

# FOCUS THE PORTFOLIO

The high quality assets across our De Beers, platinum group metals (PGMs) and Copper businesses underpin our position in those respective markets and are the cornerstone of a more resilient and competitive Anglo American. In addition, we continue to benefit from the performance of a number of other world class assets across the bulk commodities of iron ore and coal, as well as nickel.

REDUCTION IN NUMBER OF ASSETS SINCE 2013

**38%**

DISPOSAL PROCEEDS RECEIVED IN THE YEAR

**\$1.8 billion**

CARATS OF ROUGH DIAMONDS EXPECTED OVER THE LIFE OF THE RECENTLY COMMISSIONED GAHCHO KUÉ DIAMOND MINE

**53 million**

 For more information See pages 17-19

## GAHCHO KUÉ – DELIVERING THE LARGEST NEW DIAMOND MINE IN MORE THAN A DECADE

Gahcho Kué, the world's largest new diamond mine in the last 13 years, officially opened in September 2016, ahead of schedule and in line with the projected C\$1 billion (US\$0.9 billion) capital budget. The mine, a joint venture between De Beers (51%) and Mountain Province Diamonds (49%), is expected to produce approximately 53 million carats of rough diamonds, from around 34 million tonnes of material, over its projected 12-year life, from 2017.

A fly-in/fly-out remote mine site, where winter temperatures can regularly plunge as low as minus 40°C or colder, Gahcho Kué lies 280 kilometres north-east of Yellowknife in Canada's Northwest Territories (NWT). The mine, which was commissioned in August 2016, is on track to reach full commercial operation in the first quarter of 2017. It will mine three open pits, and will employ a total of 530 employees and long term contractors. In 2016, Gahcho Kué supported a total of 2,050 direct and indirect full time equivalent (FTE) jobs, with an induced employment impact of 660 FTE's<sup>(1)</sup>.

Over the life of the mine, Gahcho Kué is expected to contribute a total of C\$5.7 billion into the economy of NWT, which derives more than half of its gross domestic product from mining activities. Partnering with local indigenous communities, which have a say on the use of resources in their ancestral lands, has ensured that the majority of workers during both the construction phase and the ongoing operation of the mine are drawn from the local community.

Production from Gahcho Kué will more than compensate for the loss of output following the placement of Snap Lake onto extended care and maintenance at the end of 2015. The mine will make an important contribution to rough diamond supply in an environment characterised by a steady rise in consumer demand from the growing middle classes in emerging markets, and from millennials, combined with supply constraints as economically viable kimberlite resource discoveries continue to be rare events.



Gahcho Kué diamond mine in Canada's Northwest Territories came on stream in August 2016 following major participation by the local indigenous community in its development. New diamond mine openings are rare events, and Gahcho Kué will make a significant contribution to global rough diamond supply. Process plant superintendent Terry Pinske walks up the ramp alongside the conveyor carrying diamond-bearing ore into the process plant.

### PILLARS OF VALUE

 **Financial**

 For more on pillars of value and our KPIs See page 34

<sup>(1)</sup> See Canada Impact Report, 'The socio-economic impact of Gahcho Kué' for further details.

**As the mining industry continues to recover from the sharp price decreases of late 2015 and the early months of 2016, Anglo American has materially strengthened its balance sheet by generating significantly improved free cash flows and by completing the sale of a number of assets. Greater project, operating capital and cost discipline, combined with a 41% increase in productivity since 2012, are restoring our competitive advantage. We are building strong foundations for a more resilient Anglo American, more attuned to changing market dynamics, and well positioned to deliver robust profitability and cash flows through the cycle.**

### BUILDING STRATEGIC ADVANTAGE

The primary source of competitive advantage in the mining industry is to own high quality, low cost, long life assets of scale, with positions that can be further enhanced if those assets deliver products into structurally attractive markets. In assessing our asset portfolio, we consider:

- The stand-alone quality of individual assets, including their relative cost position and resource and growth potential;
- Our global competitive position within the individual product groups; and
- The additional value potential generated through our dedicated marketing expertise.

