Ferrous Metals and Industries

Leading producer of iron ore and manganese

Anglo Ferrous Metals and Industries principally comprises iron ore, manganese and carbon steel operations in South Africa, manganese operations in Australia, carbon steel and grinding media operations in North America and grinding media operations in South America and Australia.

OVERVIEW

2006 overview

- Further progress in optimising the asset base: formation of Kumba Iron Ore as a pure-play iron ore company
- Kumba Iron Ore has a $754 million expansion programme to boost production by 40% by 2009
- Record iron ore production in 2006
- Scaw achieved record operating profit in 2006

EBITDA

2006	$1,560m
2005	$1,779m

Operating profit

2006	$1,360m
2005	$1,456m

Business overview

Kumba Iron Ore (64%)

Kumba Iron Ore was born from the unbundling of Kumba Resources, through which Exxaro, South Africa's largest empowered company, was also created. Kumba Iron Ore, which listed on the Johannesburg Stock Exchange on 20 November 2006, offers investors exposure to a pure-play iron ore company. Kumba Iron Ore is the world's fourth largest supplier of seaborne iron ore, and exported over 70% of its 31 million tonnes per annum (Mtpa) production in 2006. Kumba Iron Ore supplies approximately 30 global customers, mainly in Europe and Asia. The group, through its subsidiary Sishen Iron Ore Company (Pty) Ltd (SIOC), currently operates two mines in South Africa – Sishen in the Northern Cape, which achieved a record production of 29 Mtpa in 2006, and Thabazimbi, in Limpopo, which produced 2 Mtpa in 2006. Kumba Iron Ore consolidates 80% of SIOC and, as a result of its 64% shareholding in Kumba Iron Ore, Anglo American consolidates an effective 51% in SIOC.

Kumba's 2006 results, which included 11 months of earnings from the Kumba Resources Group and one month's earnings from Kumba Iron Ore, reflected an operating profit of $778 million (2005: $568 million). Global iron ore demand remained strong in 2006, fuelled by the continuing expansion of the steel industry in China. In addition to the 71.5% annual iron ore price increase achieved in April 2005, an annual increase of 19% was achieved with effect from April 2006. Export sales volumes for the period grew in line with production improvements. Kumba Iron Ore produced a record 31Mt of iron ore for the period, exporting 21Mt.

A $754 million, three year expansion programme is currently under way at the Sishen mine which will increase sales volumes by 40% to 45 million tonnes per annum. Ramp up will commence in 2007, with full production expected in early 2009. A pre-feasibility study on a further expansion at Sishen mine of between 10 and 20 Mtpa is currently underway and will be completed by mid-2007. This study evaluates the potential to increase utilisation of the lower grade resources at Sishen mine. Depending on the outcome of the pre-feasibility study, a commitment towards the execution of a detailed feasibility study is expected in 2007. The Sishen South Project involves the development of a new opencast operation near the town of Postmasburg, approximately 70 kilometres south of Sishen mine. The 9 Mtpa Sishen South Project will produce a range of products similar to the Sishen Expansion Project. An investment decision on this project is expected to be made during 2007.

Previous page:
Detail of die-cut steel. Anglo Ferrous Metals and Industries is the world's fourth largest iron ore producer.

MMX Minas-Rio (49%)

In May 2007, Anglo American and MMX Mineração e Metálicos S.A. ("MMX") announced that they, together with Centennial Asset Mining Fund LLC ("Centennial Asset"), a company controlled by Eike Batista, MMX's controlling shareholder, had entered into an agreement through which Anglo American acquired a 49% ownership interest in each of MMX Minas-Rio and LLX Minas-Rio for an economic value and effective price of US$1.15 billion.

MMX Minas-Rio is developing an integrated iron ore project consisting of (i) a number of iron ore deposits in the State of Minas Gerais, Brazil, (ii) one or more slurry pipelines and (iii) the ongoing development of an iron ore terminal in the state of Rio de Janeiro to handle cape-size vessels (collectively the "Minas-Rio Project").

Phase I of the Minas-Rio Project, for start-up in the fourth quarter of 2009, has a planned annual production capacity of 26.5 million tonnes of iron ore per annum. An expansion is planned to double the Minas-Rio Project capacity ("Phase II"), subject to certain conditions, including MMX Minas-Rio confirming sufficient reserves and obtaining the relevant permits. Upon confirmation of Phase II of the Minas-Rio Project, Anglo American would make an additional payment to Centennial Asset and a capital contribution to MMX Minas-Rio, in the same manner as the initial payment, with a total economic value and effective price of US$600 million, increasing Anglo American's participation in MMX Minas-Rio to 50%. This would result in a total economic value of $3.5 billion for 100% of the project, prior to giving effect of the capital contributions described herein.

