs & De Beers

Turning to the results for 2023.

Results were dominated by the impact of lower commodity prices – especially in PGMs, Diamonds and Steelmaking Coal. Overall, our basket price was down 13%.

PGMs and Diamonds alone resulted in a $5.5bn reduction in revenues compared to 2022; with the operating leverage impact of that being significant with the Group's EBITDA reducing by $4.5bn.

Of course, action was taken to manage costs with unit costs only up 4% against a backdrop of double digit mining inflation. There is however more to do on both unit costs and total costs which I will come back to later.

With EPS at $2.42 we have proposed a final dividend of 41 cents in line with our 40% payout policy taking the full year payout to 96 cents.

Cash generation was impacted by profit flow through and a working capital build – mainly in diamonds and PGMs. This resulted in an increase in net debt of $3.7bn after funding growth capex and dividends. Leverage remains within our target range at 1.1x. While such years are to be expected in a cyclical business and we run our balance sheet to absorb these periods, we are taking appropriate action to ensure robust ongoing cash generation and balance sheet strength.

Slide 17: EBITDA impacted by weaker prices

Looking now at the year on year $4.5bn reduction in EBITDA, you can see that this was mainly driven by price with a $4.8bn impact while volume and cost impacts were a net $0.1bn.

Looking firstly at the $4.8bn price impact you can see this was driven by PGMs, Steelmaking Coal and Diamonds. PGM basket price was down 35%, steelmaking coal down 14% while realised prices on diamonds were down 25% (mostly due to the mix rather than the index price).

Slide 18: Strong operational performance at Quellaveco & Minas-Rio offset by challenges elsewhere

Looking then at cost and volume. We were delighted with the successful ramp up of Quellaveco contributing an incremental $1.5bn EBITDA in the period, together with the record performance at Minas-Rio which contributed an incremental $0.3bn year on year.

These gains were largely offset by three factors:

Firstly a $0.7bn impact at De Beers reflecting the margin impact of lower sales volumes in light of weak market demand.

Secondly a $0.7bn reduction at Copper Chile driven by the current operational phase at Los Bronces, and associated lower grades and therefore higher costs.

Thirdly a $0.5bn impact at PGMs reflecting cost inflation and lower volumes with production down 5%.

So in summary, overall EBITDA was down $4.5bn with a $4.6bn impact from PGMs and De Beers, while copper overall was up $0.8bn.

Slide 19: Total costs are a key focus for 2024 & beyond to improve margins & cash generation

Turning now to costs which are going to be a big focus of mine going forward.

Unit costs across the group are up 4% in the year – with weaker producer currencies benefitting PGMs and Iron ore while Copper Chile suffered in part from the impact of the low grade phase of the mine at Los Bronces. SMC was impacted by higher cost of production in challenging conditions as well as inflation. The overall position obviously benefited from the 18% reduction in Quellaveco unit costs as volumes ramped up.

While unit costs are clearly an important measure for the industry, and for us total around $10bn, to truly tackle costs and cash generation I will be very much focused on total costs which as you can see on this slide are closer to $22.5bn and include certain overheads, third party commodity purchases, royalties, logistics and exploration.

As we announced in December and as you have seen with our recently announced restructuring in South Africa, we are well advanced with plans to continue to drive a cost culture through the operating businesses, and I'll say a bit more about that shortly.

Slide 20: Resilient Group mining margin of 39%

Just wrapping up EBITDA it is worth standing back on how our businesses have contributed to the total in the year. We saw a smaller contribution from De Beers which was loss-making in the second half of the year as pricing took a further step down while Nickel remained a marginal contributor.

Copper and Iron ore together contribute $7.2bn or 72% of EBITDA, with Steelmaking coal and PGMs broadly making up the balance at $2.5bn or 25%.

Slide 21: Other financials

Moving on to other earnings matters below EBITDA.

Firstly, the underlying effective tax rate was 38.5%. That is higher than last year reflecting profit and associated country tax rate mix with higher profit contribution from Peru and lower contribution from South Africa. Also, the overall lower profit at the group level meant there was a proportionally higher impact of those countries which are loss-making from a tax perspective, including the UK.

In addition, there was a 1.2 percentage point increase from the deferred tax impact of the new Chile royalty regime as deferred tax balances were revalued.

