



# **KUMBA IRON ORE**

## **ANALYST PRESENTATION**

17 November 2006

A member of the Anglo American plc group

# Disclaimer

*Opinions expressed herein are by nature subjective to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of Kumba Iron Ore Limited (the “Company”) to differ materially from those expressed or implied in the forward looking statements. No representation is made as to the completeness or correctness of the opinions, forecasts or data discussed or contained herein. Neither the Company, nor any of its affiliates, advisors or representatives accept any responsibility for any loss arising from the use of any opinion expressed or forecast or data herein and do not undertake to publicly update or revise any of its opinions whether to reflect new data or future events or circumstances.*



# Kumba Iron Ore's ("KIO's") Analyst Presentation

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- Company overview
- Senior management and board profiles
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- Strategy



## KIO - a focused and empowered iron ore player

- Pursuant to the Kumba Resources empowerment transaction, KIO will be unbundled and separately listed on the JSE
- On listing KIO will:
  - Be the only pure play iron ore company listed on the JSE
  - Become a 64.9% held subsidiary of Anglo American plc, a core and strategic asset for the group

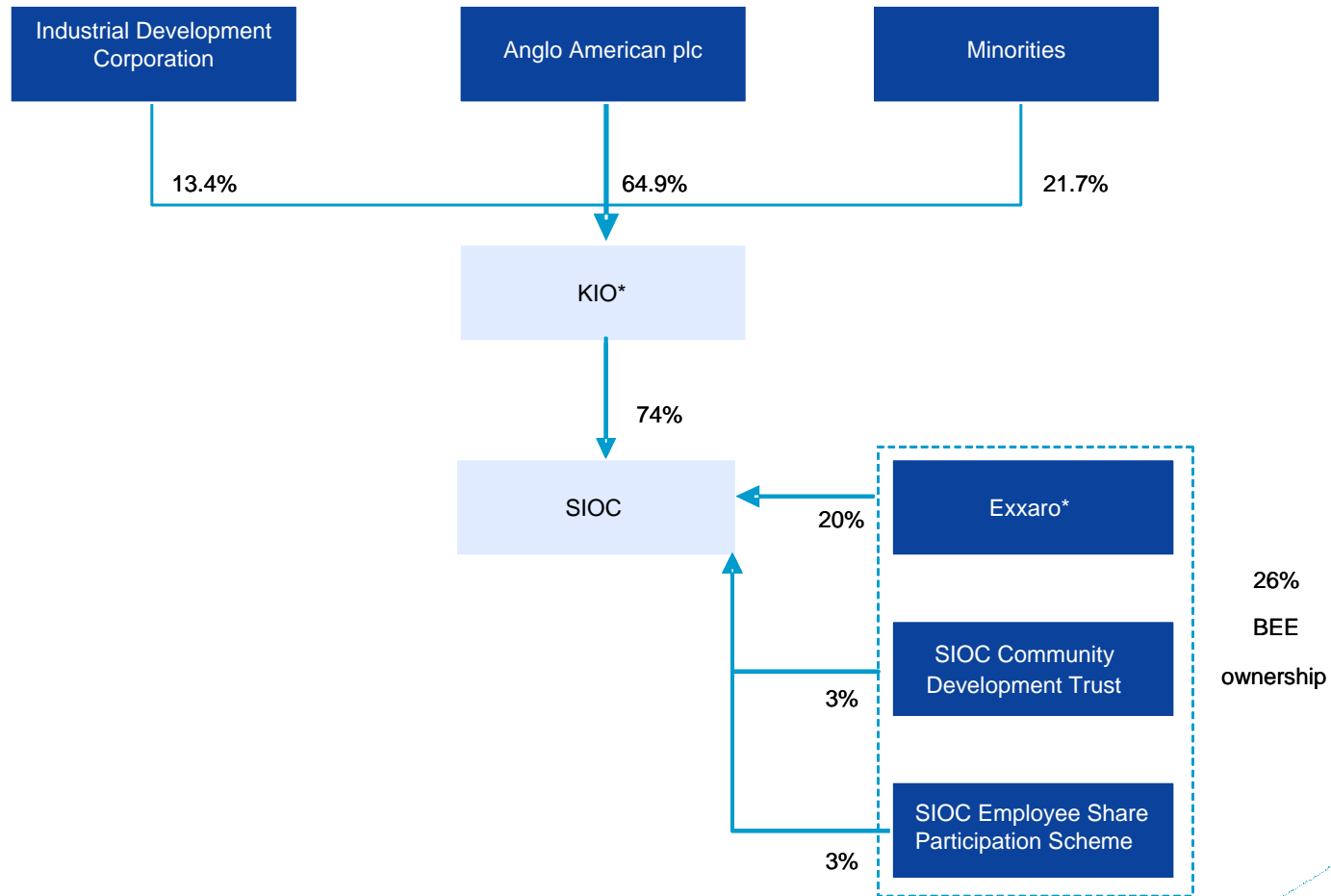


## KIO, through SIOC, will be fully empowered

- KIO will own 74% of Sishen Iron Ore Company ("SIOC")
  - The remaining 26% of SIOC will be black-owned on implementation of the Kumba Resources empowerment transaction
  - The 2014 equity ownership targets of the Mining Charter will be met
  - KIO has commenced application for conversion of its old order mineral rights to new order mining rights



