Focusing on quality assets

Anglo Base Metals comprises copper, nickel, zinc and mineral sands operations and projects in South America, southern Africa and Ireland.

OVERVIEW

2006 overview

- One of the world's leading copper producers, with important nickel and zinc assets
- $1.2 billion Barro Alto nickel project gets go-ahead
- Significant expansion potential in copper

EBITDA

2006 **$4,214m**

2005 **$1,990m**

Operating profit

2006 **$3,876m**

2005 **$1,678m**

Business overview

Anglo Base Metals has interests in 13 operations in six countries:

- six copper operations in Chile – the wholly owned Los Bronces, El Soldado, Mantos Blancos and Mantoverde mines, Chagres smelter and a 44% interest in the Collahuasi mine, producing copper and associated by-products such as molybdenum and silver;
- the Codemin nickel and Catalão niobium mines in Brazil and the Loma de Níquel mine in Venezuela;
- the Namakwa mineral sands mine and plants in South Africa produce titanium dioxide, zircon and rutile, together with associated by-products;
- the Lisheen (in Ireland), Black Mountain and Skorpion (both in southern Africa) zinc mines, producing zinc and associated by-products such as lead, copper and silver.

The $1.2 billion 36,000 tonnes per annum (tpa) Barro Alto nickel project in Brazil was approved in December 2006 and will enter production in 2010.

Mineral sands sale

In January 2007 it was announced that black economic empowerment company Exxaro Resources Limited had exercised an option in terms of which it had, subject to satisfaction of conditions precedent and contractual price adjustments, agreed to acquire 100% of Namakwa Sands for $0.3 billion (R2.0 billion) and 26% of each of Black Mountain and Gamsberg for a combined $26 million (R180 million). Black Mountain and Gamsberg will remain subsidiaries of and continue to be managed and operated by Anglo Base Metals.

Industry overview and demand drivers

Annual changes in demand for base metals are reasonably well correlated with changes in industrial production. In general, however, the long term trend is for the intensity of use (consumption of metal per unit of industrial production) to decline.

With the exception of nickel, base metals industry ownership is relatively fragmented. The global market shares of the four largest copper, nickel and zinc metal producers are approximately 21%, 50% and 25% respectively. Producers are price takers and there are relatively few opportunities for product differentiation. The industry is highly capital intensive and is likely to become more so as high grade surface deposits are exhausted and deeper and/or lower grade deposits, requiring greater economies of scale in order to be commercially viable, are developed. Real prices of copper, nickel and zinc have declined over the long term, although there have been material and sustained deviations from this trend, most recently and notably in the present uptrend which began in 2004. The decline in prices over a lengthy period reflects the long term reduction in costs as a result of improvements in technology and lower input costs. Average margins, therefore, have tended to be maintained.

In recent years one of the dominant features has been the increased demand for a range of commodities as a result of industrialisation and urbanisation in China and other developing countries. China now comprises an estimated 22%, 18% and 28% of global demand for copper, nickel and zinc respectively and these markets have all benefited materially, with several of these commodities reaching their highest price levels for many years in 2006. The inflow of fund money from both speculative and longer term portfolio investors has served to further exaggerate the upward movement in metal prices.

Previous page:
Compressed copper pipes. Copper production accounted for 59% of Anglo Base Metals' production in 2006.

The primary applications of copper, nickel and zinc are as follows:

Copper
- copper's primary application is in the wire and cable markets (60-65%), followed by brass;
- end use of copper is driven by its electrical conductivity, corrosion resistance and thermal conductivity;
- applications making use of copper's electrical conductivity, such as wires, cables and electrical connectors, account for over 50% of total demand;
- applications making use of copper's corrosion resistance, such as plumbing pipe and roof sheeting in the construction industry, account for around 20% of demand;
- copper's thermal conductivity also makes it suitable for use in heat transfer applications such as air conditioning and refrigeration. These applications account for around 10% of total demand;
- remaining applications include structural and aesthetic uses.

Nickel
Around 60% of all refined nickel goes into stainless steel. Other uses include:
- high corrosion-resistant alloys for use in chemical plants;
- superalloys that can withstand elevated temperatures and which are predominantly used in aviation;
- high tech electronic uses;
- as a substitute for chromium plating.

Zinc
Zinc is used predominantly in galvanising and alloys:
- the electrochemistry of zinc is such that steel coated with zinc (galvanised steel) exhibits high levels of corrosion resistance. This application accounts for around 60% of total refined demand;
- zinc based allots in die casting, ranging from automotive components to toys and models, account for around 14% of refined demand;
- copper-based zinc alloys (brass) account for around 9% of demand;
- zinc semis are used in roofing projects and in dry cell batteries;
- chemical and other applications make up the remainder of refined demand, approximately 10%. Zinc is used in a diverse range of products and applications, including tyres, paints, pharmaceuticals and chemical processing.

Strategy and business development

Anglo Base Metals' strategy is to find or acquire, develop and operate long life, low cost mines in a socially and environmentally responsible manner, with a strong focus on efficient resource allocation, continuous improvement and capital and operating excellence.

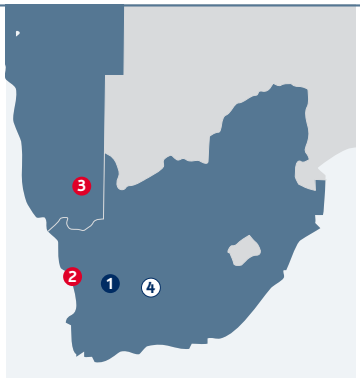
Options for growth are constantly being developed and evaluated from a combination of sources, including greenfield and brownfield projects, acquisitions, exploration and technology development. The ability to grow through acquisitions in a value additive manner at this point in the cycle is challenging. However, a combination of exploration success, which has seen the division's exploration and research and development budgets materially increased, and a strong project pipeline provide material scope for organic growth, including but not limited to:
- the recently approved $1.2 billion Barro Alto nickel project which will enter production in 2010 and increase existing nickel production by 36,000 tpa by 2011;
- the Los Bronces expansion project feasibility study, which envisages increasing copper production by 170,000 tpa at a capital cost of approximately $1.2 billion, will be completed during 2007;
- Collahuasi has the potential to increase sulphide mill throughput from 130,000 tonnes per day (tpd) to 160,000 to 180,000 tpd through a debottlenecking programme, the conceptual study of which will be completed in 2007;
- the revised feasibility study on the Quellaveco project in Peru, which contemplates an operation producing approximately 200,000 tpa of copper in concentrate at a capital cost of approximately $1.2 billion, will be completed in 2008.

