NEWS RELEASE

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Anglo American approves Quellaveco copper project for development

Anglo American plc (“Anglo American”) announces that its Board has approved the development of the world-class Quellaveco copper project in Peru.

Mark Cutifani, Chief Executive of Anglo American, commented: “Quellaveco is one of the world’s largest and most attractive undeveloped copper orebodies. We expect Quellaveco to generate a real, post tax IRR of greater than 15%, with a four-year payback(1) and an EBITDA margin of more than 50% due to its highly competitive first quartile cash cost position. We see significant potential to expand Quellaveco beyond its current 30-year reserve life as well as to increase throughput above the initial capacity of 127,500 tonnes per day.

“After several years of extensive preparatory work, we are very pleased to develop the project together with our partners Mitsubishi. We are grateful for the strong support we have gained from our host communities and at the national level. Quellaveco should bring very significant opportunities and sustainable benefits to the lives of those we employ, our business partners, the surrounding region and Peru as a whole, for decades to come.”

The development phase of the project will commence following completion of the transaction, announced in June 2018, whereby Mitsubishi Corporation (“Mitsubishi”) will increase its interest in Anglo American Quellaveco S.A., (“AAQSA”), which owns the Quellaveco project, to 40%. The development has an expected capital cost of $5.0 to 5.3 billion and will be funded on an attributable basis: 60% by Anglo American and 40% by Mitsubishi, with Mitsubishi pre-funding the first $500 million of Anglo American’s share of the capital expenditure.

First production of copper is expected in 2022, ramping up to full production in 2023. During the first ten years of full production Quellaveco is expected to produce approximately 300,000 tonnes per year at a cash cost of $1.05 per pound of copper.

The support of local communities is the result of an innovative 18-month consultation with local authorities and community representatives from the Moquegua region. Through this ‘dialogue table’, Anglo American agreed 26 detailed and specific long-term commitments relating to water management, environmental protection and social investment. For example, by ensuring that the water required by the operation is drawn mainly from a river whose water is naturally unfit for human or agricultural use and additionally by collecting excess rainfall and sharing it with the communities, Anglo American is delivering on its promise of a positive water impact for local people and their livelihoods.

Mark Cutifani added: “This is an exciting moment for Anglo American. The approval of Quellaveco is an important step in delivering the full potential of our world class asset portfolio, with an expected project ROCE in excess of 20%, and we look forward to working responsibly with all our stakeholders to make it a reality.”

(1) Four-year payback is from first production in 2022
Notes to editors:

On 14 June 2018, Anglo American announced that it had entered into a Heads of Agreement with Mitsubishi Corporation in relation to Mitsubishi’s proposed acquisition of an additional 21.9% equity interest in AAQSA, which owns the Quellaveco project, for a total consideration of $600 million. Following closing of the transaction, Mitsubishi’s interest will increase to 40%, while Anglo American will retain 60%. The total subscription by Mitsubishi for new shares in AAQSA will be $833 million, which will reduce Anglo American’s share of capital contributions to AAQSA for the development of the Quellaveco project by $500 million. Following approval of the project by the Anglo American Board, all material conditions to the closing of the transaction have now been met and therefore completion of the transaction is expected during August 2018.

Quellaveco is one of the world’s largest undeveloped copper deposits and is located in the Moquegua region in the south of Peru. With Ore Reserves estimated at 1.3 billion tonnes, containing approximately 7.5 million tonnes of copper (at 0.57% TCu), Quellaveco has a Reserve Life of 30 years, with potential for further extension given its estimated additional Mineral Resources of 1.6 billion tonnes, containing 6.0 million tonnes of copper (at 0.37% TCu). The Quellaveco project will use open pit mining and processing by flotation to produce copper concentrate, as well as molybdenum and silver by-products. At its initial nameplate throughput rate of 127,500 tonnes per day, Quellaveco is expected to produce an average of approximately 300,000 tonnes per year over its first ten years of operation, at a C1 cash cost of $1.05 per pound of copper.

The project has been granted all its major permits required for construction, and benefits from a high level of acceptance from the local communities and the local, regional and national governments. Quellaveco will be operated by Anglo American and will create more than 9,000 jobs during the construction phase and approximately 2,500 jobs in normal operation.

For additional information and materials relating to Quellaveco, please visit www.angloamerican.com/quellaveco.
1. Estimates as at 31 December 2017. For a breakdown of the classification categories, refer to the Anglo American Ore Reserves and Mineral Resources Report 2017. TCu = Total Copper.

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As a responsible miner – of diamonds (through De Beers), copper, platinum and other precious metals, iron ore, coal and nickel – we are the custodians of what are precious natural resources. We work together with our key partners and stakeholders to unlock the sustainable value that those resources represent for our shareholders, the communities and countries in which we operate and for society at large. Anglo American is re-imagining mining to improve people’s lives. www.angloamerican.com

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