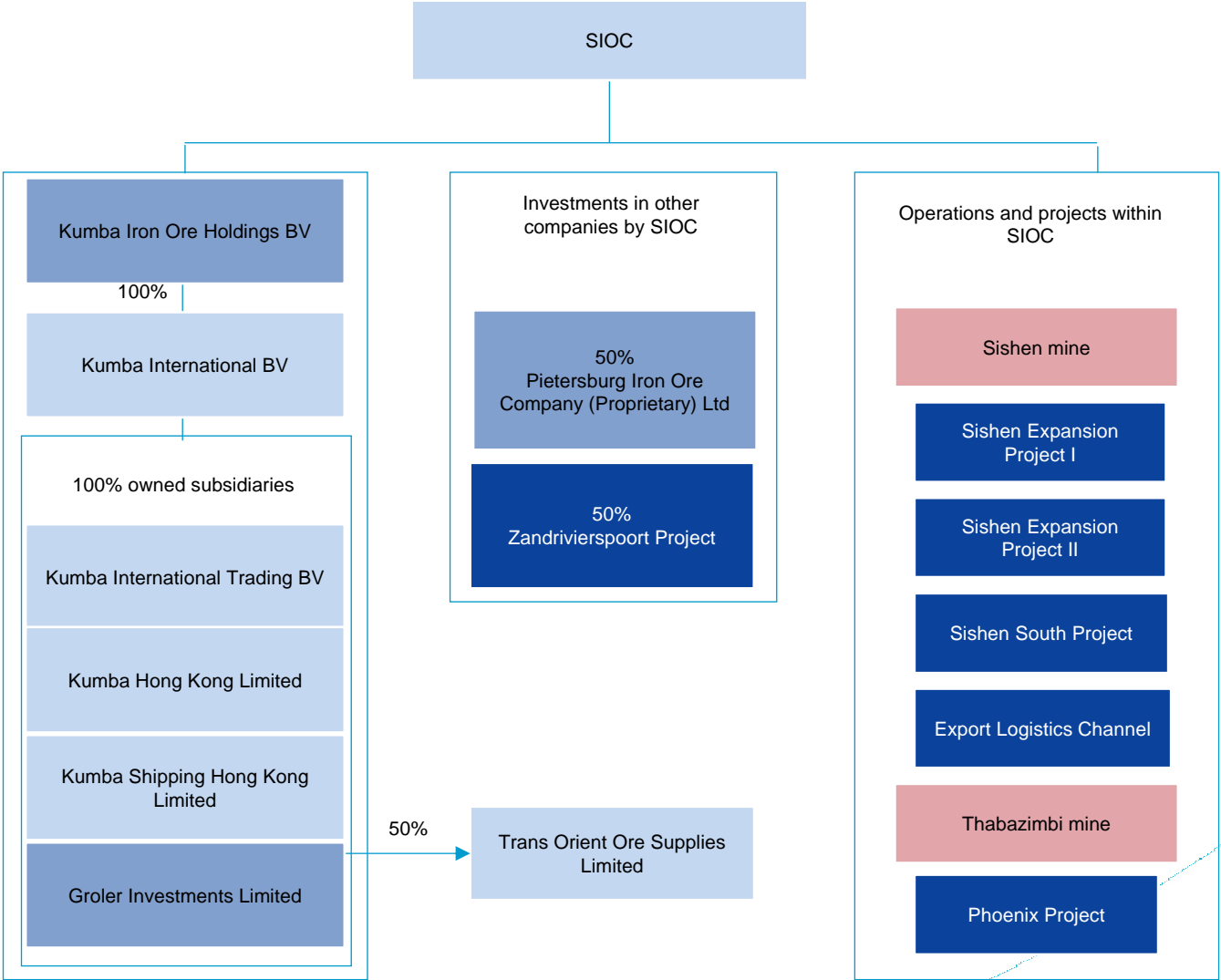
# Group ownership structure (post unbundling and listing)



\* Listed on the JSE



# Overview of KIO's assets



Key: ■ Operational companies    ■ Investment companies    ■ Growth projects    ■ Mines



# Senior management and board profiles



# Senior Management



## **Ras Myburgh – Chief Executive Officer**

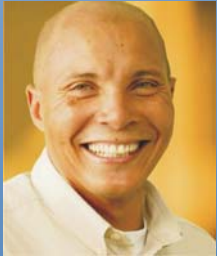
- Formerly General Manager of Sishen Iron Ore Company: February 2006
- Previous positions in Kumba Resources - General Manager: Transformation and Empowerment and Managing Director: Kumba Resources' Coal division



## **Vincent Uren – Chief Financial Officer**

- 17 years experience in Anglo American's Corporate Finance department
- Involved in a number of diverse and complex local and international transactions

