Conference call Q&A transcript

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FY2015 RESULTS PRESENTATION – Q&A SESSION

Sylvain Brunet (BNP Paribas)
Good morning. It's Sylvain Brunet from BNP Paribas. I have three questions. First on asset disposals. Asides from niobium and phosphate are you confident you will be in the position to announce these by July for your H1 results? And could you just maybe elaborate on which assets you are today in the most advanced process? My second question is on capex. Your 2016 SIB guidance would be in the magnitude of about $1.8 billion. Is that a sustainable run rate in the future without impacting the production and safety of your assets? The last one is on the mark to market EBITDA guidance you gave, so $4.8 billion. Can you share what kind of volume and profitability you are seeing for De Beers in 2016? Thank you.

Mark Cutifani
Okay. I take it by excluding niobium phosphate you think that's a done deal. Very encouraging. In terms of other deals, yes, we do expect to see some other smaller assets by that time. Whether we can move one of the bigger assets we have to wait and see. I think it is too early to call, but certainly the interest has been very good. We have appointed advisors. I think, Rene, we're in pretty good shape. Do you want to add to that?

Rene Médori
I think by the half year we will have a pretty good idea of where we are in term of the disposal programme.

Mark Cutifani
On the sustaining capital we think that's a reasonable number on the basis that if you look at the assets, if you look at the capital flows, waste stripping, we are not doing anything to shortcut development in any of our assets, including those that are up for sale. We have improved our efficiency. So we think those numbers are pretty good. And certainly in our case we have not made any moves to try and cut capital back that should be put in place. One thing we have done is we have stopped the practise of using capital as a solution for things that should be done at the operating level. That is the discipline that we talk about. And that has changed. That is where a big set of improvements have come from. So we think we've got the balance right. When I started we had five major open cuts that had been under-developed. Today we don't have any. They are all in the right places where they should be in terms of the operations. On the $4.8 billion, Rene, do you want to pick that up?

Rene Médori
In terms of volume remember in 2014 De Beers sold 33 million carats. In 2015 it was close to 20 million carats. We are not expecting to go back to the pre-2015 level for a number of years. So we are only factoring, in terms of financial projections, just a

limited recovery in terms of volume and stable prices based on where we are today, so following the adjustment that De Beers made in January in the first sight.

Rene Cleyweg (Deutsche Bank)
Morning. Rene from Deutsche Bank. Two questions I guess. One is there is a lot of detail on the disposal programme, and the balance sheet has been the focus for the last six months at least. But there are also some significant numbers on the cost out which have been extremely valuable in terms of improving the balance sheet on a sustainable basis going forward. Would we be able to get the same level of detail in terms of that $1.9 billion broken down by division as a request as opposed to an answer today? And the second one, there is a mixed message in terms of the $6 billion of debt in the sense that you're talking about 2.5 times ratio. If we take the $13 billion of net debt, we sell $3 billion at six times or five times EBITDA. You lose $600 million with EBITDA. You are kind of at nearly 2.5 this year at nearly $10 billion of net debt. Are you targeting $6 billion? Is it a journey towards $6 billion to have some comfort, or is it $10 billion or 2.5 times EBITDA that we should focus on?

Rene Médori
It is a journey. What we are saying in terms of the disposal programme, if you look at the assets we are disposing we would expect to generate $7 billion. And this number excludes Kumba if we assume that there is a demerger. So $7 billion of proceeds. The EBITDA for these assets in 2016, so it is $2.3 billion. Then you have to remove Kumba, which is about $700 million to $800 million at spot prices.

Rene Cleyweg
So the emphasis is on getting to $6 billion, not the ratio.

Rene Médori
Going down to $6 billion. We believe at spot prices the core generates $2.5 billion EBITDA which is less than 2.5 times EBITDA. We believe that will put us in a very strong position to be potentially upgraded back to investment grade.