Scaw Metals (74%–100%)

Scaw Metals is an international group, manufacturing a diverse range of steel products. Its principal operations are located in South Africa as well as North and South America. Scaw produces rolled steel products (bar, wire rod and sections), steel and high chromium white iron castings, cast high chromium and forged steel grinding media, plain carbon and low alloy steel chain and fittings, steel wire rope, synthetic and natural fibre rope and pre-stressed concrete wire and strand. Scaw products serve the construction, railway, power generation, mining, cement, marine and offshore oil industries worldwide. Most of the South African operations are based in or close to Germiston, 20 kilometres east of Johannesburg. Scaw's international grinding media business, Moly-Cop, is headquartered in Chile, with operations in Mexico, the Philippines, Australia, Canada, Italy, Zambia and Zimbabwe. AltaSteel, a manufacturer of steel and value added steel products in Canada, was acquired by Scaw in February 2006.

Scaw produced a record operating profit of $160 million in

2006 (2005: $121million). The acquisition in February 2006 of AltaSteel, together with the acquisition of the remaining 50% of Moly-Cop Canada, contributed $32 million for the year. Strong demand for rolled, cast and wire rod products contributed to higher profits. The international grinding media operations achieved higher sales volumes, although this benefit was more than offset by negative exchange rate movements.

On 1 March 2007, it was announced that Scaw had initiated an empowerment transaction for its South African assets, which resulted in the formation of a new company, Scaw South Africa (Pty) Ltd (Scaw SA). The transaction resulted in a black economic empowerment (BEE) consortium acquiring a 21% equity stake and a broad-based employee trust acquiring a 5% equity stake in the R5.3 billion ($704 million) South African business. Anglo American holds the remaining 74%.

Samancor (40%)
Samancor is the world's largest integrated producer by sales of manganese ore and alloys. Anglo American has a 40% shareholding in Samancor, with BHP Billiton holding the remaining 60% and having management control. Samancor's business encompasses the production of manganese ores and alloys. The company supplies its worldwide customer base with commodities produced by its various mines and plants, which are situated in South Africa and Australia. Samancor owns Australian manganese operations consisting of Groote Eylandt Mining Company Proprietary Limited and Tasmanian Electro Metallurgical Company Proprietary Limited.

Anglo American's attributable share of Samancor's operating profit in 2006 was $52 million (2005: $144 million). The 2005 operating profit included a $16 million contribution from Samancor's chrome business, which was disposed of in June 2005. Although higher manganese ore sales volumes were achieved, lower alloy volumes and lower selling prices negatively impacted profits. In 2006, the average manganese ore price achieved was $2.2 per metric tonne unit (mtu), compared with the 2005 average price of $2.9/mtu.

Tongaat-Hulett (50%)
Tongaat-Hulett is listed on the Johannesburg Stock Exchange. It comprises Hulett Aluminium (Hulamin) and the Tongaat-Hulett agri-processing business which includes the essentially integrated components of land management, agriculture and property development. Tongaat-Hulett is the second largest cane sugar producer in southern Africa, with operations in South Africa, Zimbabwe, Mozambique and Swaziland. The starch and glucose operations, based in Gauteng and Cape Town, South Africa, are the largest in southern Africa.

Tongaat-Hulett's operating profit grew to $154 million (2005: $131 million). The sugar operations benefited from a higher world sugar price in 2006, while the 2006 South African sugar crop was the second lowest in ten years. Hulamin continued its progress in increasing sales volumes, with record rolled product sales of 183,000 tonnes (2005: 173,000 tonnes).

In December, Tongaat-Hulett announced the proposed unbundling and listing of Hulamin, and simultaneous introduction of broad based black economic empowerment (BBBEE) into both companies. The transaction, which will take place in June 2007, will result in BBBEE groups acquiring 25% and 15% interests in Tongaat-Hulett and Hulamin respectively. Anglo American's shareholding in Tongaat-Hulett will reduce from 50% to 38% and its shareholding in Hulamin will reduce from an effective 45% to 39%.

Subsequently, it has been announced that Hulamin will be listed on 25 June 2007.