## Senior Management (continued)



### **Fergus Marupen – General Manager, Human Resources**

- Formerly General Manager, Human Resources for Kumba Resources
- Previous positions include Assistant General Manager (HR) at Heavy Minerals/Ticor and at the former Iscor Quarries



### **Francois Louw – General Manager, Commercial**

- Since September 2005, Francois has been Project Director for Kumba's Northern Cape iron ore interests
- Previously he was Manager, Strategic Projects in the iron ore business and General Manager, Operations at Ticor South Africa



### **Christo van Loggerenberg – General Manager, Projects and Technical**

- Formerly Business Development Manager for Kumba Resources iron ore business
- He started his career at Iscor Mining in 1981 as metallurgical engineer at Grootegeluk Coal Mine



## Senior Management (continued)



### **Peet Kotze – General Manager, Sishen Iron Ore Mine**

- General Manager, Sishen Iron Ore Mine – a post he has held from January 2004
- Formerly Production Superintendent at Grootegeluk Coal Mine and mine manager at Leeuwpans Coal Mine and Thabazimbi Iron Ore Mine



### **Aart van den Brink – Mine Manager, Thabazimbi Iron Ore Mine since 2005**

- Formerly Superintendent at Grootegeluk and Mining Manager at the Thabazimbi and Grootegeluk Mines

# KIO board profiles



Lazarus Zim  
Chairman

- Executive Chairman of Afripalm Resources
- Former Chief Executive Officer of Anglo American South Africa and Chairman of Anglo Coal operations
- President of the Chamber of Mines and on the boards of Anglo American South Africa, Mondi SA Limited, Sanlam Limited and Telkom SA Limited



Philip Baum  
Non-executive

- Chairman and Chief Executive of Anglo American's Ferrous Metals and Industries and acting Chief Executive Anglo American South Africa
- Member of the boards of Anglo American South Africa, Anglo Platinum, Tongaat Hulett and Kumba Resources
- Formerly Chief Executive of Anglo American Corporation Zimbabwe, Chief Operating Officer of Anglo American Corporation



Gert Gouws  
Non-executive

- Chief Financial Officer of the Industrial Development Corporation
- Serves as a director on several boards including Umicore Autocat SA (Chairman) and Algorax (Chairman)



Allen Morgan  
Independent  
non-executive

- Non-executive Chairman of Kumba Resources
- Formerly at Eskom where he was appointed to Eskom's general board in 1992 and served as Executive Director: Marketing and Electrification and Eskom Chief Executive (1994 -2000)



## KIO board profiles (continued)



Peter Matlare  
Independent  
non-executive

- Commercial Director of Vodacom South Africa
- Formerly Chief Executive Officer of the SABC (2001 – 2005)



Nkosana Moyo  
Independent  
non-executive

- Managing Partner Africa of Actis Capital LLP
- Formerly the Senior Adviser to the International Finance Corporation (2001- 2003), Managing Director of Batani Capital Finance (1997 – 2000), Managing Director of Standard Chartered Bank, Tanzania (1995 -1996) and the Minister of Industry and International Trade in Zimbabwe



Dolly Mokgatle  
Independent  
non-executive

- Executive Director of Peotona Capital
- Non-executive Chairman of EDI Holdings and the Deputy Chairman of the National Energy Regulator of South Africa

# Operational overview



# KIO's principal operating assets – Sishen mine

## Sishen mine

	2005	2004
Tonnes treated (Mtpa)	31.8	32.8
Waste mined (Mtpa)	58.6	54.7
Stripping ratio <sup>(1)</sup>	1.8	1.7
<b>Total production (Mtpa)</b>	<b>28.5</b>	<b>27.9</b>
<b>Total sales (Mtpa)</b>	<b>28.9</b>	<b>27.5</b>
<b>Total production cost (R'm)</b>	<b>1,540</b>	<b>1,353</b>
<b>Total capex (R'm)</b>	<b>243</b>	<b>170</b>

- Focused on beneficiation of high-grade iron ore (beneficiated Fe>60%)
- Majority of product (c.22Mtpa) exported via Saldanha port facility
- Production reached a peak of 28.5Mtpa in 2005
- Life of mine - 2028
- Agreement with Mittal Steel to supply 6.25Mtpa of product for the life of mine

(1) Measured as total waste:total ore  
 Source: Kumba Iron Ore Competent Persons Report



# KIO's principal operating assets – Thabazimbi mine

## Thabazimbi mine

	2005	2004
Tonnes treated (Mtpa)	3.1	3.1
Waste mined (Mtpa)	25.0	34.5
Stripping ratio <sup>(1)</sup>	7.5	11.2
<b>Total production (Mtpa)</b>	<b>2.5</b>	<b>2.5</b>
<b>Total sales (Mtpa)</b>	<b>2.5</b>	<b>2.5</b>
<b>Total production cost (R'm)</b>	<b>388</b>	<b>370</b>
<b>Total capex (R'm)</b>	<b>40</b>	<b>104</b>

