CLIENT: Kumba Iron Ore

DATE: 27/07/2007

FILE NAME: 2007-07-27 at 11h30 – Kumba Iron Ore

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Chairperson	Narrative
Ras Myburgh	Ladies and gentlemen, a hearty welcome to you, one and all, to this 2007 interim results presentation. In particular I'd like to welcome and thank you for your support to Mr Lazarus Zim, the chairman of the board. I see also some shareholder representatives, and particularly Dirk Van Staden from Exxaro. Some of our management team members. Thank you very much for your support. I am extremely pleased that I can present to you today some strong results. Strong earnings, strong cash flow, stable operations and the Sishen Expansion Project (SEP) progressing satisfactorily. If I say that I'm pleased with these results, I cannot neglect to thank everybody associated with the company for their support and everybody who has worked so hard to achieve these types of results. We start our results as always with our safety performance. The company has a value system that supports caring for our people, our environment and also the communities where we operate. And I must tell you that, as far as our safety is concerned, we are not happy with the performance. I in particular will not be satisfied unless we have stable operations and operations that are injury-free and consistently injury-free. During February and March of this year, we had an increase in the number of lost-time injuries at Sishen Mine and also SEP. Thankfully, through decisive action, that trend has been reversed and Sishen Mine is again on its improvement path. It achieved 3 million injury-free man-hours again in May. Thabazimbi Mine has performed exemplarily in this area. I'd like to congratulate Aart Van Brink – our mine manager there – and his team for setting a diligent example. They only had one lost-time injury, and that ended a record-breaking run of 246 days without a lost-time injury. Really a good example. They also achieved their 2 million hours without an injury in June this year. Regrettably, and I'm very saddened to report to you, in February of this year one of our contracted employees lost his life. Mr Samuel Marutle drove his ore truck, presumably after he fell asleep, over one of the berm walls and into the Sishen Mine pit. It is a very sad situation and we hope that we will never again have a situation where we kill people at one of our operations. Be assured that we work very hard not to do this, to prevent any injury and particularly any fatalities. Safety is our top priority, together with all the other business units in the Anglo American stable. At this point, I'd like to hand over to Vincent Uren to give us the financial review. Thanks Vincent.
Vincent Uren	Morning ladies and gentlemen, it is a pleasure to be here in front of you presenting a robust set of numbers with profits up, strong cash flows and a substantial dividend. This year, we're providing more detail to assist in the analysis of our numbers, bearing in mind that the 2006 numbers were prepared from information reported by Exxaro and had a number of once-off items and were unaudited. We provided a trading update on 10 July 2007 with guidance of between R1,56 billion and R1,59 billion for headline earnings. We achieved headline earnings of R1,578 billion. We have provided additional information by way of annexure at the back of the booklet that you've received, and I won't be going through those. Our financial highlights. Revenue was up 35% from R4 billion to R5,4 billion. Sishen Mine unit cost stabilised at R78,39 per tonne, marginally up from the 2006 average of R78,22 per tonne. Our operating profit of R2,9 billion is up 52% year on year. Headline earnings of R1,578 billion equated to R5,02 per share. On those headline earnings, we have declared an interim dividend of R3,50 per share. We generated R3 billion cash from our operations and incurred capital expenditure of some R1,2 billion.

Financial overview. I've indicated that there were once-off items in 2006. We have adjusted 2006 numbers to make them comparable. We have taken into account the R1,57 billion profit on the sale of non-iron ore offshore assets, and the R153 million expense of the share-based payments in December 2006 as a result of the Kumba Resources empowerment transaction. There has also been a change in the way we account for our CIF sales, and we have adjusted the 2006 number accordingly. Comparing June 2007 to December 2006, revenue is up 18% from R4,6 billion to R5,4 billion. Operating expenditure is down 5% from R2,6 billion to R2,48 billion. Together, this has resulted in a 26% increase in our margin from 43% to 54%. Our cash generated is up 17% from R2,6 billion to R3 billion and capex is roughly in line over the two halves.

Comparing June 2007 to June 2006, we have added R1,4 billion in revenue, while costs are up R382 million or 18% to R2,4 billion, resulting in operating profit of R2,95 billion, which is 52% higher year on year. Our operating margin has increased 13% from 48% to 54%. Headline earnings of R1,578 billion is equivalent to R5,02 on which we declared the dividend of R3,50. Our tax rate has stabilised at 27,5%, and this is the rate we see going forward for the business. We generated cash of R3 billion, principally because of the increased operating profit of R1 billion. We continue to spend capital expenditure on SEP, and our spend to date brings total cash flow to R2,6 billion by the end of June 2007, leaving R2,5 billion still to spend.