In 2006, Anglo Base Metals spent $53 million on exploration and has increased its exploration around its Chilean copper mines, adding significant resources at Los Bronces. Exploration to the south of Los Bronces continues to report significant intervals of copper mineralisation. In Brazil, further drilling at the Jacaré nickel discovery has indicated the potential for a major new nickel asset for the company, while work continues in the Philippines to complete a pre-feasibility study at Boyongan by the end of 2007. At Gamsberg, South Africa, initial drilling of several key zinc targets has provided encouraging results. Copper exploration is being undertaken in Brazil, Chile, Indonesia, Mexico, Peru and the US. Nickel sulphide mineralisation is being sought in Arctic Canada, Russia and Scandinavia (through alliances) and zinc programmes continue in Australia, South Africa and Namibia.

AROUND THE WORLD

Key
- Underground
- Open Cut
- Other

The 100% owned Skorpion zinc mine in Namibia commenced commercial production in May 2004, and will produce some 150,000 tonnes of zinc per year at full production. Black Mountain is a wholly owned lead, zinc, copper and silver concentrate operation located in South Africa. Namakwa Sands is a wholly owned mineral sands operation producing titanium dioxide slag, zircon, rutile and pig iron in South Africa. Anglo has agreed, subject to the satisfaction of certain conditions precedent, that it will sell 100% of Namakwa and 26% of each of Black Mountain and Gamsberg to Exxaro, the black empowerment company.



Southern Africa
- 1 100% Black Mountain (South Africa)
- 2 100% Namakwa Sands (South Africa)
- 3 100% Skorpion (Namibia)
- 4 100% Gamsberg (South Africa)

In Chile, Anglo American holds a 44% joint venture interest in the Collahuasi copper mine and has a 100% interest in Los Bronces, El Soldado, Mantos Blancos and Mantoverde copper mines and the Chagres smelter. In Brazil, Anglo American owns the ferronickel producer, Codemin, and the ferroniobium producer, Catalao, and in Venezuela, the 91.4% owned Loma de Niquel ferronickel operation.

In addition, Anglo American has an 80.5% interest in the Quellaveco copper project in Peru and 100% of the Barro Alto nickel project in Brazil.

South America
- 1 100% Barro Alto Project (Brazil)
- 2 100% Catalão (Brazil)
- 3 100% Codemin (Brazil)
- 4 44% Collahuasi (Chile)
- 5 100% Los Bronces (Chile)
- 5 100% El Soldado (Chile)
- 5 100% Chagres (Chile)
- 6 100% Mantos Blancos (Chile)
- 7 100% Mantoverde (Chile)
- 8 80.5% Quellaveco Project (Peru)
- 9 91.4% Loma de Niquel (Venezuela)

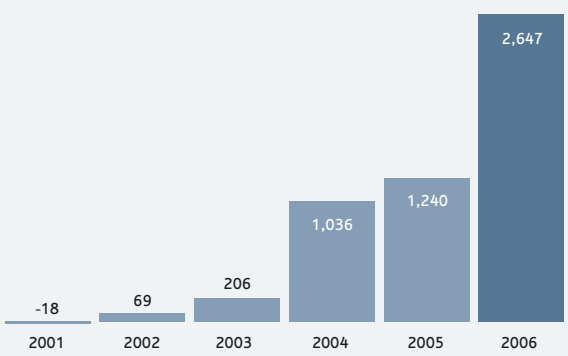
The wholly owned Lisheen zinc/lead mine in central Ireland, produced over 170,000 tonnes of zinc in concentrate in 2006.