Mark Cutifani
Getting that credit rating back is important to us. And both of those numbers are important. The reason we put the 2.5 is to give you a sense of how we are thinking about the debt and the earnings and how the two pieces fit together. On your detailed costs, Rene, if I could just make one point. When we stood up in December we had a sense of things that we could do. But we won't put them into these conversations unless there is a solid plan backing them. In fact the board won't sign off as part of that process either. So we are very happy to share with you the detail, albeit at a high level. Certainly they are backed by solid work. The guys have done some really good work to bring them to that level in the last two and a half months. But we had obviously been doing a lot of work beforehand to be able to put them on the table today. I think that is unimportant.

Matt Hasson (Numis)
Hi, Matt Hasson at Numis. Have you made any contingencies for further falls in commodity prices? So if your basket were to go down 10% how would that change your plans in terms of one, trying to get your investment grade back, and when might you need to tap the bond market again? And second, just following on from the

previous question, when would you consider maybe raising money in the equity markets and at what commodity price environment would that be?

Rene Médori
I think I already mentioned on the first point what we are seeing in terms of sensitives. If we were assuming a 10% decline in commodity prices we also assume that in this case FX will weaken. It means that the EBITDA will go down to $4.1 billion and we will be very close to break even in 2016. In terms of accessing the bond market we have no intention or no plan to access the bond market with the liquidity we have. In fact, with the plan that we have outlined we will have excess liquidity over time. In terms of your question on the rights issue our focus is on delivering what we have explained today in terms of refocussing the portfolio, delivering the cost savings to be cash neutral, progressing the disposal program. And we don't have any plans for a rights issue at this stage, and we don't think we will need one.

Mark Cutifani
I think you also have to remember that we've got the lower capex. Because the projects are winding off towards the end of 2016 our growth capital spends are falling away. So we create further headroom. The $1 billion that we've identified is quite different in character to what we're forecasting this year. It starts to build up some of the big technical programmes that Tony has been talking to. So the character change is important. And those things will start to become clear towards the end of this year as well. So we think we've got contingency room on the spot prices for all of the reasons Rene added plus what we're doing inside the business.

Rene Médori
On the capex side we get the addition of $500 million of flexibility in 2017 plus the additional cost saving opportunity. That is without factoring any further volume increase or De Beers' recovery.

Dominic O'Kane (JP Morgan)
Dominic O'Kane, JP Morgan. Just a few questions. On the free cash flow number can you confirm if that is pre or post minorities?

Rene Médori
Post minorities.

Dominic O'Kane
A second question on the disposals. Some of your peers have shown a willingness to explore streaming transactions. Can you comment on why Anglo hasn't thrown that into the mix? And then thirdly, on the disposal strategy there is the core portfolio of copper, diamonds and PGMs. On the residual assets could you comment on discussions around what level of debt the South African government in particular might require in those assets? Is it going to be a requirement for Anglo to provide ongoing capital to those residual assets?

Rene Médori
On streaming that is something we will be evaluating. But unlikely at Collahuasi because of the quality of the JORC compliance ore reserve for gold and silver. On

the South African non-core I think you are referring to Kumba. Kumba at current spot prices will be debt free at the end of the year.

Mark Cutifani

I think on that streamlining point you suffer a deep discount if you don't have the resources and reserves in a particular category. So what Rene is saying is we won't take a discount given we've got so many other options available. Rene, is that correct? Did we cover everything?

Dominic O'Kane

Debt in South African coal?

Rene Médori

These are assets. These are not listed entities. The debt doesn't go with the assets.

Liam Fitzpatrick (Credit Suisse)

Liam Fitzpatrick from Credit Suisse. Two questions. Firstly one for Rene on the credit agencies. They are usually insiders on your results so I'm curious why you think they have done a triple downgrade ahead of your numbers particularly given the EBITDA guidance and the net debt target that you've given. Is it a case of them not wanting to give you upfront progress for that? Secondly on Kumba, it is an asset that is trading on a very low multiple for obvious reasons. Why sell that within a 12 to 18 month timeframe? Would you be better off just waiting for the future optionality in that asset? And finally on your future business mix, it is going to be dominated by diamonds and platinum. You have given the consumer angle, but they are also extremely opaque. So how would you address that over the medium term?