On the CIF operations … I thought we'd have a separate slide on this just to make sure people understand the numbers. Kumba has a stockpile facility in the port of Quindao in China that can hold up to 700 000 tonnes. It is owned by Kumba Hong Kong. Revenue and operating expenditure of sales by this facility are reflected in our normal sales out of Sishen Mine. However, certain customers require Kumba to assist them with shipping their ore to their plants. So Kumba – via Kumba Shipping Hong Kong – charters vessels and recovers the freight cost from customers. Therefore this reflects merely a margin on the shipping. Shipping profit is a straightforward calculation. Freight is recovered on the face of the invoice to the customer as a separate line item. Margin reflects the difference between what we pay and what we charge for freight. Overall we made a profit of R45 million in these shipping activities in the first half of 2007. Up 25% year on year. Based on our latest forecasts, we anticipate making a similar profit in the second half of 2007.

Turning to revenue variance, we have analysed our revenue variance to three key drivers. Volume, price and currency. On volume, the first half of 2006 compared to the second half of 2006 we had a R211 million loss. Export sales volumes were down 900 000 tonnes due to the ship-loader breakdown in Saldanha port in September 2006 which resulted in delayed shipments. Domestic sales volumes were higher by 700 000 tonnes due to increased demand from Mittal Steel. From Sishen Mine, that was 400 000 tonnes and from Thabazimbi Mine 300 000 tonnes. Comparing the second half of 2006 to the first half of 2007, we made a R680 million gain as export sales volumes were 1,5 million tonnes (Mt) higher, which included the sale of the 900 000 tonnes stock which had accumulated at Saldanha port due to the ship-loader incident in September 2006. Overall in the two half years, Kumba sold 207 000 tonnes to Mittal Steel at export parity prices above the contract price. With regards to prices, the first half of 2006 compared to the second half of 2006, there was a R258 million gain. The export unit prices increased on the back of a 19% increase in the benchmark of iron ore prices with effect from 1 April 2006. Domestic unit prices were down R5 per tonne, due to the implementation of

IFRIC 4 at Thabazimbi Mine. Comparing the second half of 2006 to the first half of 2007, we made a R234 million gain on pricing. Export unit prices increased on the back of a 9,5% benchmark iron ore price increase effective 1 April 2007. The cost-plus-3% management fee for domestic unit prices for Mittal Steel were 24% up owing to higher unit costs at Sishen Mine and Thabazimbi Mine. On the currency, the first half of 2006 compared to the second half of 2006 we made a R537 million gain. The average spot rate at which sales were captured during the second half of 2006 was R7,20 compared with an average of R6,26 to the US dollar in the first half of 2006. The second half of 2006 compared to the first half of 2007, there was a R40 million loss. This was due to a strengthening of the rand from R7,20 to the dollar down to R7,15.

The next slide we have tried to break down revenue into constituent parts. Starting from the bottom, I talked about the CIF sales, which was merely chartering revenues. Thabazimbi Mine's revenues have increased from R211 million to R232 million to R250 million in the six month period till 30 June 2007 on the back of increased volumes and higher per-tonne cost. Domestic sales ex Sishen Mine have increased from 2,7Mt in the first half of 2006 to remain at 3,2Mt in the second half of 2006 and the first half of 2007. Over this period, the rand per tonne has increased from R87 in the six months to December 2006 to R120 per tonne in the subsequent six months. The main reasons for this increase are the costs associated with mineral rights conversions.

Turning to export revenues. Volumes in the six months ended December 2006 were adversely affected by the ship-loader breakdown which I have described, and 900 000 tonnes of finished goods built up at the port. This product was released in the first half of 2007. Our average basket prices for Kumba's product mix increased 11% from $47,87 to $53,15 – above the industry benchmark price of 9,5% – principally as a result of the premium which Kumba receives on certain niche products to take account of specific qualities inherent in the ore and product mix changes.

Turning to where we sell our product. We've put up a chart here indicating where our export tonnages are distributed currently and where we think they will be going. 37% of our tonnages currently go to China. We estimate that by 2011/2012, this figure will increase to around 50% after SEP production and possibly some of Sishen South comes online.