Ireland
- 1 100% Lisheen

FINANCIAL HIGHLIGHTS

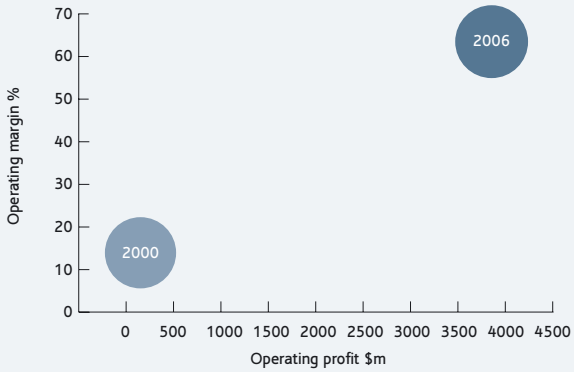
Six-year underlying earnings

$m



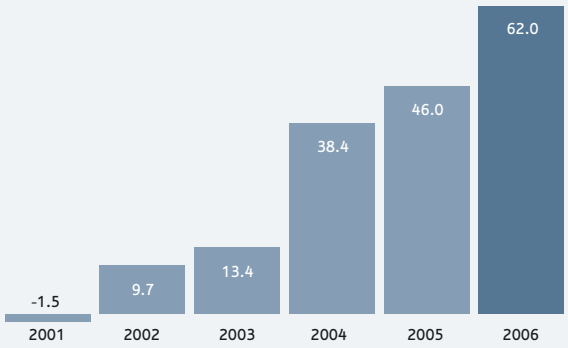
Scale and profitability growth

bubble size represents combined Cu, Ni, Zn production tonnage

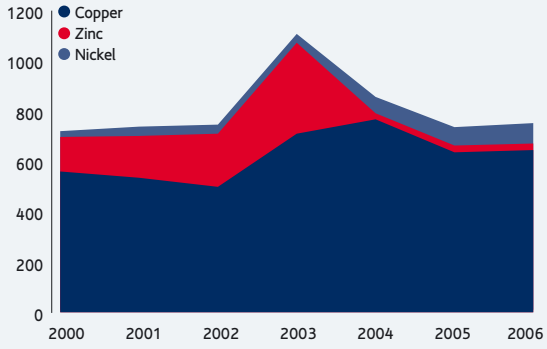


Operating margin

%

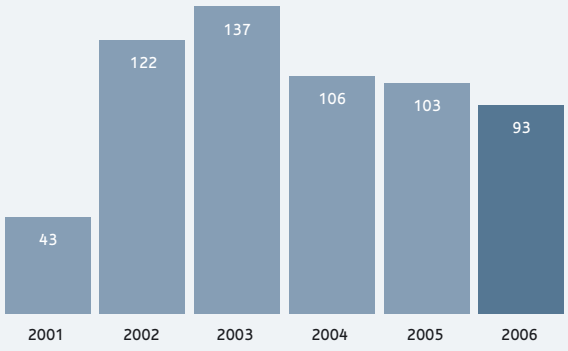


Production



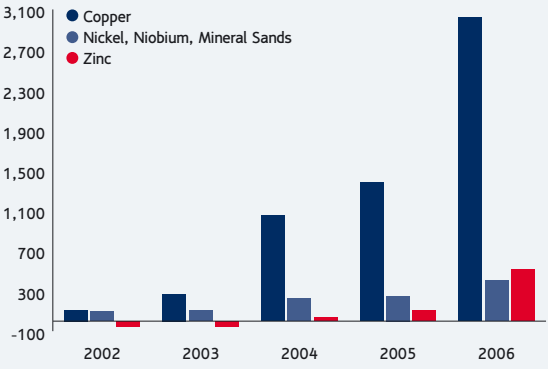
Production per employee

tonnes metal



Operating profit by commodity

$m



FINANCIAL DATA

Turnover (US$ million)	2006	2005	2004	2003	2002	2001
Subsidiaries	6,252	3,647	2,612	1,720	907	1,077
Joint Ventures	–	–	620	346	413	388
Associates	–	–	88	60	58	65
Total turnover	6,252	**3,647**	**3,320**	**2,126**	**1,378**	**1,530**
Of which:						
Copper:	4,537	**2,597**	**2,247**	**1,247**		
Collauhasi	1,442	712	650	323		
Minera Sur Andes	2,219	1,306	1,034	587		
Mantos Blancos	876	579	475	277		
Other	–	–	88	60		
Nickel, Niobium, Mineral Sands	799	**609**	**528**	**372**		
Catalao	66	49	44	39		
Codemin	219	136	89	56		
Loma de Niquel	334	249	247	136		
Namakwa Sands and Other	180	175	148	141		
Zinc	916	**441**	**741**	**506**		
Black Mountain	148	80	74	62		
Lisheen	396	147	189	150		
Skorpion	372	214	73	–		
Hudson Bay	–	–	405	294		
Other	–	**–**	**1**	**1**		
EBITDA	4,214	**1,990**	**1,626**	**569**	**330**	**183**
Of which:						
Copper:	3,238	**1,590**	**1,252**	**447**		
Collauhasi	1,037	468	412	162		
Minera Sur Andes	1,640	824	608	216		
Mantos Blancos	563	299	225	65		
Other	(2)	(1)	7	4		
Nickel, Niobium, Mineral Sands	451	**296**	**273**	**151**		
Catalao	26	20	29	23		
Codemin	144	75	48	26		
Loma de Niquel	229	153	158	73		
Namakwa Sands and Other	52	48	38	29		
Zinc	588	**157**	**131**	**(1)**		
Black Mountain	42	12	2	(5)		
Lisheen	280	62	29	13		
Skorpion	266	83	22	–		
Hudson Bay	–	–	78	(9)		
Other	(63)	**(53)**	**(30)**	**(28)**		
Depreciation and amortisation	338	**312**	**349**	**221**	**125**	**131**
Operating profit before special items and remeasurements	3,876	**1,678**	**1,275**	**286**	**133**	**(23)**
Operating special items and remeasurements	8	**(11)**	**(237)**	**(208)**	**(51)**	**(488)**
Operating profit after special items and remeasurements	3,884	**1,667**	**1,038**	**78**	**82**	**(510)**
Net interest, tax and minority interests	(1,229)	**(438)**	**(240)**	**(81)**	**(65)**	**3**
Underlying earnings	2,647	**1,240**	**1,042**	**206**	**69**	**(18)**
Of which:						
Copper:	1,908	**983**	**871**	**216**	**80**	**25**
Collauhasi	586	257	279	78		
Minera Sur Andes	996	529	430	111		
Mantos Blancos	328	195	163	28		
Other	(2)	2	(1)	(1)		
Nickel, Niobium, Mineral Sands	270	**202**	**172**	**76**	**54**	**54**
Catalao	15	17	27	18		
Codemin	96	68	30	16		
Loma de Niquel	134	92	103	41		
Namakwa Sands and Other	25	25	12	1		
Zinc	525	**100**	**31**	**(65)**	**(66)**	**(77)**
Black Mountain	38	10	(2)	(6)		
Lisheen	287	54	16	4		
Skorpion	200	36	(14)	–		
Hudson Bay	–	–	31	(63)		
Other	(56)	**(45)**	**(32)**	**(21)**	**1**	**(20)**
Net segment assets	4,268	**4,785**	**4,952**	**4,087**	**3,617**	**1,977**
Capital expenditure	298	**271**	**367**	**352**	**346**	**446**