Highveld (29.2%)
In May 2007, it was announced that the sale of Anglo American's 79% shareholding in Highveld to Evraz, an international steel producer based in Russia, and Credit Suisse, for total consideration of US$678 million, had been completed. The sale was undertaken in two tranches. In July 2006, Anglo American disposed of 49.8% of Highveld to Evraz and Credit Suisse for $412 million and granted Evraz an option to acquire Anglo American's remaining 29.2% shareholding, subject to the granting of regulatory approvals. On 7 May 2007 Anglo American announced that Evraz had advised that the requisite regulatory approvals had been obtained and had exercised its option. Since July 2006, Anglo American has achieved proceeds of $678 million, including the initial payment of $412 million, dividends of $28 million and the final payment of $238 million.

Products and applications

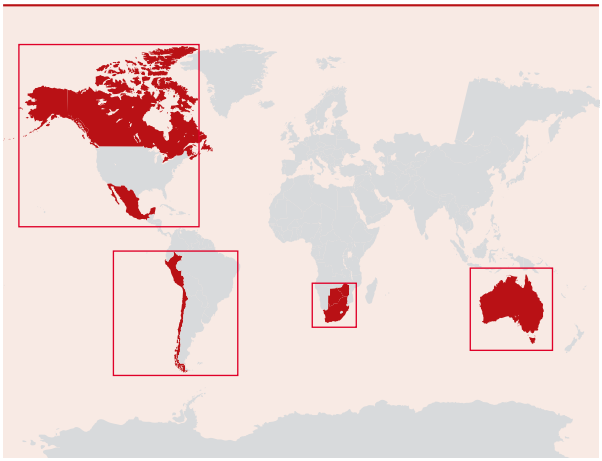
Steel
The most widely used of all metals, steel is used in the construction of buildings, bridges, machinery, vehicles and many household appliances. World crude steel production increased by 9% in 2006, to reach a total of 1.2 billion tonnes. China accounted for most of the increase, with its share of world total production rising to 34% in 2006. The coming year promises to be one of strong steel production growth with global world output in 2007 forecast to rise by over 6%. Further out, global steel growth rates are forecast to average 4.4% between 2007 and 2010, with world steel production set to increase by almost 300 million tonnes between 2005 and 2010, to reach a total of 1.4 billion tonnes. Global steel prices peaked in mid-2006 but tailed off by the end of 2006 largely due to a US stock overhang. Global steel prices have shown strong growth in the first half of 2007.

Iron ore
Global demand for iron ore in 2006 increased year on year by 15% to 1.7 billion tonnes. It is expected to remain strong over the next two decades, with steady growth projected to 2020, particularly in the seaborne market. This growth will be fuelled by the continuing development of the steel industry in China, which is expected to exceed 50% of total iron ore demand by 2007 (up from 42% in 2005). Further steel growth in the former Soviet Union and South America, in the short term, and India and other developing markets in the longer term, contributes to this positive picture. Short to medium term scrap shortages should ensure that iron ore demand growth is higher than steel production growth for at least the next ten years. Iron ore supply is continuing to ramp up as major global producers bring capacity on line. A further benchmark annual price increase of 9.5% has been achieved by major producers, effective 1 April 2007, after increases of 71.5% in 2005 and 19% in 2006.

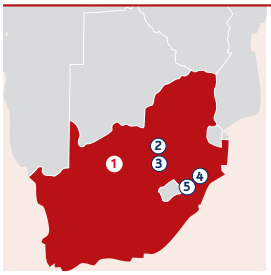
Manganese
Manganese ore is smelted to produce manganese ferroalloys (such as ferromanganese and silicomanganese). Manganese is not recycled and, since only very small amounts are present in finished steel, steel scrap recycling does not significantly impact on manganese demand.

World consumption of manganese ore rose by 10% in 2006, having dropped marginally in 2005. Manganese alloy ore prices are increasing, buoyed by Chinese and Indian demand.

AROUND THE WORLD



Key
- Underground
- Open Cut
- Other



South Africa
1. 64.1% Kumba Iron Ore
2. 74% Scaw Metals
3. 40% Samancor
4. 50% Tongaat-Hulett
5. 45% Hulamin

Kumba Iron Ore is the world's fourth largest supplier of seaborne iron ore, and exported just under 70% of its 31Mtpa production in 2006.

Scaw Metals is an international group, manufacturing a diverse range of steel products. Its operations in South Africa produce rolled steel products, grinding media and cast and wire rod products.

Samancor, which is the world's largest integrated producer by sales of manganese ore and alloys, is headquartered in South Africa.

Tongaat-Hulett is the second largest cane sugar producer in southern Africa. Its starch and glucose operations are the largest in southern Africa.

Hulamin, based in KwaZulu-Natal, South Africa, is an independent niche producer of aluminium rolled, extruded and other semi-fabricated and finished products.