Mark Cutifani

Let me pick up the transparency issue first. I think it has been very important for us to work with the De Beers team and our stakeholders on the transparency front. I think we've got more to do there. We will keep doing that and make sure that we're improving our disclosure, but at the same time not compromising the commercial issues and the sensitivities of our key stakeholders. That will be a work in progress. And we do value your feedback on that front. Chris in platinum is very open. If there are any thoughts you have there we would be very open to look at how we can do a better job in explaining platinum and take a bit more of a lid off the actual above-ground stocks that we're seeing. Clearly there is still some stock sloshing around. So we are looking to improve our intelligence in the market. If we get that right we will certainly be happy to share that with yourself and compare notes on both of those points.

Copper we think there is great potential in the two material assets we have. And the longer term positions we have I think again we are very well placed in those assets. In terms of Kumba we think that will take 18 months to play out as a minimum. We are not in any rush. We want to make sure we do the right thing with our stakeholders given the continuing performance improvement we expect from Kumba with the work that Norman has done with the support from Tony and the team. You will have noted Tony came off the board a couple of weeks ago. In our view the greater bulk of the transformation work has been done. Norman has made a lot of changes operationally. We think they are off to the races. And on the other side of that Tony has got too much other work that he has got to do across the balance of the portfolio and he hasn't been able to attend all the meetings. So to be fair to shareholders we thought we should put someone there who can fully dedicate themselves to the board functions as opposed to the operating work Tony will continue to have in the business. Do you want to say anything else on Moody's?

Rene Médori
On Moody's it is probably one notch lower than what we were expecting. It was I think from what we understand from Moody's a very difficult debate within their committee where to land. And they are taking a very negative view on the whole sector. Yes, we share our plan. At this stage they are not giving us credit in terms of disposals. But it was more a generic position rather than based on the view in terms of valuations of specific assets we will be selling.

Jason Fairclough (BAML
Just two from me if that's okay. The first one is on institutional inertia and mandate. I'm wondering to what extent does the board back you to do this. And I guess really to that, why would investors believe that you can do this now when you haven't been able to do it in the last three years? Secondly if I look at the mix that's left here, you've got a listed copper business, you've got a diamond business that people think is going to be worth more listed or standalone, and then you've got two JV stakes in copper which seem to sell for two times NPV. So why not just go the whole way? Why not break this thing up? It's a lot more exciting that way than trying to fix it.

Mark Cutifani
Thanks, Jason. It's a reasonable question. You're going to get a direct answer. 60% reduction in safety, 70% reduction in environmental incidents, 27% reduction in unit operating costs. 27% improvement in productivity. Capital down $1 billion and 30% across general spends. 30% of the portfolio gone. The board and myself had a good discussion about the next steps. That is in about two and a half years. Based on the delivery thus far we believe we will deliver what we've promised because we have delivered what we've promised to date. To turn one of these big ships around is an exercise. I will let the numbers do the talking. In terms of whether it is the right portfolio, the fact that we've delivered those improvements across the business is a function of the portfolio and the ability to share that information across the group. So to lead safety statistics, productivity improvements and cost reductions across the group is a function of what we've done inside the business and a function of being able to share that across the portfolio, something we have not done well in the past. So it is a commitment, but from our point of view judge us on the numbers going forward.

Richard Hatch (RBC)
Morning. Richard Hatch, RBC. A question on Minas Rio. You have noted that you are looking to make it free cash… is it free cash flow breakeven at the end of this year or is it operating cash flow breakeven?

Mark Cutifani
At $40 a tonne we are just above $40. What we are trying to do is get it below $40 a tonne. That is what Seamus' focus is right now. And that is at around 15 to 18 million tonnes a year. That is not a full rate. We will do much better at full rate.