PRODUCTION DATA

Production (tonnes)	2006	2005	2004	2003	2002	2001
Copper						
Collahuasi	**193,600**	187,900	211,600	173,700	190,700	199,200
Minera Sur Andes – Los Bronces mine	**226,000**	227,300	231,600	207,800	29,000	–
Minera Sur Andes – El Soldado mine	**68,700**	66,500	68,800	70,500	10,000	–
Total production for Minera Sur Andes group	**294,700**	293,800	300,400	278,300	39,000	–
Minera Sur Andes – Chagres Smelter						
Copper blister/anodes	**173,400**	138,100	165,000	160,100	21,900	–
Acid	**499,200**	371,900	440,500	436,700	66,400	–
Mantos Blancos – Mantos Blancos mine	**91,700**	87,700	94,900	86,900	96,200	101,200
Mantos Blancos – Mantoverde mine	**60,300**	62,000	60,100	60,200	57,300	55,600
Total production for Mantos Blancos group	**152,000**	149,700	155,000	147,100	153,500	156,800
Black Mountain – copper in concentrate	**3,400**	3,200	5,200	4,700	5,400	5,400
Hudson Bay	**–**	–	74,300	83,100	83,400	79,600
Other	**–**	–	19,400	21,900	25,600	229,900
Total Anglo Base Metals Copper production	**643,700**	**634,600**	**765,900**	**708,800**	**497,600**	**670,900**
Nickel						
Codemin	**9,800**	9,600	6,500	6,400	6,000	5,800
Loma de Niquel	**16,600**	16,900	17,400	17,200	15,500	9,700
Other			100	1,300	4,100	
Total Anglo Base Metals Nickel production	**26,400**	**26,500**	**24,000**	**24,900**	**25,600**	**15,500**
Niobium						
Catalao	**4,700**	4,000	3,500	3,300	3,300	3,400
Mineral Sands						
Namakwa Sands						
Slag tapped	**133,900**	164,400	169,300	165,800	162,700	150,000
Iron tapped	**88,900**	105,400	105,900	105,900	103,000	93,000
Zircon	**128,400**	128,600	119,100	93,300	112,400	114,100
Rutile	**28,200**	29,100	23,700	20,400	26,000	27,100
Ilmenite	**272,200**	316,100	320,600	314,600	315,900	–
Zinc and Lead						
Black Mountain						
Zinc in concentrate	**34,100**	32,100	28,200	25,900	27,600	24,300
Lead in concentrate	**48,300**	42,200	37,500	39,600	45,300	45,800
Hudson Bay						
Zinc	**–**	–	107,000	117,900	108,100	88,400
Gold (ozs)	**–**	–	73,400	57,500	59,300	69,200
Silver (ozs)	**–**	–	1,020,900	1,032,800	1,234,200	1,213,200
Lisheen (100% basis)						
Zinc in concentrate	**170,700**	159,300	156,300	169,300	151,500	105,800
Lead in concentrate	**23,100**	20,800	17,200	20,800	22,000	16,900
Skorpion						
Zinc	**129,900**	132,800	119,200	47,400	–	–
Total Zinc	**334,700**	**324,200**	**410,700**	**360,500**	**287,200**	**218,500**
Total Lead	**71,400**	**63,000**	**54,700**	**60,400**	**67,300**	**62,700**

RESERVES AND RESOURCES DATA

The Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Rounding of figures may cause computational discrepancies. The Mineral Resources are additional to the Ore Reserves. The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately.

Copper Division – Ore Reserves

	Attributable		Tonnes million		Grade %Cu		Contained metal thousand tonnes	
	%	Classification	2006	2005	2006	2005	2006	2005
Los Bronces (OP)	100							
Sulphide (TCu)		Proved	**581.3**	588.1	**0.92**	0.93	**5,348**	5,469
Flotation		Probable	**190.3**	194.8	**0.74**	0.75	**1,408**	1,461
		Total	**771.6**	**782.9**	**0.88**	**0.89**	**6,756**	**6,930**
Sulphide (TCu)		Proved	**583.6**	569.9	**0.42**	0.42	**2,393**	2,394
Dump Leach		Probable	**553.8**	567.0	**0.34**	0.34	**1,883**	1,928
		Total	**1,137.4**	**1,136.9**	**0.38**	**0.38**	**4,276**	**4,321**
El Soldado (OP and UG)[1]	100							
Sulphide (TCu)		Proved	**76.1**	77.1	**1.05**	1.04	**796**	802
Flotation		Probable	**49.9**	62.2	**0.83**	0.86	**415**	535
		Total	**126.0**	**139.3**	**0.96**	**0.96**	**1,211**	**1,337**
Mantos Blancos (OP)	100							
Sulphide (ICu)[2]		Proved	**8.0**	3.1	**1.13**	1.47	**90**	46
Flotation		Probable	**24.8**	17.4	**0.88**	0.94	**217**	164
		Total	**32.8**	**20.5**	**0.94**	**1.02**	**307**	**209**
Oxide (ASCu)[3]		Proved	**1.1**	0.9	**0.85**	0.98	**10**	9
Vat Leach		Probable	**28.7**	17.1	**0.56**	0.77	**160**	132
		Total	**29.8**	**18.0**	**0.57**	**0.78**	**170**	**140**
Oxide (ASCu)		Proved	**0.5**	0.3	**0.26**	0.30	**1**	1
Dump Leach		Probable	**8.2**	7.3	**0.29**	0.32	**24**	23
		Total	**8.7**	**7.6**	**0.29**	**0.32**	**25**	**24**
Mantoverde (OP)	100							
Oxide (ASCu)		Proved	**56.5**	56.2	**0.64**	0.63	**360**	354
Heap Leach		Probable	**10.7**	9.9	**0.59**	0.55	**63**	54
		Total	**67.2**	**66.1**	**0.63**	**0.62**	**423**	**409**
Oxide (ASCu)		Proved	**32.3**	35.2	**0.37**	0.37	**120**	130
Dump Leach		Probable	**11.6**	11.9	**0.39**	0.38	**45**	45
		Total	**43.9**	**47.1**	**0.38**	**0.37**	**165**	**175**
Collahuasi (OP)	44.0							
Oxide and Mixed (TCu)[4]		Proved	**14.3**	16.0	**0.99**	1.06	**142**	170
Heap Leach		Probable	**16.9**	19.2	**0.97**	1.01	**164**	194
		Total	**31.2**	**35.2**	**0.98**	**1.03**	**306**	**364**
Sulphide (TCu)		Proved	**193.5**	229.3	**1.09**	1.10	**2,108**	2,525
Flotation – direct feed		Probable	**1,145.8**	1,154.3	**0.97**	0.97	**11,164**	11,248
		Total	**1,339.3**	**1,383.6**	**0.99**	**1.00**	**13,272**	**13,773**
Low Grade Sulphide (TCu)		Proved	**–**	–	**–**	–	**–**	–
Flotation – stockpile		Probable	**380.5**	385.3	**0.53**	0.53	**2,003**	2,027
		Total	**380.5**	**385.3**	**0.53**	**0.53**	**2,003**	**2,027**

Mining method: UG = Underground, OP = Open Pit.
TCu = total copper, ICu = insoluble copper (total copper less acid soluble copper), ASCu = acid soluble copper.