South America
1. 100% Moly-Cop
   - Lima and Arequipa (Peru)
   - Concepción (Chile)
2. 49% MMX Minas-Rio

MMX Minas-Rio is developing an integrated iron ore project in the South East region of Brazil

North America
1. 100% Moly-Cop
   - Kamloop (Canada)
   - Guadalajara (Mexico)
2. 100% Altasteel (Alberta, Canada)

Moly-Cop, wholly owned by Scaw Metals, has operations in Mexico, the Philippines, Australia, Canada and Italy.

Altasteel is a manufacturer of steel and value-added steel products in Canada.

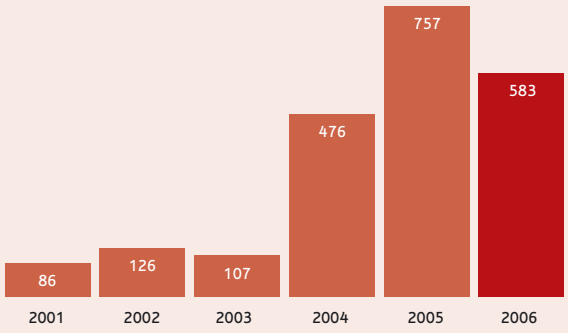
Australia
1. 40% GEMCO
2. 40% TEMCO
3. 100% Moly-Cop
   - Perth
   - Townsville
   - Newcastle

The Australian Manganese operations consist of Groote Eylandt Mining Company (GEMCO), situated off the east coast of the Northern Territory of Australia, and Tasmanian Electro Metallurgical Company (TEMCO), which is based at Bell Bay, approximately 55km from Launceston, Tasmania.

