

Anglo American plc (the “Company”)

Registered office: 20 Carlton House Terrace, London SW1Y 5AN
Registered number: 3564138 (incorporated in England and Wales)
Legal Entity Identifier: 549300S9XF92D1X8ME43
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NSX Share Code: ANM

8 April 2021

Anglo American to demerge South Africa thermal coal operations

Anglo American plc (“Anglo American”) announces the demerger of its thermal coal operations in South Africa, subject to the approval of Anglo American’s shareholders on 5 May 2021.

The separation will be implemented through the transfer of Anglo American’s thermal coal operations in South Africa to a new holding company, Thungela Resources Limited (“Thungela”), the demerger of the Thungela shares to Anglo American shareholders and the primary listing of Thungela’s shares on the Johannesburg Stock Exchange (the “JSE”) and standard listing on the London Stock Exchange (the “LSE”).

Mark Cutifani, Chief Executive of Anglo American, said: “Anglo American has been pursuing a responsible transition away from thermal coal for a number of years now. As the world transitions towards a low carbon economy, we must continue to act responsibly – bringing our employees, shareholders, host communities, host governments and customers along with us. Our proposed demerger of what are precious natural resources for South Africa, allows us to do exactly that.

“We are confident that Thungela will be a responsible steward of our thermal coal assets in South Africa, benefiting from an experienced and diverse management team and board. While representing just a small proportion of Anglo American today, we are laying the foundation for South Africa’s leading coal business, setting it up for success to deliver value for all its stakeholders. Looking forward, we believe the prospects for long-term value delivery are greatest as two standalone businesses, each with their own strategy and access to capital.”

July Ndlovu, CEO of Thungela, said: “Thungela is a leading South African producer of high quality, low cost export thermal coal, well positioned to benefit from improved market conditions, and providing a reliable and affordable energy source to our customers mainly in developing economies. We have significantly repositioned and upgraded our portfolio in recent years into a highly competitive producer of export product, with established access to world-class export infrastructure.

“As an independent business we will continue to contribute significantly to our host communities and South Africa’s development objectives. As part of our commitment to creating an enduring positive legacy, we are establishing an employee partnership plan and a community partnership plan, with each holding a 5% interest in the Thungela thermal coal operations in South Africa, thereby enabling employees and communities to share in the financial value that we generate.

“Guided by the high standards set by Anglo American, Thungela is committed to operating sustainably – continuing to drive safety, health, environmental, governance and social programmes for the benefit of our employees, host communities and shareholders. The demerger of Thungela and our listing on the JSE will represent yet another major milestone for Anglo American’s long-running contribution towards transforming South Africa’s mining industry.”

Anglo American plc

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The proposed demerger recognises the diverse range of views held by Anglo American's shareholders in relation to thermal coal and therefore provides Anglo American's shareholders, including those with specified investment criteria, with the choice to act on such views and, following the implementation of the proposed demerger, to either retain, increase or decrease their interests in Thungela. The proposal also allows Thungela to attract new shareholders and to access new sources of capital as an independent company offering direct exposure to thermal coal.

Anglo American is committed to setting up Thungela as a sustainable standalone business, including by providing an initial cash injection of ZAR2.5 billion (approximately \$170 million) and further contingent capital support until the end of 2022 in the event of thermal coal prices in South African rand (ZAR) falling below a certain threshold.

Following the implementation of the proposed demerger, and in line with Anglo American's responsible approach, Anglo American's marketing business will continue to support Thungela in the sale and marketing of its products for a three-year period with an additional six-month transitional period thereafter. This transitional arrangement ensures that customers receive a consistent service and supply of thermal coal while Thungela concentrates on enhancing the performance of its operations while continuing to receive optimal value for its products in the market. The three-year term, and the additional six-month roll-off period, also provide time for Thungela to build its own global marketing capabilities should it choose to do so.

Proposed demerger process

In order for the proposed demerger to be implemented, Anglo American shareholder approval will be sought at a general meeting and court meeting, both expected to be held on 5 May 2021 following Anglo American's Annual General Meeting. If it is approved, it is expected that the demerger would be effective on 4 June 2021, with Thungela's shares being listed and admitted to trading on the JSE and LSE on 7 June 2021.

Following completion of the proposed demerger, 100% of the issued share capital of Thungela will be held by Anglo American shareholders who will each receive one Thungela share for every ten Anglo American shares that they hold. Each Anglo American shareholder will also retain their existing shareholding in Anglo American. Thungela will hold 90% of the thermal coal operations in South Africa with the remaining 10% held collectively by the employee partnership plan and the community partnership plan.

Additional information

A shareholder circular setting out further detail in relation to the demerger, including expected key dates has been published on www.angloamerican.com/products/thermal-coal/demerger.

In respect of the JSE and LSE listing, a Thungela combined pre-listing statement and prospectus is expected to be published on Anglo American's website (www.angloamerican.com) and Thungela's website (www.thungela.com) later today.

In accordance with UK Listing Rule 9.6.1, a copy of the circular has been submitted to the Financial Conduct Authority (FCA) and will shortly be available for inspection via the National Storage Mechanism.

Anglo American will host a virtual investor and analyst presentation at 09:00 UK time / 10:00 South Africa time today. Access and registration instructions are available on Anglo American's website (www.angloamerican.com/investors).