Looking at aggregate operating expenditure, our total operating expenditure has increased 18% year on year from R2,1 billion to R2,48 billion, but has reduced 5% from R2,6 billion since December 2006. A breakdown of these costs is shown in slide 12. Again, starting from the bottom of the slide. Selling rail and port costs increased 5% year on year but remained roughly stable over the last two periods. Stock movements include a R148 million charge for the Saldanha stock sold in the first quarter of 2007 and a R227 million recovery for the work-in-progress B-grade material – key drivers of unit cost in the first half of 2007. Other costs have reduced 55% since December 2006, principally as a result of lower project costs of Sishen South (R19 million), lower head-office costs (R69 million) and a difference in exchange profits and losses of R55 million. The year-on-year costs have reduced due to lower project costs for Sishen South (R7 million), and difference in exchange losses and profits (R65 million). This gain was offset by increased head-office costs of R15 million, increased business development costs of R8 million and increased costs for the Falémé project in West Africa of R10 million.

Then I look at the Sishen Mine unit cost slide. We have previously advised that

	the pit is getting deeper and bigger because of the geology, on top of this fact we are handling more material. The travelling distances to move the material are increasing and the stripping ratio is increasing. In anticipation of this, we implemented SEP to bring down our average stripping ratio over the life of the mine. It is now nearing commercial production. And, as we now have the technology to process this material, we have commenced stockpiling B-grade material to process to the beneficiating facility. This action has had a material effect on our unit costs in the first half of 2007. The slide highlights the effects of inventory movements on unit costs. Our cost of goods produced has gone up 14% year on year or 12% down since December 2006. The unit cost has reduced. On average, Sishen Mine's unit cost of R78,22 per tonne was achieved during the 2006 financial year. Sishen Mine achieved a similar R78,39 per tonne during the first half of 2007. In fact a 10% reduction in nominal returns in the past six months. Looking at the Sishen Mine unit cost variance, in the first half of 2006 till the second half of 2006, the cost per tonne increased from R69,01 to R87,21. And just breaking these down to constituent parts, inflationary pressure on the back of a rising South African PPI had a R3,56 per tonne unfavourable impact on costs. The wage bill for the second half of 2006 increased by R3,18 per tonne compared with the first half of 2006 due to the annual salary and wage increases for non-package category employees. The payment of a first-half 2006 line-of-sight bonus in August 2006 amounted to R24 million and further increased labour costs in the review period. Operating expenses increased by R3,65 per tonne in the second half of 2006, caused by increased outsourcing mine activities. This activity was necessary to achieve pre-stripping waste targets of 18,5Mt in the second half of 2006, some 9Mt higher than the first half of 2006 due to the late start-up of contractors in May 2006. In addition, in the second half of 2006 we had changed mining conditions and compliance-related activities as highlighted in our annual report. On-mine activities – that's all mine and plant activities – increased compared to the previous period. Total tonnes mined increased by 7,5Mt, and production of final product increased by 0,3Mt. This led to a R7,88 per tonne increase period on period. Comparing the second half of 2006 to the first half of 2007, the unit costs reduced from R87,21 per tonne down to R78,39 per tonne. Inflationary pressures on the back of a rising SA PPI had a R3,53 per tonne unfavourable impact on cost. The wage bill for the first half of 2007 increased compared to the first half of 2006 due to annual salary and wage increases, share-based payment provisions of R49 million in June 2007, as well as increased equivalent full-time employees by 319. This led to a R1,10 per tonne increase. Operating expenses were lower over the previous period due to lower drilling and blasting, caused by a shortage of drilling machines and lower maintenance-related activities. The effect was a R1,80 per tonne positive. The head office and project costs which were not allocated to business units pre the unbundling of Kumba Resources increased unit costs by R2,74 per tonne. These costs include information management, supply chain, human resources and corporate costs. The capitalisation of the mining costs associated with the stockpiling of the 4,9Mt of B-grade material to be used as feedstock to the SEP plant reduced unit costs by R15 per tonne. On-mine activities increased compared with the previous period. Total tonnes mined increased 2,3Mt. Production of final product decreased 0,2Mt. This had the effect of increasing unit costs by 60 cents per tonne, and this left us with a unit cost per tonne of R78,39 for the first half of 2007. Turning to cash flow. In the first half of 2007, the operations generated R3 billion in cash, and we used roughly R1,2 billion for capital expenditure on SEP to leave

R1,8 billion cash available after capital expenditure. Going forward, we see capital expenditure of around R1,2 billion to R1,4 billion in the second half of 2007, of which stay-in-business capital expenditure is between R200 million and R300 million, and SEP costs will be between R900 million and R1,1 billion before any expenditure on Sishen South. In 2008, we see stay-in-business capital expenditure of between R400 million and R500 million. We also anticipate SEP costs of around R1 billion to R1,1 billion in 2008. There will be additional capital expenditure for Sishen South if approved and a fleet replacement strategy. We do not currently have precise details on this, but our stated aim is to replace the contracted fleet with our own. Further details can only be provided when we have finalised our studies in the fourth quarter of 2007.