FINANCIAL HIGHLIGHTS

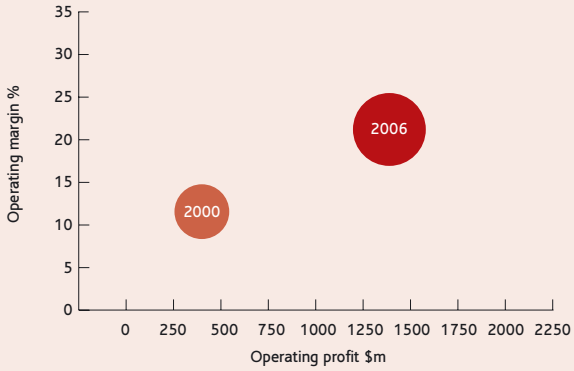
Six-year underlying earnings

$m



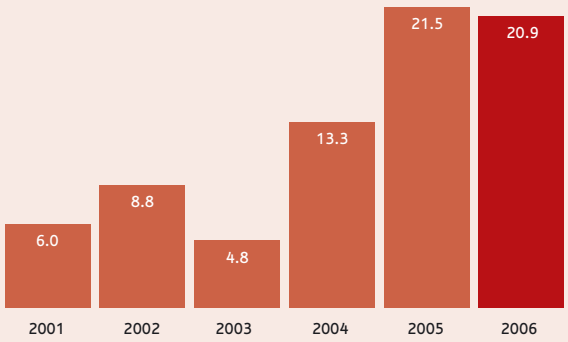
Scale and profitability growth

bubble size represents turnover



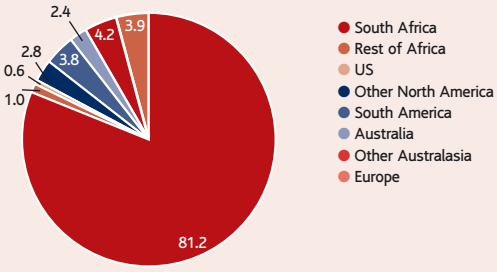
Operating margin

%



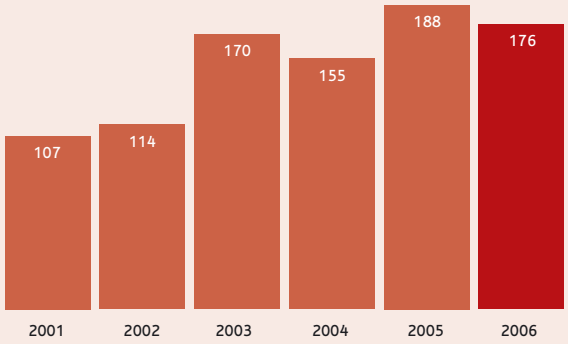
2006 turnover by origin

%



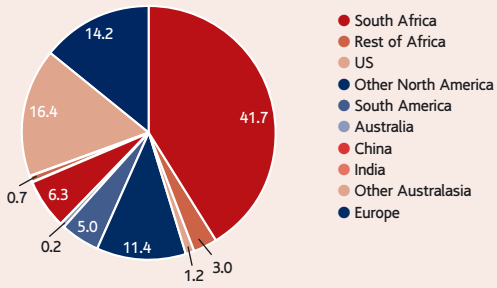
Turnover per employee

$'000



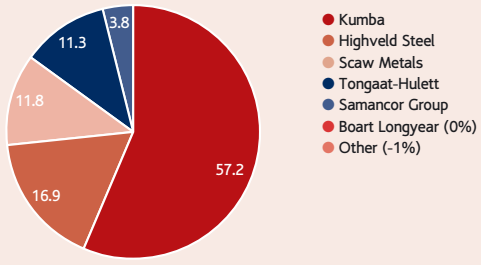
2006 turnover by destination

%



2006 EBIT Contribution

%



FINANCIAL DATA

Turnover (US$ million)	2006	2005	2004	2003	2002	2001
Subsidiaries[1]	**5,973**	6,030	5,137	2,863	2,021	2,082
Joint Ventures	**–**	–	–	28	13	148
Associates	**546**	743	1,526	1,476	973	953
Total turnover	**6,519**	**6,773**	**6,663**	**4,367**	**3,007**	**3,183**
Of which:						
Kumba	**2,259**	1,936	1,413	332		
Highveld Steel	**1,023**	1,127	775	488		
Scaw Metals	**1,233**	1,029	910	670		
Samancor Group	**425**	634	821	499		
Tongaat-Hulett	**1,572**	1,423	1,121	665		
Boart Longyear	**–**	618	872	994		
Other	**7**	6	608	719		
EBITDA	**1,560**	**1,779**	**1,249**	**441**	**415**	**351**
Of which:						
Kumba	**879**	734	329	67		
Highveld Steel	**247**	472	222	29		
Scaw Metals	**188**	145	123	86		
Samancor Group	**51**	164	268	78		
Tongaat-Hulett	**207**	188	116	50		
Boart Longyear	**–**	87	102	63		
Other	**(12)**	(11)	89	68		
Depreciation and amortisation	**199**	**300**	**344**	**110**	**67**	**73**
Operating profit before special items and remeasurements	**1,360**	**1,456**	**887**	**208**	**264**	**191**
Operating special items and remeasurements	**21**	**5**	**155**	**–**	**–**	**–**
Operating profit after special items and remeasurements	**1,381**	**1,461**	**1,042**	**208**	**264**	**191**
Net interest, tax and minority interests	**(777)**	**(699)**	**(411)**	**(114)**	**(146)**	**(107)**
Underlying earnings	**583**	**757**	**476**	**107**	**126**	**86**
Of which:						
Kumba	**302**	261	80	18	–	–
Highveld Steel	**79**	232	93	5	20	–
Scaw Metals	**106**	85	59	55	41	25
Samancor Group	**38**	103	157	10	19	5
Tongaat-Hulett	**55**	49	25	(10)	24	31
Boart Longyear	**–**	35	37	21	26	29
Terra	**–**	–	29	7	(18)	(31)
Other	**3**	(8)	(4)	1	14	27
Net segment assets	**2,796**	**4,439**	**5,302**	**4,629**	**1,696**	**1,104**
Capital expenditure	**582**	**373**	**284**	**195**	**85**	**93**

[1]From 2004, turnover of subsidiaries includes joint ventures' turnover.

PRODUCTION DATA

Production (tonnes)	2006	2005	2004	2003	2002
Kumba Iron Ore Ltd					
Iron ore production					
Lump	**18,639,800**	18,747,000	18,248,000	18,172,100	–
Fines	**12,470,300**	12,240,000	11,864,400	11,421,000	–
Total iron ore	**31,110,100**	**30,987,000**	**30,112,400**	**29,593,100**	**–**
Scaw Metals					
Rolled products	**409,000**	386,500	458,000	352,000	356,400
Cast products	**166,900**	133,900	110,000	115,000	114,700
Grinding media	**481,800**	461,400	429,000	389,000	224,500
Highveld Steel					
Rolled products	**767,300**	684,000	674,000	578,000	701,100
Continuous cast blocks	**863,100**	874,900	922,500	877,400	951,900
Vanadium slag	**65,000**	66,800	67,600	69,800	68,100
Samancor					
Manganese ore (mtu m)	**109**	88	106	76	62
Manganese alloys	**256,300**	309,000	321,100	288,200	306,100
Tongaat-Hulett					
Sugar	**897,300**	861,000	756,000	843,000	811,800
Aluminium	**203,300**	192,000	162,000	147,000	120,600
Starch and glucose	**573,100**	595,000	576,000	610,000	616,400
Hippo Valley					
Sugar	**–**	194,000	200,000	224,000	284,000
Coal					
Power Station coal	**–**	14,573,000	14,017,000	13,869,000	–
Coking coal	**–**	2,273,000	2,409,000	2,162,000	–
Steam coal	**–**	2,993,000	3,018,000	2,933,000	–
Total coal	**–**	**19,839,000**	**19,444,000**	**18,964,000**	**–**
Zinc metal	**–**	**119,000**	**116,000**	**112,000**	**–**
Heavy minerals					
Ilmenite	**–**	356,000	498,000	393,000	–