- Mittal Steel captive operation
- Short life operation with haematite mineral reserves that give a life of mine (“LOM”) of 4 years
- Project Phoenix, a life extension project could extend the LOM by further 20 years

(1) Measured as total waste:total ore

Source: Kumba Iron Ore Competent Persons Report

# Salient historical operating statistics

Iron Ore		2002 <sup>(F)</sup>	2003 <sup>(F)</sup>	2003 <sup>(H2)</sup>	2004 <sup>(C)</sup>	2005 <sup>(C)</sup>
<b>Production</b>						
Sishen mine	(Kt)	25,903	26,168	13,470	27,609	28,458
Thabazimbi mine	(Kt)	2,421	2,389	1,270	2,503	2,530
<b>Total</b>	<b>(Kt)</b>	<b>28,324</b>	<b>28,557</b>	<b>14,740</b>	<b>30,112</b>	<b>30,988</b>
<b>Sales</b>						
Sishen mine exports	(Kt)	19,916	20,946	10,004	20,923	22,113

(F) Financial Year ended 30 June

(H2) Six months ended 31 December due to the change of Financial Year

(C) Calendar Year ended 31 December



## KIO's products

An extensive product range is offered:

- 25mm Lump ore for direct charge to Blast Furnaces
- 20mm Lump ore as a cost-effective Pellet replacement
- 27mm DR ore for Direct Reduction Shaft Furnaces
- 8mm Coarse Sinter ore for blending with concentrates in Sinter Plants
- 5mm Fine ore for Sinter Plants

Distinguishing features of Sishen's operation and products are:

- The high Fe (iron) content of the ore
- Superior sizing characteristics
- Consistent product quality
- Reliability of supply
- ISO 9002 & 14001 accreditation