Copper Division – Mineral Resources

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade %Cu 2006	Grade %Cu 2005	Contained metal thousand tonnes 2006	Contained metal thousand tonnes 2005
Los Bronces (OP)	100							
Sulphide (TCu)		Measured	**118.1**	54.0	**0.50**	0.57	**584**	308
Flotation		Indicated	**958.9**	542.1	**0.46**	0.50	**4,411**	2,711
		Measured and Indicated	**1,077.0**	**596.1**	**0.46**	**0.51**	**4,995**	**3,018**
		Inferred in Mine Plan	**17.9**	21.6	**0.67**	0.64	**120**	138
Sulphide (TCu)		Measured	–	–	–	–	–	–
Dump Leach		Indicated	–	–	–	–	–	–
		Measured and Indicated	–	–	–	–	–	–
		Inferred in Mine Plan	**66.3**	112.3	**0.33**	0.31	**218**	347
El Soldado (OP and UG)	100							
Sulphide (TCu)		Measured	**42.9**	54.8	**0.67**	0.82	**287**	449
Flotation		Indicated	**48.8**	37.8	**0.74**	0.75	**363**	284
		Measured and Indicated	**91.7**	**92.6**	**0.71**	**0.79**	**650**	**733**
		Inferred in Mine Plan	**14.2**	39.9	**0.71**	0.72	**101**	287
Mantos Blancos (OP)	100							
Sulphide (ICu)		Measured	**12.6**	18.6	**0.83**	0.85	**105**	158
Flotation		Indicated	**71.7**	92.7	**0.83**	0.77	**595**	714
		Measured and Indicated	**84.3**	**111.3**	**0.83**	**0.78**	**700**	**872**
		Inferred in Mine Plan	**2.8**	1.3	**1.02**	1.12	**29**	15
Oxide (ASCu)		Measured	**1.0**	1.0	**0.66**	0.62	**6**	6
Vat Leach		Indicated	**12.6**	10.3	**0.57**	0.61	**72**	63
		Measured and Indicated	**13.6**	**11.3**	**0.58**	**0.61**	**78**	**69**
		Inferred in Mine Plan	**1.7**	0.8	**0.67**	0.65	**11**	5
Oxide (ASCu)		Measured	–	–	–	–	–	–
Dump Leach		Indicated	–	–	–	–	–	–
		Measured and Indicated	–	–	–	–	–	–
		Inferred in Mine Plan	**0.8**	0.7	**0.27**	0.29	**2**	2
Mantoverde (OP)	100							
Oxide (ASCu)[5]		Measured	**50.6**	47.8	**0.39**	0.42	**197**	201
Heap Leach		Indicated	**56.8**	48.2	**0.37**	0.38	**210**	183
		Measured and Indicated	**107.4**	**96.0**	**0.38**	**0.40**	**407**	**384**
		Inferred in Mine Plan	**0.3**	–	**0.60**	–	**2**	–
Oxide (ASCu)		Measured	**1.2**	1.2	**0.32**	0.32	**4**	4
Dump Leach		Indicated	**1.7**	1.5	**0.31**	0.30	**5**	5
		Measured and Indicated	**2.9**	**2.7**	**0.31**	**0.31**	**9**	**8**
		Inferred in Mine Plan	**0.4**	–	**0.34**	–	**2**	–
Collahuasi (OP)	44.0							
Oxide and Mixed (TCu)		Measured	**0.1**	0.1	**0.97**	0.97	**1**	1
Heap Leach		Indicated	**1.8**	1.8	**1.09**	1.09	**20**	20
		Measured and Indicated	**1.9**	**1.9**	**1.09**	**1.09**	**21**	**20**
		Inferred in Mine Plan	**0.5**	0.5	**0.74**	0.74	**4**	4
Sulphide (TCu)		Measured	**12.3**	12.3	**0.86**	0.86	**105**	106
Flotation – direct feed		Indicated	**189.1**	189.1	**0.89**	0.89	**1,680**	1,680
		Measured and Indicated	**201.4**	**201.5**	**0.89**	**0.89**	**1,785**	**1,785**
		Inferred in Mine Plan	**202.2**	202.2	**0.93**	0.93	**1,878**	1,878
Low Grade Sulphide (TCu)		Measured	**35.0**	36.3	**0.45**	0.45	**157**	162
Flotation – stockpile		Indicated	**238.3**	238.8	**0.46**	0.46	**1,108**	1,110
		Measured and Indicated	**273.3**	**275.0**	**0.46**	**0.46**	**1,265**	**1,272**
		Inferred in Mine Plan	**106.9**	106.9	**0.48**	0.48	**510**	510

Mining method: UG = Underground, OP = Open Pit.
TCu = total copper, ICu = insoluble copper (total copper less acid soluble copper), ASCu = acid soluble copper.

(1) **El Soldado:** Decreases are attributable to depletion, additional drilling information, changes in economic assumptions and appropriately modified pit design.

(2) **Mantos Blancos Sulphide (ICu) Flotation:** Increases are attributable to a lower cut-off grade, positively affecting the resource definition and consequently the Ore Reserves.

(3) **Mantos Blancos Oxide (ASCu) Vat Leach:** Additional exploration, a lower cut-off and a new pit design account for the additional Ore Reserves.

(4) **Collahuasi Oxide and Mixed (TCu):** Decreases are due to depletion.

(5) **Mantoverde Oxide (ASCu) Heap Leach:** Gains are due to a decrease in the cut-off grade and successful exploration.

The Ore Reserves and Mineral Resources of the following operations were audited during 2006 by third party, independent auditors: Los Bronces, El Soldado, Mantoverde.