2006 data shown above exclude production from Kumba Resources Limited (Exxaro) which ceased to be a subsidiary during the year and is now held as a financial asset investment and Hippo Valley which was acquired by Tongaat-Hulett during the year.

RESERVES AND RESOURCES DATA

The Ore Reserve and Mineral Resource estimates were compiled in accordance with The South African Code for Reporting of Mineral Resources and Mineral Reserves (The SAMREC Code, 2000). Rounding of figures may cause computational discrepancies. The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc via Kumba Iron Ore is stated separately. Mineral Resource estimates for Kumba are inclusive of those resources which have been modified to produce the Ore Reserve estimates.

Kumba Iron Ore – Ore Reserves

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005	Saleable product million tonnes 2006	Saleable product million tonnes 2005
Sishen Iron Ore Mine (OP)[1]	37.3				% Fe	% Fe		
		Proved	**813**	727	**58.1**	59.3	**567@65.8 %Fe**	600@65.7 %Fe
		Probable	**241**	294	**57.2**	58.1	**226@63.9 %Fe**	243@64.0 %Fe
		Total	**1,054**	**1,021**	**57.9**	**59.0**	**793@65.3 %Fe**	**843@65.2 %Fe**
Thabazimbi Iron Ore Mine (OP)[2]	47.5				% Fe	% Fe		
		Proved	**7**	10	**61.6**	61.2	**6@64.5 %Fe**	9@64.1% Fe
		Probable	**2**	4	**60.9**	60.2	**2@63.9 %Fe**	3@63.6% Fe
		Total	**10**	**14**	**61.4**	**60.9**	**8@64.3 %Fe**	**13@63.9% Fe**
Sishen South Iron Ore Mine (OP)	47.5				% Fe	% Fe		
		Proved	**134**	101	**65.4**	64.8		
		Probable	**31**	66	**64.2**	63.3		
		Total	**166**	**167**	**65.2**	**64.2**		

Kumba Iron Ore – Mineral Resources

	Attributable %	Classification	Tonnes million 2006	Tonnes million 2005	Grade 2006	Grade 2005
Sishen Iron Ore Mine (OP and UG)	37.3				%Fe	%Fe
Open Pit[3]		Measured	**1,398**	1,477	**57.0**	57.4
		Indicated	**422**	480	**56.2**	56.5
		Measured and Indicated	**1,819**	**1,957**	**56.8**	**57.2**
Underground[4]		Measured	**115**	94	**64.6**	64.9
		Indicated	**266**	223	**64.3**	64.7
		Measured and Indicated	**381**	**316**	**64.4**	**64.8**
Thabazimbi Iron Ore Mine (OP and UG)	47.5				%Fe	%Fe
Open Pit[5]		Measured	**8**	11	**62.1**	62.1
		Indicated	**3**	4	**61.4**	61.6
		Measured and Indicated	**11**	**15**	**61.9**	**62.0**
Underground		Measured	**12**	12	**62.2**	62.1
		Indicated	**14**	14	**61.8**	61.3
		Measured and Indicated	**27**	**27**	**62.0**	**61.7**
Sishen South (OP)[6]	47.5				%Fe	%Fe
Advanced project		Measured	**156**	140	**65.4**	65.4
		Indicated	**150**	108	**64.8**	64.4
		Measured and Indicated	**306**	**248**	**65.1**	**65.0**
Zandrivierspoort (OP)	23.7				%Fe	%Fe
Project		Measured	**–**	–	**–**	–
		Indicated	**447**	447	**34.9**	34.9
		Measured and Indicated	**447**	**447**	**34.9**	**34.9**

Mining method: UG = Underground, OP = Open Pit.

The tonnage is quoted as metric tonnes and abbreviated as Mt for million tonnes.