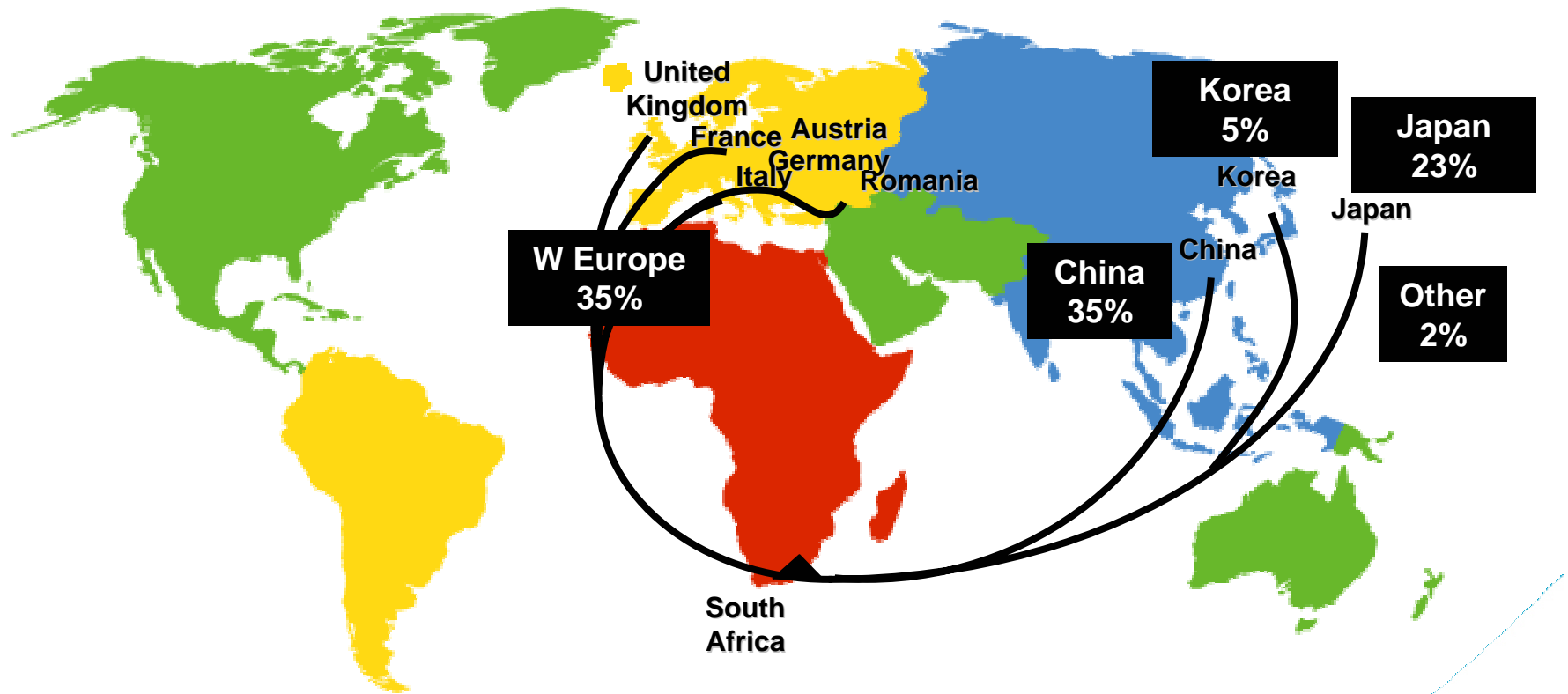


# KIO products – comparative value

- High Fe content
  - Fines: World Average = 62.6% Sishen = 65.0%
  - Lump: World Average = 64.7% Sishen = 66.0%
- Low alumina: silica ratio
- Low decrepitation in materials handling and in blast furnaces
- High dynamic strength in blast furnaces
- Consistency of product quality (chemically and sizing)
- Low moisture content
  - increased flow characteristics in cold climates
  - improved handling
  - lower transportation cost / Fe unit
  - less energy required
- High resistance to mechanical impact – less Fines generated
- Higher permeability of BF burden – enhanced productivity



# KIO production / exports



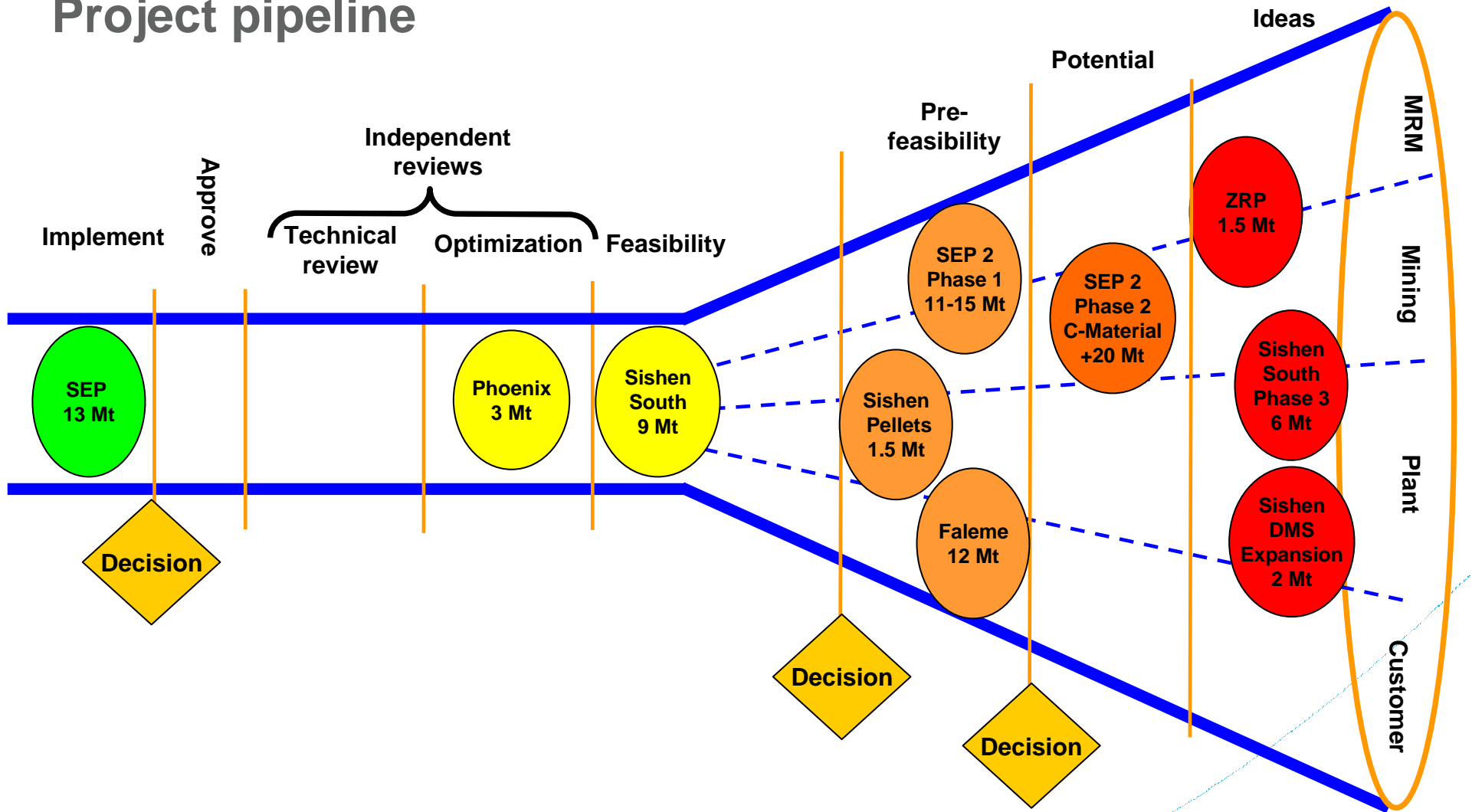
- Balanced geographical spread
- Improving the customer value proposition through Value-In-Use concept
- Committed to consistently produce products of the highest quality, underpinned by investment in new technology, quality management and adherence to related ISO standards