RESERVES AND RESOURCES DATA (CONTINUED)

Zinc Division – Ore Reserves

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Contained metal thousand tonnes 2006	Contained metal thousand tonnes 2005
Black Mountain (UG)	100							
Deeps[1]								
Zinc					%Zn	%Zn		
		Proved	0.2	–	2.34	–	6	–
		Probable	11.5	12.8	3.88	3.79	446	483
		Total	11.7	**12.8**	3.84	**3.79**	452	**483**
Copper					%Cu	%Cu		
		Proved			0.25	–	1	–
		Probable			0.76	0.73	88	93
		Total			0.75	**0.73**	89	**93**
Lead					%Pb	%Pb		
		Proved			3.27	–	8	–
		Probable			3.92	3.90	451	497
		Total			3.91	**3.90**	459	**497**
Lisheen (UG)[2]	100							
Zinc					%Zn	%Zn		
		Proved	7.5	6.8	11.61	13.20	869	902
		Probable	3.8	3.7	12.69	15.58	487	583
		Total	11.3	**10.6**	11.97	**14.04**	1,356	**1,485**
Lead					%Pb	%Pb		
		Proved			2.07	2.30	155	157
		Probable			1.43	1.92	55	72
		Total			1.85	**2.16**	210	**229**
Skorpion (OP)[3]	100							
Zinc					%Zn	%Zn		
		Proved	7.7	8.4	12.72	12.73	982	1,070
		Probable	5.2	6.1	9.68	9.35	506	570
		Total	13.0	**14.5**	11.49	**11.31**	1,488	**1,640**

Mining method: UG = Underground, OP = Open Pit.
For the polymetallic deposits, the tonnage figures apply to each metal.

[1] **Black Mountain (Deeps):** Decrease is due to depletions. Reserves include 11,748 kt of silver ore at 56.21 g/t as a by product.

[2] **Lisheen:** Decrease is due to depletions partially offset by a gain due to conversion of resources to reserves.

[3] **Skorpion:** The decrease is primarily due to mining depletions partially offset by a gain due to new grade control information.

Zinc Division – Mineral Resources

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Contained metal thousand tonnes 2006	Contained metal thousand tonnes 2005
Black Mountain (UG)	100							
Deeps[4]								
Zinc					%Zn	%Zn		
		Measured	**1.8**	1.7	**2.00**	2.93	**35**	50
		Indicated	**6.1**	4.3	**3.59**	4.36	**218**	185
		Measured and Indicated	**7.8**	**6.0**	**3.23**	**3.95**	**253**	**235**
		Inferred in Mine Plan	**–**	–	**–**	–	**–**	–
Copper					%Cu	%Cu		
		Measured			**0.43**	0.54	**8**	9
		Indicated			**0.74**	0.85	**45**	36
		Measured and Indicated			**0.67**	**0.76**	**52**	**45**
		Inferred in Mine Plan			**–**	–	**–**	–
Lead					%Pb	%Pb		
		Measured			**2.22**	3.80	**39**	65
		Indicated			**3.74**	4.30	**227**	183
		Measured and Indicated			**3.40**	**4.16**	**266**	**248**
		Inferred in Mine Plan			**–**	–	**–**	–
Swartberg[5]								
Zinc					%Zn	%Zn		
		Measured	**–**	–	**–**	–	**–**	–
		Indicated	**17.3**	17.2	**0.63**	0.62	**109**	107
		Measured and Indicated	**17.3**	**17.2**	**0.63**	**0.62**	**109**	**107**
		Inferred in Mine Plan	**–**	–	**–**	–	**–**	–
Copper					%Cu	%Cu		
		Measured			**–**	–	**–**	–
		Indicated			**0.70**	0.70	**121**	121
		Measured and Indicated			**0.70**	**0.70**	**121**	**121**
		Inferred in Mine Plan			**–**	–	**–**	–
Lead					%Pb	%Pb		
		Measured			**–**	–	**–**	–
		Indicated			**2.87**	2.85	**497**	491
		Measured and Indicated			**2.87**	**2.85**	**497**	**491**
		Inferred in Mine Plan			**–**	–	**–**	–
Lisheen (UG) [6]	100							
Zinc					%Zn	%Zn		
		Measured	**1.0**	1.4	**12.84**	13.80	**132**	194
		Indicated	**0.6**	1.0	**12.68**	12.11	**74**	122
		Measured and Indicated	**1.6**	**2.4**	**12.78**	**13.09**	**206**	**317**
		Inferred in Mine Plan	**0.5**	0.9	**17.16**	16.56	**81**	150
Lead					%Pb	%Pb		
		Measured			**2.38**	2.39	**24**	34
		Indicated			**1.55**	1.54	**9**	16
		Measured and Indicated			**2.08**	**2.04**	**34**	**49**
		Inferred in Mine Plan			**2.84**	2.80	**13**	25
Skorpion (OP) [7]	100							
Zinc					%Zn	%Zn		
		Measured	**0.0**	–	**6.99**	–	**2**	–
		Indicated	**0.2**	–	**6.94**	–	**15**	–
		Measured and Indicated	**0.2**	**–**	**6.95**	**–**	**17**	**–**
		Inferred in Mine Plan	**0.8**	0.3	**9.18**	9.19	**72**	31

Mining method: UG = Underground, OP = Open Pit.
For the polymetallic deposits, the tonnage figures apply to each metal.

[4] **Black Mountain (Deeps):** Resource gain is due to new information from exploration drilling. Mineral Resources contain 7,833 kt of silver ore at 45.95 g/t as a by product.

[5] **Black Mountain (Swartberg):** The Swartberg mine has been placed on care and maintenance from January 2007. As a result the ore reserves have accordingly been removed from the mine plan and converted to mineral resources. Mineral Resources contain 17,323 kt of silver ore at 35.00 g/t as a by product.

[6] **Lisheen:** Mineral Resources decrease due to conversion to Ore Reserves, reclassification and sterilisation of final support pillars.

[7] **Skorpion:** Increase due to inclusion of Measured and Indicated Resources located outside the current pit limit and changes to the method of classification of Inferred Resources.

The Ore Reserves and Mineral Resources of the following operations were audited during 2006 by third party, independent auditors: Lisheen and Skorpion.