Guidance for 2024 remains as I said in December at 40-42%.

Moving on to special items outside of underlying earnings, and as mentioned in our production report, we have been reviewing the carrying value of our assets as part of our year end audit process. That work has now concluded with non-cash impairments being recognised at De Beers and Nickel.

At De Beers we have taken a $1.6bn impairment to take the carrying value to $7.6bn. This is largely driven by macro economic sentiment impacting our view on near term consumer demand for luxury goods particularly in the US, while China demand has also been slow to recover post covid. There was no material impact on value from the revised Botswana agreements.

Moving on to Nickel you will recall we booked an impairment of $0.4bn at the half year and have now booked an additional $0.4bn reflecting the sharply lower short to medium term price outlook that emerged through the second half. This takes the carrying value of assets excluding inventory to zero and we are in the process of assessing the appropriate operating strategy for the near term.

Slide 22: Investing in our high quality growth options

Turning now to capital expenditure and cash.

Capex was broadly in line with 2023 at $5.7bn with higher sustaining spend being offset by lower growth with Quellaveco having ramped up in the year.

Our sustaining spend in the short term is slightly higher than I would expect on an ongoing basis as we work through a number of investments in plant and tailings solutions including our filtration plant at Minas-Rio, tailings solutions at Los Bronces and desalination plant at Collahuasi.

Growth capex continues to be focused on Woodsmith and copper, including Collahuasi and Quellaveco.

More broadly, the industry is facing significant pressure from rising capital and operating costs which in time will undoubtedly read through into prices as cost curves structurally shift. In the meantime, we have to have absolute focus on cash generation as I will address on the following two slides.

Slide 23: Significant improvement being targeted in sustaining attributable free cash flow

You can see on this slide that our sustaining attributable free cashflow – i.e. cashflow before growth capex and dividends was $0.1bn.

Starting with EBITDA of $10bn we saw a $1.2bn outflow from working capital. This was driven by three main factors:

Firstly $0.5bn of inventory build at De Beers as sales dropped off sharply in the second half of the year. We took significant action to limit the purchase of diamonds from Debswana in the back end of the year to minimise this increase and will continue to focus on managing the inventory balance, which now stands at more than $2bn.

Secondly Kumba saw a $0.4bn increase largely due to higher inventory as Transnet rail challenges continued.

And thirdly we saw PGMs working capital increase as lower prices resulted in a reduction in the customer prepayment and POC creditor, partly offset by the lower inventory valuations.

This left cashflow from operations of $8.1bn just sufficient to fund tax, interest, distributions to non-controlling interests and sustaining capex.

I will be looking at opportunities within all of these cash items to ensure we have a more sustainable cash generation profile going forward even absent price recovery in diamonds and PGMs. In the short term this will include laser focus on working capital, optimising cash tax and strict control of sustaining capex - without compromising the safe operation of our assets. This will be with the ultimate objective of increasing the rate at which our earnings convert to cash, allowing us to sustain our investment in our attractive growth options.

Slide 24: Net debt impacted by earnings & investment in portfolio

With only marginal sustaining attributable free cashflow net debt increased in the year by $3.7bn mainly as a result of $1.6bn dividends paid and our continued growth capex.

Our balance sheet is designed to be able to ride through such challenging years as shown by our net debt to EBITDA being 1.1x - well within our bottom of the cycle target of 1.5x.

That said, I am clear that this level of cash generation is not sustainable over the long term and that is why operational focus, cost and capex management and cash conversion have all of the executives' absolute focus.

Slide 25: Committed to delivering significant improvement in cash generation

Some examples of initial areas of focus are detailed on this slide.

Our $1bn operating cost savings are progressing well.

The $0.5bn from corporate streamlining is largely completed with c.25% cost reduction from the consolidation of senior head office roles and a more streamlined approach to governance and decision-making. These savings will come through in the costs outside of unit costs and will be realised in full this year.

The business focused $0.5bn reflects the value over volume strategy at Los Bronces and in PGMs as well as reflecting the significant cost out programmes announced this week in South Africa. Similar programmes are ongoing in Chile, Australia and De Beers. These savings, compared to 2023, will be achieved on a run rate basis by the end of this year and realised in full in 2025.