# Project pipeline and growth projects

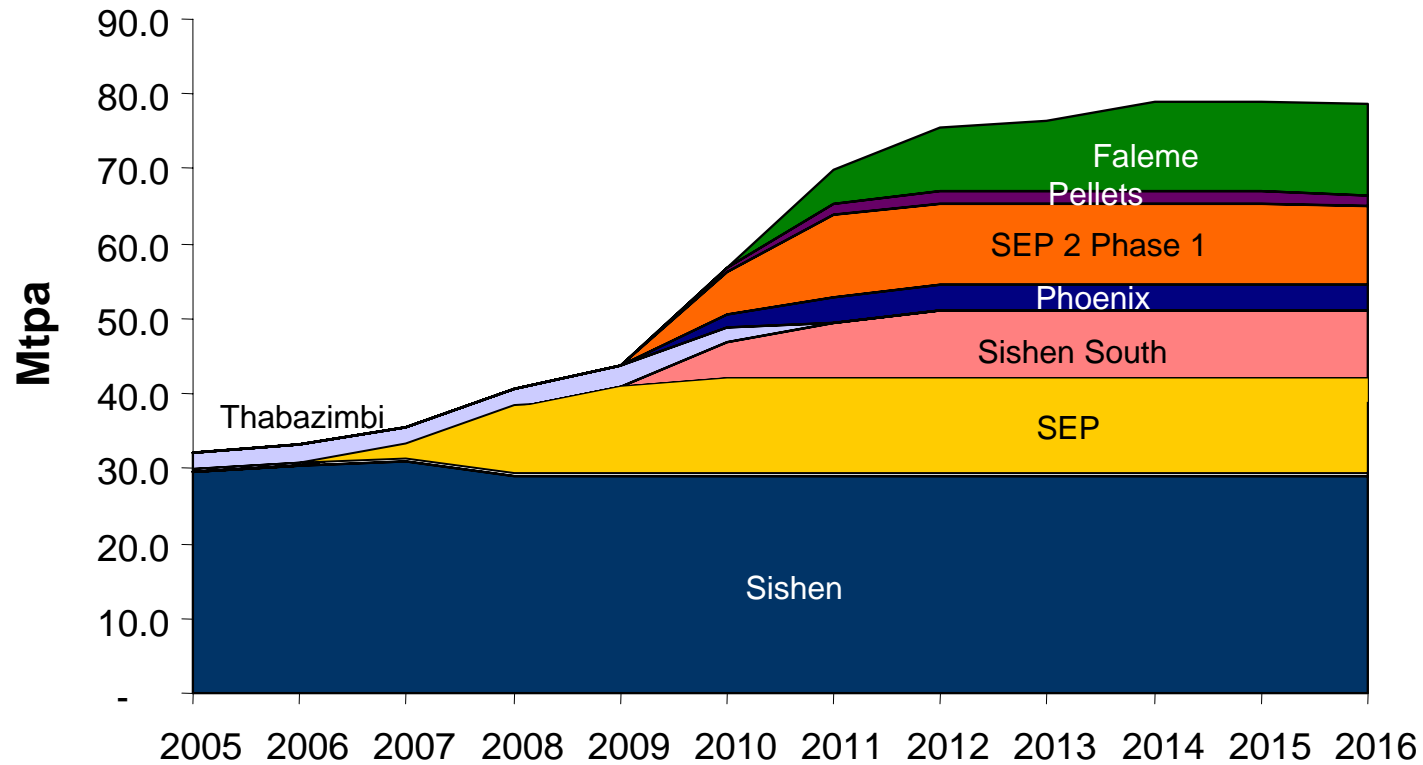


# Project pipeline



# Capacity growth – production

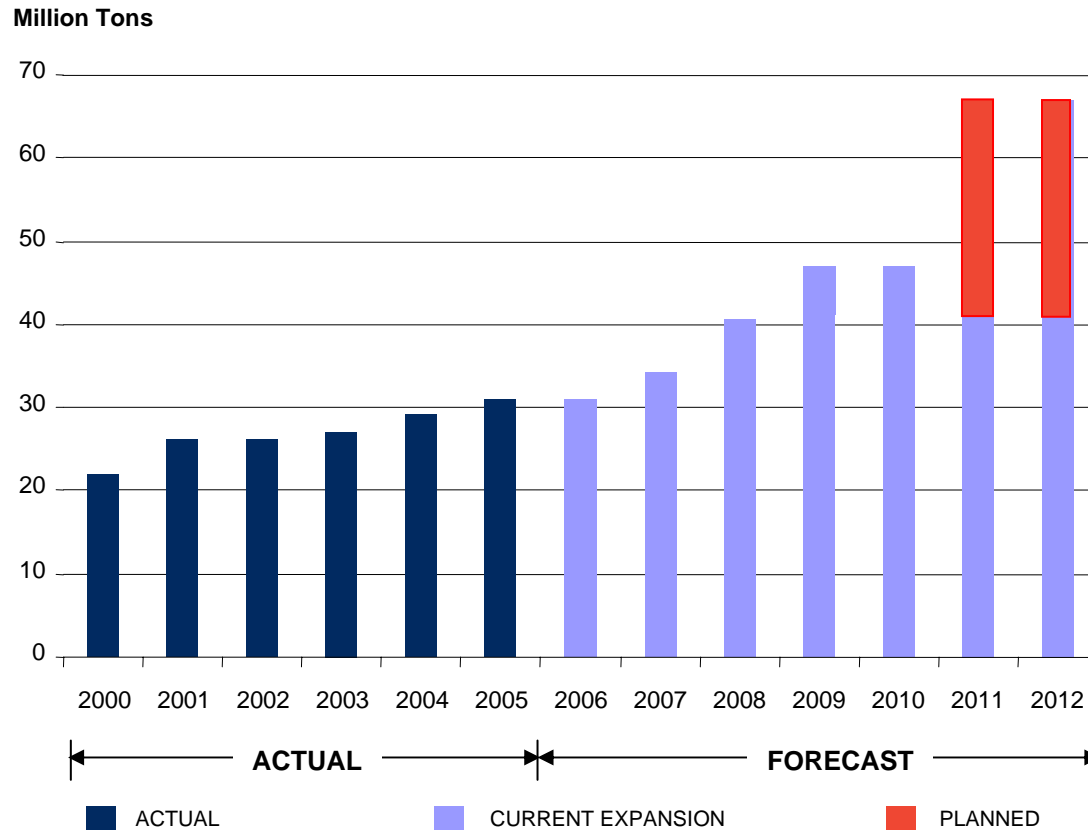
## Growth Prospects



Source: KIO



# Capacity growth – export channel



## KIO's Northern Cape Growth Pipeline will be underpinned by Transnet's export channel expansions

- Phase 1a: 41Mtpa capacity approved in 2005
- Phase 1b: 47Mtpa capacity announced
- Phase 2: 67Mtpa capacity study to be completed in Q12007
- Phase 3: 91Mtpa capacity envisaged for 2011

Source: Transnet



# Growth projects

## Sishen Expansion Project I (SEP 1) *Construction*

- Project extended from 10Mtpa to 13Mtpa in August 2006
- Apply jig technology to extract c.13Mtpa of additional saleable ore from 21Mtpa of feedstock – about 8Mtpa material previously accounted for as waste and 13Mtpa from new run-of-mine material
- Increase resource utilisation and reduce stripping ratios for the Sishen mine
- Production is anticipated to commence by mid-2007, ramping up to full capacity by 2009

## Sishen Expansion Project II *Pre-feasibility*

- Exploitation of additional low iron content material
- A bankable feasibility study for this project is due to be completed in 2007, with production currently anticipated to commence by 2011
- Currently confirming product specifications and evaluate alternative production capacities, mining technology options and mine plans

## Sishen South Project *Feasibility*

- New opencast operation near Postmasburg, executed in 2 phases
- Phase 1: development of 3 – 9Mtpa mine that will form part of the next Sishen-Saldanha export channel expansion
- Capital cost currently estimated at c.R2.5 billion for a 9Mtpa mine

## Growth projects (continued)

### Phoenix Project *Feasibility*

- Extend the life of the Thabazimbi mine by c.20 years, producing both lump and fine ore
- A feasibility study currently underway, and an investment decision on project could be made during 2006, with 2.5 – 3Mtpa of production beginning 2009
- Maintain annual production rates at Thabazimbi mine after depletion of the current mine reserves

### Zandriverspoort Project *Pre-feasibility*

- Kumba Resources and Mittal Steel have developed a framework for a pre-feasibility study, which commenced with exploration activities in 2005
- During 2006 and 2007, alternative processing and final product options will be evaluated and the parties intend to commit to a detailed bankable feasibility study in 2008

### Falémé Project *Pre-feasibility*

- Bankable feasibility due to be completed by 2007, with production due at the end of 2008
- Mine producing 12Mtpa of high-grade ore over 20 years, with ore transported to a new terminal at Dakar, and shipped to Europe