Richard Hatch
Are you able to share what your expectation for capex is this year and what kind of wiggle room you've got on it? Also just an update on your licensing and when hopefully you might be able to resolve that issue. And finally, I noticed you managed to pull your inventories down by about $700 million year on year. I just wonder how much more you can squeeze out of your inventories. Thanks.

Rene Médori
On Minas Rio the number I gave was before gross capex, so it is including SIB capex. The gross capex is around $200 million in 2016. On working capital, working capital was flat in 2015. With a decline in debtors offset by a decrease in inventory in De Beers, because as you know we produced more than we sold. The increase was $150 million in De Beers and we expect that to reverse in 2016.

Menno Sanderse (Morgan Stanley)
Morning. It's Menno at Morgan Stanley. I just want to play devil's advocate. Your copper assets are not bad but $1.45 C1 excluding maintenance capex and with no desalination at Los Bronces they are not necessarily the best copper assets in the world. So maybe you can lift the skirt a bit further on what can be done there going forward to get the position slightly better. Secondly in diamonds clearly you had a phenomenal 2014 and then it all fell dramatically apart like Arsenal football almost in 2015. Like Arsenal football it is debatable whether it will recover or not. You sound a bit more confident than I think the numbers suggest you should be. So maybe you have had discussions with the board and you've seen the first and second sights.

Mark Cutifani
If I go to diamonds first I think we've got to remain cautious. Certainly from our point of view the first sight was encouraging. I think we have got to see a few more months before we book that as a trend. I guess the encouraging thing is the fact that we've seen a bit of an uptick in polished prices in New York. And some of our most vociferous critics in the industry are also calling things a bit more positive. So I think we have to wait two or three more months, Menno, to be confident. But certainly the first sight was encouraging, well above what we had budgeted for the full year.

On copper I think you're absolutely right. Duncan and the guys know what they have to do. You actually made a very important observation, and you may not know how important the observation is. It is about water and making sure we can make full use of that capacity. Later this year Tony will be taking us up the learning curve on what we're doing on grade engineering and some other projects to improve the performance of both Los Bronces and Collahuasi. Now, Los Bronces has dropped its unit operating cost per ton by about 20%. Collahuasi is a bit behind that. It hasn't got the operating model. But in both cases that's where Duncan's focus is this year. And we will pick that up as a key area of work in the second half of this year as part of our description of the business.

Anna Mulholland (Deutsche Bank)
Thanks. It's Anna Mulholland from Deutsche Bank. Mark, when you got on the Anglo American roller coaster a number of years ago you wanted to get the group to a 15% ROCE as a minimum. You referenced that being your breakeven for the group

obviously versus your cost of capital at that point. We have stopped talking about it for obvious reasons given what has happened in the context of the pricing market. Are you still thinking about it in that way? What do you think the core portfolio's cost of capital should be? What is the return you are looking for? Copper, platinum and diamonds is a different business than what you started with obviously, so how do you think about it now?

Mark Cutifani
I come to work every day thinking about delivering a 15% ROCE. In my 40 years that's the breakeven number. It allows you to fund the development of the projects and make sure you keep those assets moving in the right direction. It allows you to pay a dividend and at the same time make the right decisions about the assets. So that's where we're going. The new portfolio delivers better than that at long term prices. So we ticked the boxes in terms of setting the business up for success. And that to me is key criteria. I heard someone quoted the other day talking about being successful in business. And they made two points. Best assets. Run them well. I think that is only two-thirds of the story. I think the most important part of the story is capital discipline. This industry has destroyed value time and time again because we spend money on stupid things. Today we have not added one project to our portfolio. And in this market we won't because we are going to hold our capital discipline because every one of us comes to work trying to figure out how we get to 15%. Nothing has changed. The discipline has to be there. And unless you're talking the discipline in the group you don't get there. That's why our capital has improved, operating costs are critical. The margins will drive the returns. We will get there.

Anna Mulholland
Thanks. And clearly this is a grand plan. What happens if it doesn't work? What is plan B?