RESERVES AND RESOURCES DATA (CONTINUED)

Nickel Division – Ore Reserves

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Contained metal thousand tonnes 2006	Contained metal thousand tonnes 2005
Loma de Níquel (OP)	91.4							
Laterite					%Ni	%Ni		
		Proved	**11.9**	12.7	**1.51**	1.52	**180**	193
		Probable	**22.6**	23.3	**1.46**	1.46	**329**	340
		Total	**34.5**	**36.0**	**1.48**	**1.48**	**509**	**533**
Codemin (OP)	100							
Laterite					%Ni	%Ni		
		Proved	**3.2**	3.2	**1.33**	1.33	**42**	42
		Probable	**0.5**	0.5	**1.33**	1.33	**7**	7
		Total	**3.7**	**3.7**	**1.33**	**1.33**	**49**	**49**

Nickel Division – Mineral Reserves

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Contained metal thousand tonnes 2006	Contained metal thousand tonnes 2005
Loma de Níquel (OP)[1]	91.4							
Laterite					%Ni	%Ni		
		Measured	**1.0**	0.8	**1.41**	1.40	**15**	11
		Indicated	**4.6**	4.8	**1.44**	1.45	**67**	70
		Measured and Indicated	**5.7**	**5.6**	**1.44**	**1.44**	**81**	**81**
		Inferred in Mine Plan	**1.6**	–	**1.38**	–	**22**	–
Codemin (OP)	100							
Laterite					%Ni	%Ni		
		Measured	**3.3**	3.4	**1.29**	1.29	**43**	43
		Indicated	**3.5**	3.5	**1.25**	1.25	**44**	44
		Measured and Indicated	**6.9**	**6.9**	**1.27**	**1.27**	**87**	**87**
		Inferred in Mine Plan	**–**	–	**–**	–	**–**	–

Niobium – Ore Reserves

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Contained metal thousand tonnes 2006	Contained metal thousand tonnes 2005
Catalão (OP)	100							
Niobium					$\%Nb_2O_5$	$\%Nb_2O_5$		
Carbonatite		Proved	**7.0**	7.0	**1.15**	1.15	**80**	80
		Probable	**6.8**	7.6	**1.44**	1.45	**98**	110
		Total	**13.8**	**14.6**	**1.29**	**1.30**	**178**	**189**

Mining method: OP = Open Pit.

[1] **Loma de Níquel:** Inferred in Mine Plan not reported in 2005.

Heavy Minerals – Ore Reserves

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Contained metal million tonnes 2006	Contained metal million tonnes 2005
Namakwa Sands (OP)[1]	100							
Ilmenite					%Ilm	%Ilm		
		Proved	**79.9**	168.3	**5.0**	4.2	**4.0**	7.1
		Probable	**268.9**	168.9	**3.7**	3.4	**9.9**	5.8
		Total	**348.8**	**337.2**	**4.0**	**3.8**	**13.9**	**12.9**
Zircon					%Zir	%Zir		
		Proved			**1.2**	1.1	**1.0**	1.8
		Probable			**0.9**	0.8	**2.5**	1.4
		Total			**1.0**	**0.9**	**3.5**	**3.2**
Rutile					%Rut	%Rut		
		Proved			**0.2**	0.2	**0.2**	0.4
		Probable			**0.2**	0.2	**0.5**	0.3
		Total			**0.2**	**0.2**	**0.7**	**0.7**

Heavy Minerals – Mineral Resources

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Contained metal million tonnes 2006	Contained metal million tonnes 2005
Namakwa Sands (OP)[2]	100							
Ilmenite					%Ilm	%Ilm		
		Measured	**116.5**	177.8	**3.5**	3.4	**4.1**	6.0
		Indicated	**143.6**	106.1	**3.4**	2.9	**4.9**	3.0
		Measured and Indicated	**260.1**	**283.9**	**3.5**	**3.2**	**9.0**	**9.0**
		Inferred in mine plan	**175.7**	181.1	**2.7**	2.2	**4.7**	4.0
Zircon					%Zir	%Zir		
		Measured			**0.7**	0.8	**0.8**	1.3
		Indicated			**0.7**	0.8	**1.0**	0.8
		Measured and Indicated			**0.7**	**0.8**	**1.8**	**2.1**
		Inferred in mine plan			**0.6**	0.6	**1.1**	1.0
Rutile					%Rut	%Rut		
		Measured			**0.2**	0.1	**0.2**	0.2
		Indicated			**0.2**	0.2	**0.2**	0.2
		Measured and Indicated			**0.2**	**0.2**	**0.4**	**0.4**
		Inferred in mine plan			**0.1**	0.1	**0.2**	0.3

Mining method: OP = Open Pit.

For the multi-product deposits, the tonnage figures apply to each product.

[1] **Namakwa Sands:** Gains are due to the conversion of resources to reserves and an increase in resources resulting from reinterpretation of the geological model based on improved assay information.

[2] **Namakwa Sands:** Decrease due to conversion of resources to reserves and downgrading of resources to Inferred not in Mine Plan (which are not reported) partially offset by gains from reclassification based on new drilling and improved assay information.

RESERVES AND RESOURCES DATA (CONTINUED)

Projects – Ore Reserves

	Attributable		Tonnes million		Grade		Contained metal thousand tonnes	
	%	Classification	2006	2005	2006	2005	2006	2005
Quellaveco (OP)[1]	80.0							
Copper					%Cu	%Cu		
Sulphide		Proved	**250.1**	250.1	**0.76**	0.76	**1,901**	1,901
Flotation		Probable	**688.3**	688.3	**0.59**	0.59	**4,061**	4,061
		Total	**938.4**	**938.4**	**0.64**	**0.64**	**5,962**	**5,962**
Barro Alto (OP)[2]	100							
Nickel					%Ni	%Ni		
Laterite		Proved	**13.2**	22.6	**1.64**	1.85	**216**	418
		Probable	**27.2**	7.0	**1.81**	1.79	**492**	125
		Total	**40.4**	**29.6**	**1.75**	**1.83**	**708**	**542**
Gamsberg (OP)[3]	100							
Zinc					%Zn	%Zn		
		Proved	**34.4**	34.6	**7.55**	7.55	**2,597**	2,613
		Probable	**110.3**	110.3	**5.55**	5.55	**6,124**	6,124
		Total	**144.7**	**144.9**	**6.03**	**6.03**	**8,721**	**8,737**

Projects – Mineral Resources

	Attributable		Tonnes million		Grade		Contained metal thousand tonnes	
	%	Classification	2006	2005	2006	2005	2006	2005
Quellaveco (OP)	80.0							
Copper					%Cu	%Cu		
Sulphide		Measured	**1.5**	1.5	**0.53**	0.53	**8**	8
Flotation		Indicated	**176.7**	176.7	**0.46**	0.46	**813**	813
		Measured and Indicated	**178.2**	**178.2**	**0.46**	**0.46**	**821**	**821**
		Inferred in Mine Plan	**–**	–	**–**	–	**–**	–
Barro Alto (OP)[4]	100							
Nickel					%Ni	%Ni		
Laterite		Measured	**–**	0.8	**–**	1.63	**–**	13
		Indicated	**16.9**	21.2	**1.36**	1.36	**230**	288
		Measured and Indicated	**16.9**	**22.0**	**1.36**	**1.37**	**230**	**301**
		Inferred in Mine Plan	**37.5**	–	**1.56**	–	**585**	–

Mining method: OP = Open Pit.