Thungela will host a virtual investor and analyst presentation at 08:00 UK time / 09:00 South Africa time on 6 May 2021. Access and registration details will be provided nearer the time.

Notes to editors:

Thungela Resources will be the listed holding company for the demerged thermal coal operations in South Africa, constituting a strong and attractive business with high quality well-located assets and with access to established export infrastructure. These operations provide a wide range of economic and social benefits for host communities and for South Africa, including significant employment, tax revenues, export earnings, and the provision of many essential community services. Thungela means to "ignite" in isiZulu.

At the 2021 year to date average FOB South Africa market price of \$91 per tonne, Thungela is well positioned to capitalise on improved and more stable market fundamentals. In 2018, when the average FOB South Africa price was \$98 per tonne and FOB costs were c.\$61 per tonne, the assets produced 18.4 million tonnes of export saleable production and generated \$558 million of operating cash flow⁽¹⁾. 2020 FOB costs were \$51 per export tonne and are expected to be similar in real terms in local currency in 2021. The gross assets of Thungela that are the subject of the proposed demerger were valued at \$1,294.5 million as at 31 December 2020. For the year ended 31 December 2020, no profits were attributable to the assets comprising the thermal coal operations in South Africa.

The Thungela Board will comprise Sango Ntsaluba as independent Non-Executive Chair, July Ndlovu as Chief Executive Officer, Deon Smith as Chief Financial Officer, Kholeka Mzondeki as Chair of the Audit Committee, Ben Kodisang and Thero Setiloane as Independent Non-Executive Directors and Seamus French as a Non-Executive Director.

Thungela value proposition:

- A leading South African thermal coal exporter, with 16.5 million tonnes of attributable export saleable production in 2020;
- Well positioned on established rail network with secure access to export markets via the Richards Bay Coal Terminal;
- Low cash-cost assets, well positioned to benefit from a favourable thermal coal market environment;
- Strong suite of life extension and replacement options;
- Robust ESG framework underpins licence to operate;
- Right-sized organisational model focused on safety and business improvement;
- Experienced executive management team led by July Ndlovu as CEO and Deon Smith as CFO;
- Seasoned, highly qualified board of directors led by Sango Ntsaluba as Chair and Kholeka Mzondeki as Chair of the Audit Committee.

(1) \$558 million of operating cash flow represents the ZAR7,387 million of net cash (outflow) / inflow from operating activities before income taxes, as reported in 2018, converted to US\$ using the 2018 average ZAR:USD FX rate of 13.25.

Anglo American is a leading global mining company and our products are the essential ingredients in almost every aspect of modern life. Our portfolio of world-class competitive operations, development projects and undeveloped resources, provides many of the metals and minerals that enable a cleaner, greener, more sustainable world and that meet the fast growing consumer-driven demands of developed and maturing economies. With our people at the heart of our business, we use innovative practices and the latest technologies to mine, process, move and market our products to our customers – and to discover new resources – safely and sustainably.

As a responsible producer of diamonds (through De Beers), copper, platinum group metals, the steelmaking ingredients of iron ore and metallurgical coal, and nickel – with crop nutrients in development and thermal coal operations planned for divestment – we are committed to being carbon neutral across our operations by 2040. We work together with our business partners and diverse stakeholders to unlock sustainable value from precious natural resources for the benefit of the communities and countries in which we operate, for society as a whole, and for our shareholders. Anglo American is re-imagining mining to improve people's lives.

www.angloamerican.com



The Company has a primary listing on the Main Market of the London Stock Exchange and secondary listings on the Johannesburg Stock Exchange, the Botswana Stock Exchange, the Namibia Stock Exchange and the SIX Swiss Exchange.

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Note:

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Forward-looking statements:

This announcement includes forward-looking statements. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding Anglo American's financial position, business, acquisition and divestment strategy, dividend policy, plans and objectives of management for future operations (including development plans and objectives relating to Anglo American's products, production forecasts and Ore Reserves and Mineral Resource estimates), are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Anglo American, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding Anglo American's present and future business strategies and the environment in which Anglo American will operate in the future. Important factors that could cause Anglo American's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, levels of actual production during any period, levels of global demand and commodity market prices, mineral resource exploration and development capabilities, recovery rates and other operational capabilities, the effects of global pandemics and outbreaks of infectious diseases, the availability of mining and processing equipment, the ability to produce and transport products profitably, the availability of transport infrastructure, the impact of foreign currency exchange rates on market prices and operating costs, the availability of sufficient credit, the effects of inflation, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as permitting and changes in taxation or safety, health, environmental or other types of regulation in the countries where Anglo American operates, conflicts over land and resource ownership rights and such other risk factors identified in Anglo American's most recent Annual Report. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements.

These forward-looking statements speak only as of the date of this announcement. Anglo American expressly disclaims any obligation or undertaking (except as required by applicable law, the City Code on Takeovers and Mergers (the "Takeover Code"), the UK Listing Rules, the Disclosure and Transparency Rules of the Financial Conduct Authority, the Listings Requirements of the securities exchange of the JSE Limited in South Africa, the SIX Swiss Exchange, the Botswana Stock Exchange and the Namibian Stock Exchange and any other applicable regulations) to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Anglo American's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be interpreted to mean that future earnings per share of Anglo American will necessarily match or exceed its historical published earnings per share.

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