We have also identified and committed to $1.6bn of capital savings between 2024 and 2026. As part of the corporate streamlining we now have a single Group-wide project organisation led by Ali Atkinson who is transforming the way we look at our capital projects while ensuring safety standards, asset integrity and reliability are maintained. This is focused on what we spend and how we most effectively execute the spend.

Working together with my team this ensures that we focus our capital in line with our strategic priorities, namely into copper, Crop nutrients and high quality iron ore. Projects such as the third concentrator at Mogalakwena have been deferred.

It is also resulting in a much more appropriately focused technology programme, with our experience over the last few years allowing us to target those investments with the greatest opportunity for our assets in terms of production and water and energy efficiency. This means areas like coarse particle recovery and our renewable energy projects in South Africa.

On top of these measures, as I said before we also have great focus on ensuring that our working capital is managed efficiently especially in the case of inventory.

Slide 26: Key financial messages

To recap, 2023 was a challenging year with market conditions significantly impacting profitability and cash generation. Our balance sheet strength has absorbed that but we are clear that we will not rely on a recovery in PGMs or diamond markets to improve our financial performance.

We are taking clear and decisive action as noted on this page to reduce cost and capital spend to ensure that our cash generation is sufficient to maintain our strong balance sheet while funding our exciting growth options and our returns to shareholders.

Thank you and I'll now hand you back to Duncan.

Operational detail

Duncan Wanblad, Chief Executive

Slide 28: Embedding higher confidence in operational plans across portfolio

As we look forward, we have taken decisive action to improve cost performance and cash generation by reconfiguring our production plans to ensure they are realistic, by recognising a number of current operational constraints and align more closely with near term demand without compromising long term optionality.

Our organisational streamlining assigns clear accountability for delivery. Coupled with a relentless focus on our Operating Model to drive safe and stable production, we are strengthening our business to deliver consistent, repeatable performance that confidently executes on our operational plans.

Slide 29: Prioritising safety at Quellaveco

I would now like to cover the specifics at some of the assets.

Quellaveco remains a ~330ktpa operation on average over the first five years of its life, and a ~300ktpa operation on average over the first ten years. That was the plan at approval, and that is still the plan. There will be some in-year variability depending on where we are in the pit at any time, but we are confident in the medium-term and see extraordinary further potential in the resource longer term.

Last year we revised the mine plan in response to a geotechnical fault in one of the phases previously scheduled for mining in 2024. Putting safety first always, we took the decision to shallow out the inter-ramp angle of that phase. While that stripping progresses, other lower grade phases are being mined before we come back to those higher grade sectors in 2027. As a result, our guidance in December was lowered by 65kt in 2024. That copper is still there – and, in fact, the revised mine plan has an additional 25kt in total over the next few years. Given the current copper market outlook, higher real terms prices for these volumes may be achieved.

Slide 30: Value-focused production at Los Bronces while operationally constrained in the near term

Staying with Copper. Los Bronces is currently mining a single phase impacted by ore hardness and lower grades. Additional mining phases and intermediate ore stockpiles that would typically provide operational flexibility had not been developed for a number of reasons, including permitting delays.

While the operation works through this low grade phase, called Infiernillo 5, and until the economics improve, the older, smaller and more costly Los Bronces processing plant, that handles about 40% of the volumes, will be placed on care and maintenance from mid-2024. Confluencia – the newer, larger, less expensive plant will continue to operate.

This value-based decision will enable the business to significantly reduce operating costs and improve competitiveness, at both the mine and the plant, reduce overheads, reduce capital spend as well as reduce reliance on external water sources. The average expected annualised unit cost saving from this action is c.30–40 c/lb. The next phase of the mine, called Donoso 2, has higher grade as well as softer ore and is expected to benefit both production and unit costs from early 2027. Placing the plant on care and maintenance gives us the option to restart in the future.

Slide 31: Decisive action at PGMs & Kumba to right-size our operational footprint

At PGMs and Kumba, we have this week set out the difficult but necessary reconfiguration of those operations to set them up on a far more sustainable footing. That builds on the circa 25% cost reduction from our consolidation of senior head office roles.

At PGMs, there is an intentional strategy at the concentrators to produce higher grade concentrate, which results in the same PGM content but from lower concentrate volume.