Mark Cutifani
We have given careful thought with the board on what the strategy should continue to be. This is not new. We started with the strategy around diversification, focus on the core assets, pull it into the core, deliver sustainable returns and then work that into the base we create. Yes, we have been harder and going deeper because we've got to get the balance sheet sorted to make sure that we're in the right position to take advantage of the opportunities that come. We have lost 40% of the commodity price. That's life. We are reacting. We are responding. We are doing the right things. We've got the best assets in the industry. If the approach that we are putting forward doesn't work there is no mining industry. We've got the best assets in those industries. That's the first point. We also understand how we can improve and cover our bets. The breadth of the disposal portfolio gives us the option to play different assets against each other in deciding whether we're going to sell an asset. That's also been very carefully thought through. We don't have to sell all the assets. We've got the liquidity. We're delivering cash from our business. We've got more than 10% room in terms of generating cash. We have a range of options to deal with anything the market throws at us. We will deliver.

Anna Mulholland
Thank you.

Myles Allsop (UBS)
It's Myles Allsop at UBS. To be clear on that last point, obviously this is the worst time in a decade to sell assets. This could be a massive value destruction exercise if you sell at the wrong price. Are you prepared to walk away from every single asset disposal if you can't get the right price and then think about other options? Obviously you have got to be very careful in terms of delivering these transactions. Secondly going back to spot EBITDA at $4.8 billion, it is pretty impressive, certainly a lot higher than we were expecting. Could you, Rene, go into each division and give us a sense of what EBITDA for each division is like, like one of your competitors do? Thank you.

Mark Cutifani
I will start off, Rene, and then hand across. In terms of value for the assets Tarmac Lafarge, the copper assets, Dartbrook, Callide, Rustenburg, each deal has been structured to the asset and the circumstance and we are happy with the value delivered. Despite what some have said we have actually delivered more than $3 billion worth of value, and by mid-year we will have drawn a line under phase one in our asset disposals and we will exceed the bottom end of the target ranges. And we will have done it six months earlier. That is what the numbers will show at mid-year. From our point of view every other asset will require that same consideration. And in some cases I've got no doubt we're going to say no. But based on what we've seen so far there are going to be quite a few cases where we're going to say yes. So it will be a balance. Yes, it is a tough market but for strategic buyers we've still got a few out there and I think we will do a few assets. We will certainly get our $10 billion debt this year based on cash flow and disposals based on what we've seen so far. So we are confident we can get there.

Rene Médori
I think there was a question before on the same topic, the breakdown by business unit. Paul, we can cover that outside the meeting.

Paul Galloway
Yes. On page 35 in the appendix you've got detail of the EBIT savings per BU.

Myles Allsop
Does the $4.8 billion include cost saves?

Rene Médori
Yes.

Kieran Daly
Hi Mark. One question really is on Kumba. Obviously in some sense the easiest way to get Kumba out of the portfolio is to unbundle it or demerge it. There are some issues around that of course. One is making sure it is properly capitalised, which you said earlier it is looking pretty good. So I tick that issue. But the other two issues to an unbundle like that of course are share flow-back in terms of people not wanting Kumba shares, Anglo shareholders not wanting Kumba shares. And then the third issue around Kumba has to be black economic empowerment and how that is structured in Kumba going forward. I don't know if you've got some comments you could make around those two latter issues in terms of the complexity of unbundling

Kumba and whether there are any other complexities that you see maybe to do with the South African national treasury and issues like that. Thanks.

Rene Médori
We have at this stage taken the decision to exit Kumba. But there is a number of complexities that will require engagement with multiple stakeholders, whether it is on the BEE side or whether it is at the government level. That is something we will be progressing over the next month. And that is why today we didn't give you a definitive position on how we were going to exit Kumba. We have been able to progress a number of the disposal actions, but not Kumba because it has to be in the public domain to further progress this exit.