### De Beers

De Beers has a global leadership position in diamonds, producing around a third of the world's rough diamonds, by value. Within its portfolio, De Beers (Anglo American: 85% interest), in partnership with the Government of the Republic of Botswana, has one of the largest diamond resources, by volume, in the world at Orapa and one of the richest diamond mines, by value, at Jwaneng. The recently commissioned Gahcho Kué mine, in Canada's Northwest Territories, will add an additional 53 million carats of rough diamonds over its projected 12-year life, from 2017.

Our major diamond mining assets have large, long life and scalable resources and we are continuing to invest in our existing operations to extend our mining activities. The 'Cut-8' expansion of Jwaneng will increase the depth of the mine from 400 metres to 650 metres, while, in South Africa, Venetia is being extended underground, extending the life of mine to 2046<sup>(1)</sup>.

The lack of any significant economic kimberlite discoveries over many years, combined with the ongoing growth in consumer demand for diamond jewellery in both mature and developing markets, points to strong prospects for the diamond business.

Through its differentiated rough diamond distribution model, which comprises term contract sightholders, accredited buyers and auction sales customers, De Beers has a range of insights into its customers' demand patterns. De Beers seeks to stimulate consumer demand for diamonds through its Forevermark™ brand and De Beers Diamond Jewellers, a retail joint venture with LVMH Moët Hennessy Louis Vuitton.

### Platinum Group Metals (PGMs)

Our Platinum business (held through a 78% interest in Anglo American Platinum) is the world's leading PGM producer. It occupies the pre-eminent position, in terms of production, mining, processing and refining assets and the quality and size of its resource base in the world's largest PGM deposit – the Bushveld Complex in South Africa – and has a significant stake in the world's No. 2 PGM deposit on the Great Dyke in Zimbabwe. Our flagship platinum mine, Mogalakwena, is the highest-margin producer in the industry and, as the only large open pit PGM mine globally, is at the centre of a more flexible, competitive and lower risk business.

Platinum is continuing its ongoing repositioning around a leaner, best in class operating footprint at the Mogalakwena and Amandelbult mines in South Africa, and Unki in Zimbabwe, alongside its joint venture interests in the Bafokeng-Rasimone, Mototolo and Modikwa mines in South Africa.

### PORTFOLIO CHOICES DRIVEN BY ASSET QUALITY

De Beers		Platinum		Copper		Bulk commodities and other minerals	
Botswana	• Jwaneng • Orapa	South Africa	• Mogalakwena • Amandelbult • BRPM • Mototolo • Modikwa	Chile	• Los Bronces • Collahuasi • El Soldado	Iron ore and manganese	• Kumba Iron Ore • Minas-Rio • Samancor
South Africa	• Venetia • Voorspoed	Zimbabwe	• Unki	Projects	• Quellaveco • Sakatti	Coal	• SA Thermal • Australia • Cerrejón
Namibia	• Debmarine Namibia • Namdeb					Nickel	• Barro Alto • Codemin
Canada	• Gahcho Kué • Victor						

<sup>(1)</sup> The current Mining Right expires in 2038. An application to renew the Mining Right will be submitted at the appropriate time. There is a reasonable expectation that such renewal will not be withheld.

**FOCUS THE PORTFOLIO** continued

Demand for PGMs is forecast to increase over time, given the ongoing trend towards cleaner emission vehicles, driven by increasingly stringent global emissions legislation. Increasing demand by the automotive industry is likely to be augmented by growing opportunities for emerging new applications, including hybrid and hydrogen fuel cell electric vehicles, while emerging countries such as India offer the potential of developing, from a relatively low base, into significant platinum jewellery markets.

Our business is well positioned to proactively shape demand for platinum, including through targeted campaigns in emerging jewellery markets, creating new investment demand for the metal as a store of value and through direct investment in a number of companies developing new technologies that are expected to drive industrial demand for PGMs, such as fuel cells for electric vehicles.