This provides optionality to reduce our overall furnace capacity and thereby enabling the placing of Mortimer smelter on care and maintenance – reducing both our operating and capital cost footprint.

That builds on the extensive measures the team have already developed to improve the positioning of our assets for the long term. As outlined in December, as we focus on enhancing returns through lower capex and asset optimisation work, we will not be progressing work on the option for the third concentrator at Mogalakwena, nor the expansion opportunities at both Amandelbult and Mototolo. We are committed to delivering all-in-sustaining costs of $1,050/oz in 2024.

As I think you know, we remain optimistic about the quality of our assets with significant long term potential but we must take the necessary steps now to ensure the longer term viability of the business.

Similarly, at Kumba – the prolonged underperformance of Transnet has constrained the business and we need to rightsize the mining footprint to that prevailing logistics capacity in the medium term.

It is therefore with a heavy heart that we are taking these steps to reduce the size of our workforce in both of these businesses. We recognise the widespread effects this will have on our people, their families and our communities and we are putting in place a number of appropriate programmes to help.

Slide 32: Significant work underway to transform operations at Steelmaking Coal & De Beers

At Steelmaking Coal, the gas, depth and strata issues at the Moranbah-Grosvenor underground longwalls represent a complex set of geotechnical challenges. Ground conditions at Moranbah are particularly difficult at the moment. It is difficult for the team to predict how the strata will behave in the coming days and weeks. This improvement journey will take time but getting it right is a non-negotiable for us. So at this point, the team is focused on producing safely and as stably as possible. We have also made significant progress in reducing our methane venting, which along with increased capacity to transfer the methane to third parties, has reduced our emissions in that business by 15%.

We are also undertaking a fundamental optimisation of the cost structure to rightsize the footprint for the lower near and medium term expected capacity – with a target of $100/t by 2026.

Turning to De Beers – operationally very strong, but the current market weakness has resulted in sharply lower revenues. Some green shoots of recovery in the first Sight of this year but we think it will take time to return to the demand levels we were previously forecasting given the macro headwinds in some of our key markets. The team have refreshed their strategy to drive a more streamlined, simpler business – mirroring the redesign we have done in other parts of the company. This is expected to unlock sustainable annual cost savings of ~$100m per annum and we are also pursuing other opportunities, as John mentioned earlier, to improve cash generation.

Portfolio replenishment & growth

Duncan Wanblad, Chief Executive

Slide 34: Highly attractive, value-accretive organic copper growth pipeline

In copper – we have a very attractive set of growth options that sequence very well over the next 10 years from a cash generation and capital allocation perspective. We would absolutely look to accelerate these projects if we could – but from a permitting perspective, I'm afraid, we can't. This timeline is one that has been massively expedited and would have been far, far longer were it not for the people that we have on the ground, the decades of experience and in the relationships that we have developed with the communities, governments and NGOs over those years. Few are better placed than us – and we have the examples across the portfolio to back that up.

Collahuasi is a tremendous orebody. The potential there is quite staggering. We have a pathway to near-on doubling production to 1Mtpa on a 100% basis by the early 2030s. We have delivered the first step in that pathway with the 5th ball mill and we are progressing the approvals for a number of low capital, high return debottlenecking projects. The big bang 4th line, which we hope to couple with our CPR technology, is subject to permitting. That is expected in ~2028 with construction beginning shortly thereafter.

Quellaveco has just delivered one of the fastest ever ramp-ups to full capacity in the industry. Our autonomous technologies are performing well and the plant is running very well. To put some specifics around that - It is operating the top 3 performing shovels in the business and last week plant performance was nearly 10% above design capacity. This is a great example of the results Matt and his team are helping to deliver and they are bringing that to bear across the business in a powerful way. At Quellaveco, these provide a solid foundation for future operational improvements at a mine that is only at the start of its life. We are progressing the studies for a staged expansion pathway – targeting an initial step up in throughput rates in the next few years that would add up to another ~20ktpa – the permit for that is due to be submitted this year.