(1) **Quellaveco:** Based on a feasibility study completed in 2000.

(2) **Barro Alto:** Based on a feasibility study completed in 2006. Ore Reserve gains due to conversion of existing resources to reserves based on new drilling information. Small volumes of ore from Barro Alto are currently being processed at the Codemin plant.

(3) **Gamsberg:** Based on a feasibility study completed in 2000 and reviewed in 2006 to account for current economic and financial assumptions. The Mine Plan includes an additional 54,200 kt at 4.10 %Zn of Inferred Mineral Resources.

(4) **Barro Alto:** Resource gain based on new drilling information and inclusion of Inferred in Mine Plan, which was not reported in 2005.

PROJECT PIPELINE

1. El Soldado Chile

Ownership	**100%**
Incremental production	**maintain current production levels**
Full project capex	**$73m**
Full production	**2007**

This project was completed in December 2006 at a capital cost of $73m. The life of the extension is 20 years.

2. Collahuasi debottleneck (unapproved) Chile

Ownership	**44%**
Incremental production	**60,000-120,000 tonnes per annum of copper**
Full project capex	**$300-500m**
Full production	**2010**

Evaluation of the progressive debottlenecking project at Collahuasi will be undertaken this year. If approved, an incremental 60,000–120,000 tonnes per annum of copper is expected at a capital cost of $300-500 m.

3. Los Bronces expansion (unapproved) Chile

Ownership	**100%**
Incremental production	**170,000 tonnes per annum of copper**
Full project capex	**$1,200m**
Full production	**2011**

The Los Bronces feasibility study, which contemplates increasing copper production by 75% at a cost of approximately $1.2 billion, will be completed in mid-2007

4. Quellaveco (on hold) Peru

Ownership	**80.5%**
Incremental production	**200,000 tonnes per annum of copper**
Full project capex	**$1,200m**
Full production	**2012**

Quellaveco has the potential to produce an average of 200,000 tonnes per annum of copper and significant quantities of molybdenum over a mine life in excess of 25 years. A development decision on the Quellaveco project is expected in 2008.

5. Barro Alto Brazil

Ownership	**100%**
Incremental production	**36,00 tonnes per annum of nickel**
Full project capex	**$1,200m**
Full production	**2011**

The Barro Alto project received board approval in December 2006.

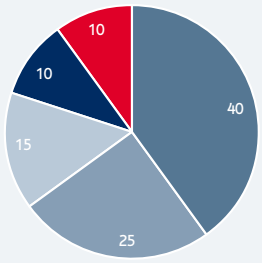
First production is scheduled for 2010, with full production of 36,000 tonnes per annum of nickel to be reached in 2011.

MARKET INFORMATION

Estimated end usage

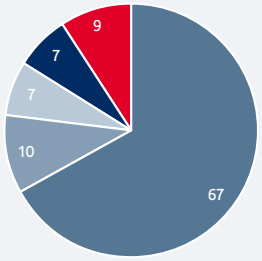
%

Copper



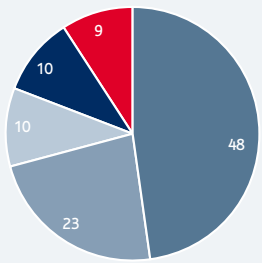
- Construction
- Electrical products
- Machinery/equipment
- Consumer durables
- Transport

Nickel



- Stainless steel
- Non-ferrous alloys
- Special uses
- Plating
- Low alloy steels and foundry

Zinc

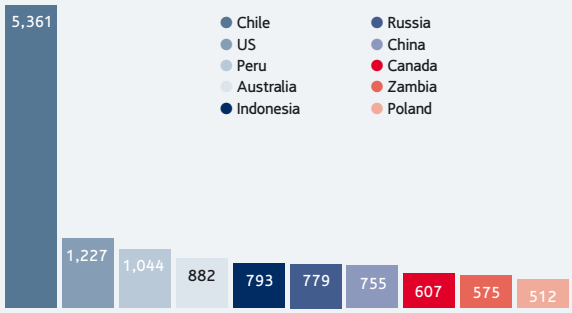


- Construction
- Electrical products
- Machinery/equipment
- Consumer durables
- Infrastructure

World mine production

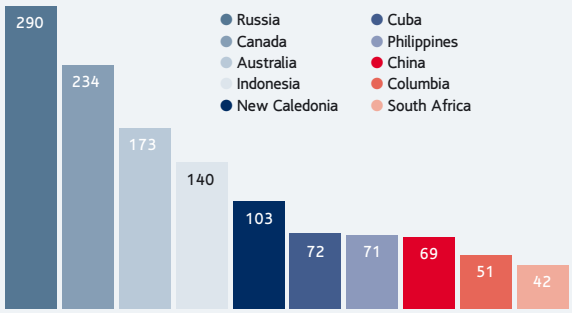
by 2006 mine production – '000 tonnes

Leading copper mining countries



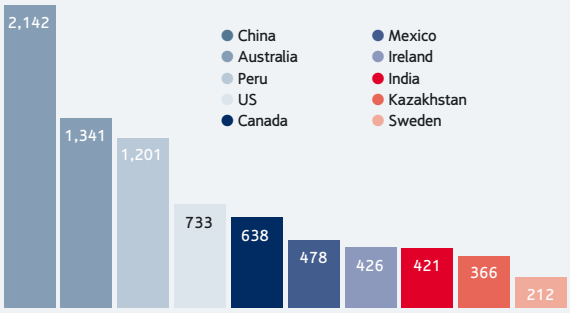
2006 world total: 15,191 kt

Leading nickel mining countries



2006 world total: 1,408 kt

Leading zinc mining countries



2006 world total: 9,513 kt

Source: WBMS