# Market overview



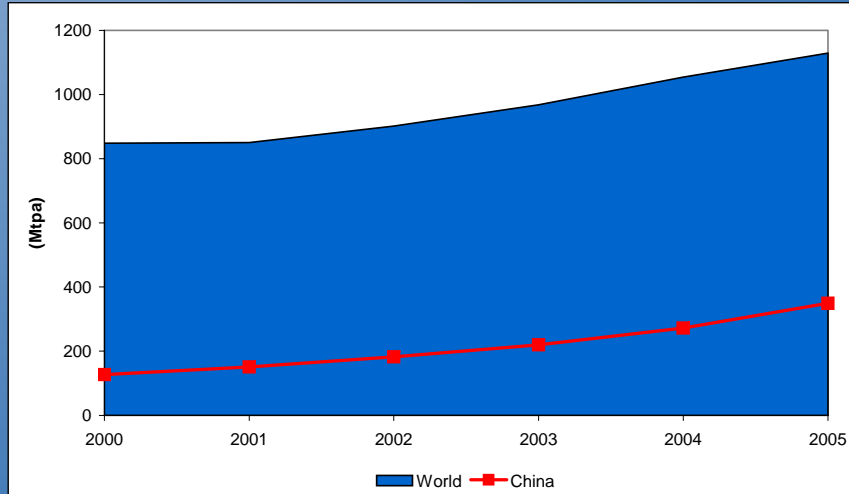
# Industry analysis

The iron ore industry remains fundamentally attractive

- 2006 demand increase of 5.8% over 2005 to >1 600 Mt
- Steady growth in demand forecast until at least 2020 (25% growth from today's levels)
- Demand (particularly sea-borne) growing due to Chinese demand and reduced steel scrap availability
- CVRD, Rio Tinto and BHP Billiton will largely be responsible for future sea-borne expansions
- Greenfield incentive pricing is expected until at least 2015 and Brownfield incentive pricing after 2025

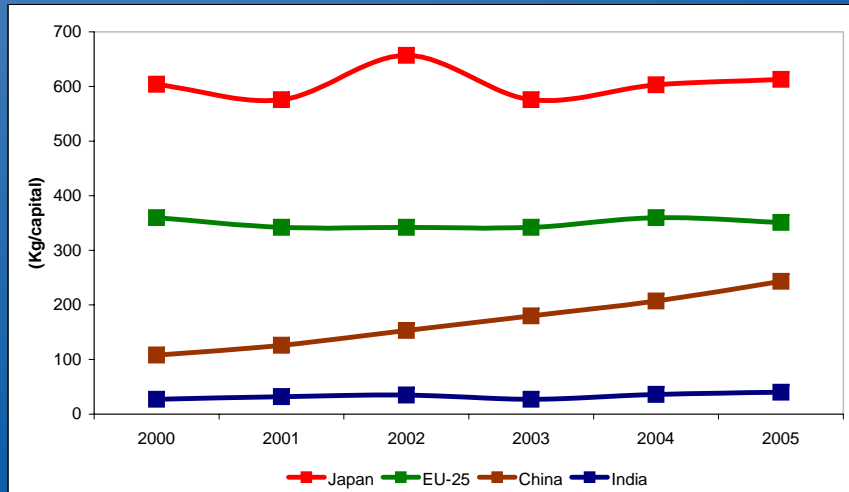
# Positive market outlook

Crude steel production 2000 - 2005



- Rapid consumption growth of emerging markets driving increased production
- Global seaborne iron ore volumes forecast to exceed 700Mtpa in 2006 (644Mtpa in 2005)
- Iron ore contract prices have increased dramatically in the past few years – 9% in 2003, 18.6% in 2004, 71.5% in 2005 and 19% in 2006

Finished steel per capita consumption



- Chinese demand remains strong, and KIO has excellent relationships with its customers in China

Source: AME Mineral Economics

## Major trends / competitor activities

- All major suppliers have a pipeline of growth projects and infrastructure expansion
- All major suppliers are tying up long term supply contracts with major mills
- BHP Billiton embarks on an aggressive new marketing strategy, focusing on China spot and semi-spot market
- Formation of JVs between suppliers and steel mills in new projects
- Consolidation and alliances amongst steel producers (Arcelor/Mittal, Tata Steel/Corus, NSC/Posco etc.)

# Mission and Vision



## KIO - our mission and vision

### ***Kumba Iron Ore Mission***

*“To deliver outstanding sustainable value to all our stakeholders”*

### ***Kumba Iron Ore Vision***

*“To define a new frontier of operational and people performance in the mining industry”*



# Strategy



# KIO's strategy - increase volumes and improve efficiencies to earn enhanced returns

KIO will:

- Reduce operating expenses to increase the operating margin through pursuing continuous improvement initiatives in all business areas
- Establish and maintain preferred-supplier status in high-margin iron ore markets by differentiating KIO's high quality products, maintaining consistent quality and delivering superior levels of customer service
- Progress current growth projects and secure new opportunities to ensure a full pipeline of long-term growth options
- Be a responsible corporate citizen in line with the guiding principles of the King II Report on Corporate Governance and continue to improve on safety, health and environmental performance



## Well poised to compete

- In 2005 supplied 3.2% of world's seaborne traded iron ore
- Supplied 8.4% of seaborne lump ore
- ca.73% of total annual production exported to 30 customers in various geographies
- Over 2 billion tonnes of high quality iron ore resources from two principal mining assets
- Ratio of 62% lump to 38% fine ore (competitors have 30% lump to 70% fine ore ratio)
- High value-in-use, consistent quality beneficiated iron ore with strong resistance to breakdown
- Proven resources and reserves support an increase in production from 32Mtpa to 42Mtpa by 2009 and 70Mtpa by 2015
- Extensive brownfield and greenfield expansion projects
- Stable cash flows to fund full pipeline of long-term growth projects and value-adding acquisitions
- Saldanha Bay export port well positioned to service key markets