Los Bronces remains an incredible ore body and it is important to recognise the merits of having a permitted operation in an established copper jurisdiction. To that end, we will continue to progress the engineering studies for the Underground as well as pursuing industrial synergies with our neighbour. The underground construction and ramp-up though will take longer than that seen for Quellaveco or the Collahuasi expansion, but will be worth the wait, with grades close to 1.5%. In conjunction with the open pit, the underground will return Los Bronces to a 350-400kt asset for a very long period of time. Not many orebodies lend themselves to this level of production or for that duration.

And finally, **Sakatti**. A high grade, polymetallic, greenfield option in Finland. And what do I mean by high grade? – the copper is 1.9% and overall the ore body has a copper equivalent head grade of 5.2%! It could deliver 100ktpa copper equivalent, over a mine life that could extend a couple of decades or so – for a highly competitive capital intensity. We would expect the by-products to drive a very attractive negative cost curve position. The EIA for the project was approved by the Finnish authorities in August last year. We are now working with the authorities to progress the Natura assessment, as the project is a located in a protected EU Natura 2000 area. We are hoping to bring it online in the early 2030s. The project has received significant recognition during the permitting process for its innovative and state-of-the-art mine design, that incorporates learnings from both Quellaveco and Woodsmith.

Slide 35: Woodsmith: Significant 2023 progress

At Woodsmith – great progress from the team during the year and delighted that so many of you were able to see that firsthand on the visit back in October. The work on the market development side is going at quite some pace – and we have sold seeding tonnes above the current market prices. I hope you got a good sense of all that from the time you spent talking with Tom and the team.

2024 is a key year as we intersect that hard Sandstone strata. That should be around the middle of the year and then we will have a really good sense of sink rates for the balance of the project, which is key to the schedule and therefore the final capex. We have been testing strategies for that Sandstone in the production shaft and we are seeing around 40% improvements over the service shaft at the same levels. The remaining studies are on track and we expect to take the project to FNTP Board decision in H1 2025. This would put us in a strong position to maximise the value of syndication. We are working hard to identify the right partner, structure and opportunity.

Slide 36: Combining Serpentina with Minas-Rio focuses on long term value creation

True industrial synergies are rare in mining and can only be realised from actions such as pooling endowments and sharing infrastructure. The value opportunities we can unlock from integrating Vale's neighbouring Serpentina orebody with our Minas-Rio mining and processing infrastructure, into a single optimised operation, combined with the option to access Vale's rail and port logistics, are extensive. The sheer scale and quality of the Serpentina orebody offers significant value, including through the scope to expand the production of the premium grade pellet feed products we sell to steelmaking customers as they focus on decarbonising their own processes for many decades to come.

Serpentina contains a resource of 4.3 billion tonnes of iron ore, with a significantly larger total endowment upside that reflects the total strike length of the orebody of more than twice that of Minas-Rio. It is even higher grade than Minas-Rio's already high grade feed and contains predominantly softer, friable ore that is expected to translate into lower unit costs and capital requirements. This enables a significant reduction in the future capital investment into mining and processing kit that would have otherwise been needed as Minas-Rio moved into predominately harder, itabirite ore in the middle of the next decade.

The combination of the two resources also offers considerable expansion opportunities, including the potential to double production towards 60Mtpa, as well as increasing the asset life.

Under the terms of the deal, which is expected to close in the fourth quarter – Vale will contribute Serpentina and $157 million in cash to acquire a 15% shareholding in the enlarged Minas-Rio, subject to normal completion adjustments. They will also have an option to acquire an additional 15% shareholding in an enlarged Minas-Rio for cash if and when the environmental licence is received for the expansion of Minas-Rio following the completion of a feasibility study, at fair value calculated at the time of exercise.

Wrap-up

Duncan Wanblad, Chief Executive

Slide 38: Clear strategic priorities to deliver value through the cycle

To conclude:

I am determined to convert Anglo American once and for all into a compelling investment proposition through the cycle. We will shape the business into a more sustainable investment.

We have short, medium and long term plans in place. Being safe and stable production, as the critical enabler, of both our portfolio improvement, and our long-term growth plans. These plans will create significant value for our shareholders through higher margins & cash generation, with attractive growth and improving returns potential.

I have my team in place and we are working with very clear focus towards everything that we have just described.

Slide 39: To ask a question

And now – we are very happy to take your questions. As well as John and I, we also have Themba, Al and Matt Daley with us here today. Ruben is travelling in Peru.

END