**Copper**

Anglo American has a world class asset position in copper, with the potential to establish a leading position built around its interests in two of the world's largest copper mines – Los Bronces (a 50.1% owned subsidiary) and Collahuasi (44% owned), with Reserve Lives of 24 years and 69 years, respectively. The resource base of these assets underpins our future brownfield opportunities, in addition to a number of future potential projects, including our feasibility phase Quellaveco project in southern Peru – one of the world's largest untapped copper orebodies – and the polymetallic Sakatti deposit in Finland.

The copper market, although expected to be broadly balanced in the medium term, is expected to struggle to meet longer term demand growth as declining grades and more challenging physical and environmental conditions, along with tougher licensing and permitting requirements, will all affect the industry's ability to deliver new copper supply to the market.

**Bulk commodities and other minerals**

Anglo American also benefits from a number of other high quality individual assets across the bulk commodities of iron ore, metallurgical and thermal coal, as well as nickel.

Anglo American's iron ore operations provide customers with niche, high iron content ore, a large percentage of which is direct-charge product for blast furnaces. In South Africa, we have a majority share (c. 70%) in Kumba Iron Ore, where the Sishen and Kolomela mines produce leading quality lump ore and also a premium fine ore. In Brazil, we have developed the integrated Minas-Rio operation (100% ownership), consisting of an open pit mine and beneficiation plant in Minas Gerais, which produces pellet feed. The iron ore produced is transported through a 529 kilometre pipeline to the Ferroport iron ore handling and shipping facilities at the port of Açú, in which Anglo American has a 50% shareholding.

**PGMs – FUELLING THE FUTURE**

For years, PGMs have not only been essential in curbing noxious emissions in both petrol- and diesel-fuelled vehicles, but have been vital to the fields of medicine, electronics and jewellery, as well as an array of industrial applications. Today, PGMs are playing an increasing part in helping create a cleaner, more sustainable future.

As the contribution of burning fossil fuels to global warming continues to cause concern, and governments impose increasingly stringent vehicle emissions targets, the world needs to identify viable and economic renewable technologies for powering cars. Anglo American believes that PGM-containing fuel cell technologies provide one proven response to this global challenge.

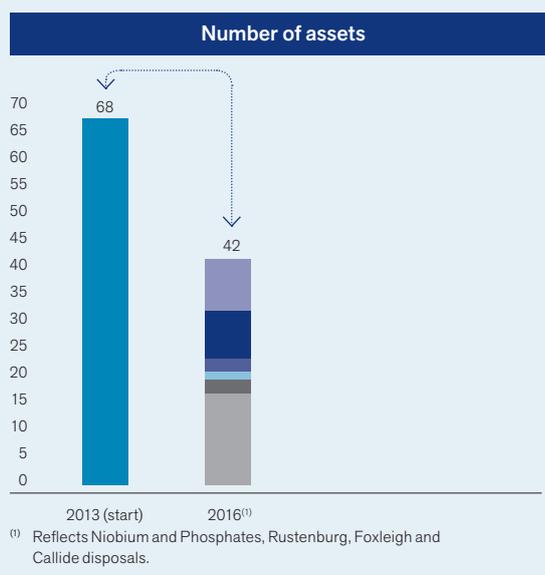
With refuelling taking just a few minutes and with a range similar to petrol or diesel vehicles, fuel cell electric vehicles, or FCEVs, employ platinum as the principal catalyst to cleanly and efficiently convert energy from hydrogen into electrical power in an electrochemical process whose only emission is water.

With fuel cells expected to result in annual platinum demand of several hundred thousand ounces by 2025, the industry presents a major opportunity for the platinum mining industry. At Anglo American, we are working with partners around the world to promote fuel cell technology in a number of applications. In South Africa, we have partnered with Ballard to deploy the world's first off-grid, fuel cell mini-grid to provide primary power to a rural community. In the UK, we are leasing a Hyundai ix35 fuel cell-powered car for four years as part of the London Hydrogen Network Expansion project. We are also working closely with Fuel Cell Hydrogen and Energy Association (in the US) and Hydrogen Europe to promote and advocate FCEVs and hydrogen fuelling infrastructure.