(1) **Sishen Iron Ore Mine – DMS and jig plant:** The increase in Proved Ore Reserve tonnes is the result of a new optimising programme that allowed for the blending of previously stockpiled material. The decrease in saleable product tonnes is mainly due to the reduction of ROM Reserves as a result of geological re-interpretation as well as a slight drop in plant yield brought about by the exclusion of selective mining tonnes due to changes in mine planning criteria. 17Mt Inferred Mineral Resource tonnes fall within the final pit layout; these are not included in the Ore Reserve figure.

(2) **Thabazimbi Iron Ore Mine – within current pit layouts:** Mining depletion accounts for most of the decrease along with an updated geological model, and as a result of an external review of the drill hole spacing, a portion of the reserve has been re-allocated to Inferred Resources. 4Mt Inferred Mineral Resource tonnes fall within the final pit layout; these are not included in the Ore Reserve figure.

(3) **Sishen Iron Ore Mine – Open Pit (DMS and jig plant):** Resources decrease mainly as a result of a re-interpretation of the solids model, mining depletion and stockpile growth.

(4) **Sishen Iron Ore Mine – Underground:** Resources increase due to conglomeratic ore now being included.

(5) **Thabazimbi Iron Ore Mine – Open Pit:** The major decrease in the resources is due to mining depletion and the re-allocation of Indicated Resources to Inferred Resources.

(6) **Sishen South:** Advanced Project – Additional exploration drilling, an updated mineral resource model and pit design account for the increased tonnage.

The Ore Reserves and Mineral Resources of the following operation was audited during 2006 by third party, independent auditors: Thabazimbi Iron Ore Mine.

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. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (eg The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). Rounding of figures may cause computational discrepancies. The Manganese Mineral Resources are reported as inclusive of those Mineral Resources modified to produce the Ore Reserve figures, i.e. the Ore Reserves are included in the Mineral Resource figures. The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately.

Manganese – Ore Reserves

	Attributable		Tonnes million		Grade		% Yield	
	%	Classification	2006	2005	2006	2005	2006	2005
Hotazel Manganese Mines (OP)[1]	40.0				%Mn	%Mn		
Mamatwan		Proved	**42.3**	22.4	**37.6**	37.9		
		Probable	**6.7**	15.0	**37.2**	37.7		
		Total	**49.0**	**37.4**	**37.5**	**37.8**		
Wessels		Proved	**2.4**	1.9	**48.0**	48.0		
		Probable	**11.6**	9.3	**48.0**	48.0		
		Total	**14.0**	**11.2**	**48.0**	**48.0**		
GEMCO (OP)[2]	40.0				%Mn	%Mn		
		Proved	**55.5**	61.7	**48.5**	48.5	**53.4**	51.3
		Probable	**36.0**	39.6	**47.2**	47.2	**51.0**	47.0
		Total	**91.5**	**101.2**	**48.0**	**48.0**	**52.5**	**49.1**

Manganese – Mineral Resources

	Attributable		Tonnes million		Grade		% Yield	
	%	Classification	2006	2005	2006	2005	2006	2005
Hotazel Manganese Mines (OP)[3]	40.0				%Mn	%Mn		
Mamatwan		Measured	**53.1**	29.5	**37.6**	37.9		
		Indicated	**10.6**	21.0	**37.2**	37.7		
		Measured and Indicated	**63.7**	**50.5**	**37.5**	**37.7**		
Wessels		Measured	**4.8**	3.6	**48.1**	48.1		
		Indicated	**19.6**	20.4	**48.0**	47.9		
		Measured and Indicated	**24.4**	**24.0**	**48.0**	**47.9**		
GEMCO (OP)[4]	40.0				%Mn	%Mn		
		Measured	**61.2**	63.8	**48.9**	48.3	**42.0**	42.0
		Indicated	**42.7**	50.2	**47.3**	46.9	**38.0**	38.0
		Measured and Indicated	**103.9**	**113.9**	**48.2**	**47.0**	**40.4**	**38.9**

Mining method: OP = Open Pit. Mamatwan tonnages stated as Wet Metric Tonnes. Wessels tonnages stated as Dry Metric Tonnes.

(1) **Hotazel Manganese Mines:** The changes are due to a new improved 3D resource model which was constructed during 2006 and a change in the classification criteria.

(2) **GEMCO:** The Ore Reserves reported are stated with total tonnage but report the grade values only above the nominated cut-off of 40% Mn product grade. The grade is reported using beneficiated grades, as beneficiated grades are used; in mine scheduling, quality control and blending (rather than in situ grades). Changes are due to depletion and a significant drop in price assumptions.

(3) **Hotazel Manganese Mines:** The changes are due to a new improved 3D resource model which was constructed during 2006 and a change in the classification criteria.