Mark Cutifani
The big issue, the big one I think it can be readily resolved. And that is a matter of working with the stakeholders, which I think we have got a good track record of doing. Don't forget Anglo American has created virtually all of the major BEE companies in South Africa in mining or certainly made a significant contribution. So I think the credentials we have established, the relationships we have established will stand well in those conversations. And we will be doing the right thing as part of the process. I think we've got one more call and then I will come back for a couple more questions in the room. Anyone else on the call?

Caroline (Allianz)
I understand you have some financial covenants on your available bank facilities in South Africa. Could you please disclose the level of those covenants, whether you expect to comply with those in 2016 or whether you will be able to renegotiate the covenants? Could you please indicate the minimum cash that you will need to maintain on balance sheet at group level? And also just to clarify whether we should expect some cash costs associated with the restructuring in 2016, whether those are included in the $4.8 billion EBITDA guidance. Thank you.

Rene Médori
On the South African bank covenants I covered that in December. I think I indicated at that time that there was a lot of flexibility on the platinum side. I indicated that there may have been more stress on the Kumba side. That is no longer the case. To test the Kumba bank covenants it would require the price of iron ore to drop to $25 per tonne from 1st January to end of June. To stress this limit at end of December 2016 it would require a price of iron ore from 1st January to end of December just around $31 to $32. So there is no issue in terms of bank covenants in South Africa. Minimum cash level to operate in the group probably around $2 billion. That compares to the $7 billion of cash that we have today. Obviously we will be probably lower once we have moved to a much smaller core business around De Beers, platinum and copper. There was a third question?

Mark Cutifani
Costs of restructuring.

Rene Médori
Cost of restructuring over the next couple of years is $150 million. That is included in our cash flow projection.

Paul Gait (Bernstein)
Hi there. Paul Gait, Bernstein. I'm just wondering about the closure versus care and maintenance. You are saying the run rate is going to be about $100 million. I'm just looking at something like Peace River Coal that you're putting on care and maintenance. Why not close it? Why not sell it? What is the reason for keeping those three assets on care and maintenance in the portfolio?

Mark Cutifani
We are looking at all of the options to reduce those costs further, Paul. We haven't made those final calls, but that is what we are going through now, in terms of the process and what you have to do. As soon as we have made the final call we will let people know. Snap Lake there is a process you have to go through, offer for sale, before you make a decision to actually flood the mine. A big part of the costs are pumping. So there is a process we have to go through. Peace River is a little bit different. We have dropped our cost to $12 million or $13 million so it is relatively modest. But it still is a cost of keeping an option open. But we are debating as we speak now, so we will make that call over the next few months.

Rene Médori
The biggest item in 2016, Paul, is Snap Lake. It is costing us $100 million to put the asset under care and maintenance. Then in 2017 $60 million because we have to keep pumping water out of the mine. Then in 2017 if we are allowed to flood the mine it goes down to $20 million.

Mark Cutifani
You can still recover it from flooding but the principle of doing that is quite a process. So that is where the bulk of the costs are. Anyone else? Yes, Rene?

Rene Cleyweg
I appreciate we are talking about people again here in terms of the target of 50,000. If you look at the support function behind that normally you would look at a 7% or 8% ratio on that which would imply 3,500 or maybe 4,000 people in support roles. The last slide in December still alluded to a higher number, and it indicates to people on the outside at least in terms of cultural challenges and transformation within Anglo. Are you comfortable talking today about you're working closer to that 3,500 or 4,000 type number instead of 7,000?

Mark Cutifani
Rene, what we have found in the work we have done so far is the ratio of indirect… to be sure we are clear, indirect means anyone that is not actually physically touching product. That includes people at the mine through to corporate office. Like Rene, Tony and I are overheads. That is around 7% to 10% in the mining industry. In fact the more mechanised the asset the higher that ratio goes because you've got less people at the ground floor. Our lowest ratio believe it or not is platinum where we've still got probably more overhead. And Chris is working that down. So at the moment we have a ratio of 10%. We believe we can get that down further. But we would have to automate a number of the processes like ERP structures and a whole range of things. So yes, we can improve it. But there is a big change we can make in the current structures. We have already cut between London and Jo'burg about 30%

of the numbers. More are happening as we speak. We will consolidate the two London offices into one early next year. And so we're going to continue on that search to get the numbers right. But we've made significant changes. In Main Street we used to have four buildings. We have now got down to two, and in the long term there will be more vacancies. We are really thinking about where to from here in the base is something that is exercising our minds. We are making significant inroads but there is still a way to go.