Anglo American believes that PGM-containing fuel cell technologies provide a proven response to the global challenge of cleaner transportation and is leasing this Hyundai ix35 fuel cell-powered car as part of its visible commitment to encouraging the development of the hydrogen economy.

## DELIVERING OUR PORTFOLIO RESTRUCTURING



## 2016 portfolio changes

<b>Disposal</b>	<b>Completed sales</b>	<ul style="list-style-type: none"> <li>■ Rustenburg</li> <li>■ Callide</li> <li>■ Foxleigh</li> <li>■ Niobium and Phosphates</li> <li>■ Tarmac Middle East</li> <li>■ Exxaro</li> <li>■ Kimberley</li> </ul>
	<b>Sale announced</b>	<ul style="list-style-type: none"> <li>■ Pandora</li> <li>■ Dartbrook</li> </ul>
<b>Restructure</b>	<b>Closure</b>	<ul style="list-style-type: none"> <li>■ Thabazimbi</li> <li>■ Drayton</li> </ul>
	<b>Care and maintenance</b>	<ul style="list-style-type: none"> <li>■ Twickenham</li> </ul>

■ De Beers ■ Platinum ■ Copper ■ Nickel  
 ■ Niobium and Phosphates ■ Iron Ore and Manganese ■ Coal  
 ■ Corporate and Other

Our Tier 1 coal assets include the Moranbah North (88% ownership) and Grosvenor (100% ownership) metallurgical coal mines, both located in Queensland, Australia. The mines are underground longwall operations and produce hard coking coal. In Colombia, Anglo American, BHP Billiton and Glencore each have a one-third shareholding in Cerrejón, the country's largest thermal coal exporter.

Our Barro Alto nickel operation (100% ownership) produces ferronickel and is based in Goiás, Brazil.

In South Africa, we continue to work through all the potential options for our export thermal coal and iron ore interests, including retention, recognising the high quality and performance of these businesses and ensuring that value is optimised for all our shareholders.

Our Bulk commodities and other minerals assets have been optimised operationally to ensure ongoing and sustainable cash generation and returns, while being allocated capital to both preserve and enhance value, as appropriate.

We will continue to refine and upgrade our asset portfolio on an ongoing basis in order to ensure that our capital is deployed effectively to generate enhanced returns for our shareholders.

### Portfolio restructuring in the year

The disposal of a number of assets completed to date, has contributed to the substantial \$4.4 billion reduction of net debt during 2016. By year end, net debt stood at \$8.5 billion, significantly below the targeted level of \$10 billion.

### Disposals announced and completed in 2016

During 2016, we received \$1.8 billion<sup>(1)</sup> of disposal proceeds, including the \$1.5 billion sale of our niobium and phosphates business in Brazil to China Molybdenum Co. Ltd.

We completed the disposal of two coal assets in Queensland, Australia in the year; a 70% interest in the Foxleigh metallurgical coal mine, and the sale of our 100% interest in the Callide thermal coal mine. The terms of both transactions remain confidential.

The disposal of the Rustenburg platinum mines to Sibanye Gold, announced in 2015, was completed in 2016. Anglo American also sold its 9.7% interest in Exxaro Resources Limited.

Sales have also been agreed for the Dartbrook coal mine in Australia and the Pandora platinum joint venture in South Africa, subject to a number of conditions. The disposal of the remaining interests in Tarmac operations located in the Middle East was completed in 2016.

### Other portfolio changes

The Group has ceased, or is ceasing, production at a number of operations. Operations that have been closed or placed onto care and maintenance since 2015 include: Snap Lake (diamonds) in Canada; Damtshaa (diamonds, temporary care and maintenance) in Botswana; Drayton coal mine in Australia; and Twickenham platinum mine and Thabazimbi (iron ore), both in South Africa.

In February 2017, we agreed the sale of our 85% interest in the Union platinum mine in South Africa to Siyanda Resources.

<sup>(1)</sup> Proceeds from disposals of \$1.8 billion were received in 2016. Total nominal cash inflows are expected to reach \$2.0 billion over time, subject to prices.