(4) **GEMCO:** The primary cause of change in the resource estimate was depletion. A second effect was a more detailed methodology in which the plan areas for resource determination were generated, explicitly excluding mined out and off lease areas.

PROJECT PIPELINE

1. Sishen Expansion
South Africa

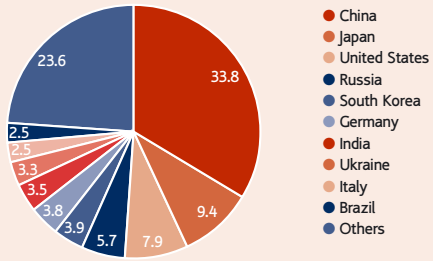
Ownership	**51%**
Incremental production	**13 Mtpa**
Full project capex	**$754m**
Full production	**2009**

The Sishen Expansion Project (SEP), in South Africa's Northern Cape, will have its first output in 2007 with full ramp up to 13 Mtpa targeted for 2009. This will take Kumba Iron Ore (Kumba) to 45 Mtpa of iron ore production, of which 36 Mtpa will be exported. SEP is owned by Kumba's subsidiary, Sishen Iron Ore Company (Pty) Ltd (SIOC). Kumba consolidates 80% of SIOC and, as a result of its 64% shareholding in Kumba Iron Ore, Anglo American consolidates an effective 51% in SIOC.

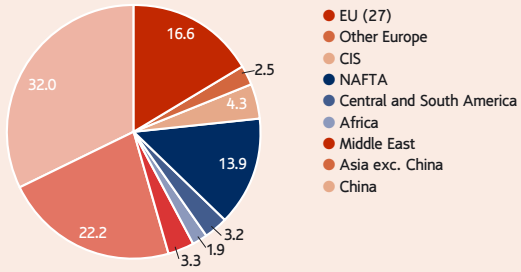
2006 steel production and use

%

Production



Use (finished steel)

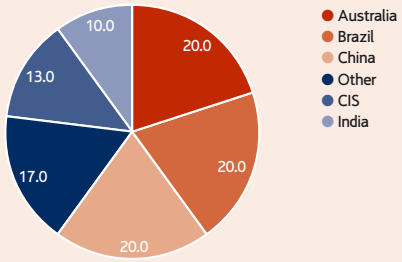


Source: International Iron and Steel Institute

2006 world iron ore production and consumption

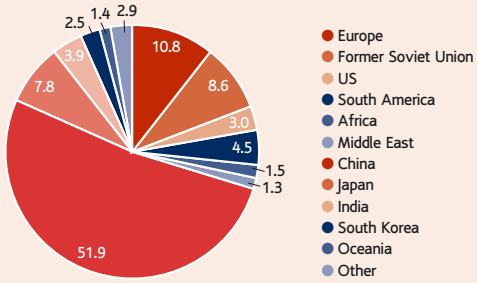
%

Production



Source: CRU Strategies

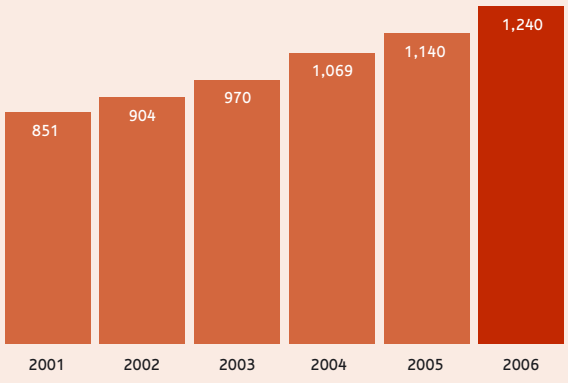
Consumption



Source: AME Consulting

World crude steel production

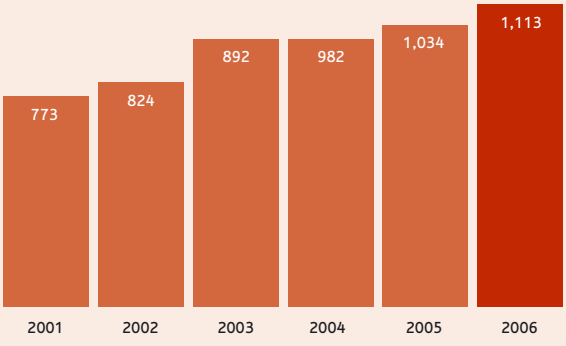
million tonnes



Source: International Iron and Steel Institute

Global steel consumption

million tonnes



Source: International Iron and Steel Institute