Rene Cleyweg
One more if I may just on Minas Rio, the reduction in the guidance. Is that cost management and market circumstances or is that continued operational challenges that you're facing?

Mark Cutifani
We have actually proven the capacity of each unit of equipment through the process. That's not the issue. What we want to do is we're taking a prudent approach to licensing because we think the licensing process for the next two footprints will take longer because of the Samarco tragedy. So we are just being prudent. We are going to work to that 15 million to 18 million tonne run rate so that we don't step out too far and get ourselves into trouble on the footprint. And then we will open the pit up as soon as those licenses come through. So in doing that 18 million tonnes, get your costs tight, work on your margins, make sure it is cash positive, and then the upside will come when the market improves in any case.

Myles Allsop
It's Myles Allsop again. Just maybe three questions. One following up from Rene on Minas Rio. Where will the cash break even costs end up once the operation is fully up and running at 26 or 25 whatever you feel is the optimised level? Could you give us a quick sense of where El Soldado is in terms of cash costs? That was a potential closure candidate but it looks like you're trying to fix it rather than close it. And then just in terms of the sale processes, are you selling assets collectively? So should we think about Moranbah and Grosvenor being one sale process or are you selling them individually? I was wondering why you didn't include Capcoal within the met coal process, why it is running slightly behind.

Mark Cutifani
Very flexible, particularly on the met coal side because we've got strategic buyers who think about met coal positions as a package. So we are open on a broader basis. I think that is probably where you will get the most significant players. But we also look at those processes on an asset by asset basis. Not all of them have the same regional synergies. So we are very flexible, setting up the processes for people to be more flexible. It is also how you get more tension in the process as well. So our flexibility reflects a sale strategy to get the best price. That's the first one. The second one on El Soldado, we expect to be pretty well on break even this year with capital, maybe $10 million.

Rene Médori
$10 million to $15 million cash negative compared to in excess of $100 million.

Mark Cutifani
That's at spot prices. So that tells you around about break even with capital. The downsizing that was announced in the last couple of days is part of the change to get the mining cost down over the next three to four years. But it is a process. It is an asset that is still open for sale, but we've got a strategy to operate and make sure we're not draining cash if that's not successful. So we've got that under control. I think that's been important. On Minas Rio you would certainly look at mid to low 30s depending on the Real. We are certainly doing pretty well in terms of our breakeven price. To be at $40 per ton at 15 million to 18 million tonnes and take 70% variable cost it will give you a reasonable sense of where the breakeven could be based on what we see today. Okay, that is at the 26 million or 27 million tonne rate.

Myles Allsop
Just following up on that in terms of… Are you getting interest from buyers for a collection of assets, so nickel and met coal and other assets, or is it really individual processes?

Mark Cutifani
We are getting all sorts of interest from all sorts of players, and we are encouraging all sorts of other players to become interested as well. Tim Clarke.

Tim Clark (Standard Bank)
Good morning. Just a very quick question. Samancor, where does Samancor fit in? I don't think I've heard it mentioned.

Mark Cutifani
Non-core.

Tim Clark
And then disposals, so part of your disposal plan or something you've got to think a bit more carefully about because of jurisdiction or where are we at?

Mark Cutifani
No, no, from our point of view the South African government is an open government with which we dialogue. We are working through the process, and we are working through that process with South32. So taking into account all of those issues we will continue to keep you posted if there are any further developments. Today it is non-core. Nothing else to say. But we will update you at the half year in any case.

Tim Clark
Thanks.

Mark Cutifani
Guys, I think we have worn you down. Thank you very much for being with us today. Have a good one.

END OF TRANSCRIPT