Turning to cash flow variance. Our cash on hand has increased from R1 094 million to R1,36 billion. The main reason for the increase is the cash generated from operations of R3 billion. We paid interest of R147 million and tax of R666 million, consisting of R45 million for STC on the 2006 final dividend and R621 million for corporate tax. We paid a dividend of 80 cents per share, equal to R251 million in total. I've described our capital expenditure in our last slide. The minority net dividend paid from the 2006 Sishen Iron Ore Company dividend totalled R77 million and comprised R71 million to Exxaro and R3 million to the community trust and R2 million to Envision. Finally we settled overnight banking facilities totalling R477 million. That left us with cash of R1,364 billion, of which R600 million is onshore and the balance is offshore.

Looking at the dividends, I thought I should take you through the dividend cash flows. In 2006, and on two months earnings of approximately R400 million, Sishen Iron Ore Company declared a full dividend of R356 million, on which STC of R45 million arose. Of the R356 million, Kumba received R263 million, Exxaro R71 million and the two trusts each R11 million. Sishen Iron Ore Company's obligation is to pay to shareholders all surplus cash after taking into account future commitments. For the first half of 2007, Sishen Iron Ore Company has profits of approximately R2 billion and the board has approved a payout of R1,7 billion of which Kumba will receive R1,119 billion, with Exxaro receiving approximately R300 million. The tax man will receive R189 million for STC. Given the cash flow just described, Kumba Iron Ore is able to declare a cash dividend totalling R1,10 billion, equal to R3,50 per share on earnings of just over R5 per share. Our board has recently reaffirmed its policy set out in the pre-listing document which is that interim and final dividends will be paid; policy will be reviewed from time to time in the light of prevailing business circumstances, investment decisions to be taken, working capital requirements and available cash. Our target is to pay out all profits earned, i.e. to pay a full dividend.

Regards to gearing, we have retained our revolving facilities of R4,25 billion, consisting of a three-year facility of R2,48 billion, and a one-year facility of R660 million which matures in November 2007. We also have a facility of R750 million from Anglo American. This gives us total banking facilities of R4,25 billion. Our intention is to roll over the one-year facility maturing in November 2007, but we will re-assess this in light of our requirements for capital projects going forward. We have used R3,52 billion of our facilities and have cash and cash equivalents of some R1,36 billion, which gives us a net debt of R2,1 billion. Based on our historical forecasts, we anticipate a net debt position of some R3 billion at the end of December 2007. Our interest cover remains strong at 20 times. I hand you back to Ras.

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Chairperson	Narrative

Ras Myburgh	Thank you Vincent. Being a new company, we thought we'd give you a bit more detail than usual to make sure that everybody understands the company and structure properly. I hope that will be helpful. Turning to the operational review, we start again by looking at Sishen Mine. Vincent has mentioned the required increasing activities because of the ever-increasing pit size and depth. And that is very evident now in the total tonnes mined during this half year of 51,2Mt. Quite higher than it was in the past. For the first time, we also now report in the run-of-mine production the B-grade material to be used as feed into the jigging plant and the effect of all of this is definitely seen in the decrease in the stripping ratio. During this half, a stripping ratio of 1,64 was achieved at Sishen Mine. If we didn't do SEP, this would have translated in a stripping ratio of 2,61, so the benefit of SEP in terms of the total economics of the mine is clearly seen. Final production during this time through the DMS plant was stable at 14,2Mt. At Thabazimbi Mine there was stable production and sales. The mine produced in terms of its requirements to Mittal Steel SA. Their uptake requirements and planning determines exactly how much is produced and sold from this mine. The stripping ratio is in line with the life-of-mine plan. Currently, the life of mine after some optimisation is till the end of 2011. The Phoenix project option study that we are undertaking at the moment will determine the actual final life of mine and the time when we have to finally close this mine. Turning to logistics and sales, I'm pleased to report to you also that the rail and port system during this half-year operated satisfactorily. In fact for the first half of this year, the rail capacity that was made available by Transnet was a bit more than what was required by Kumba. We believe the system will again be in balance during the latter half of the year. Very stable, consistent and reliable loading rates at the port were very important to us during this year and we were very fortunate that, during this half year, because of that we could sell additional stock that was built up because of the ship-loader failure at the end of last year. And that boosted sales during this period. The second ship-loader, particularly the tipper car of the ship-loader, was redesigned and remanufactured and that is expected to be back in operation by August. Likewise, a similar tipper car for the current ship-loader will be installed during a 10-day shutdown in October of this year. None of these activities, we believe, will have an impact on the shipping schedule for this year. Looking at future expansions and starting with current expansions, ramping up to 41 million tonnes per annum (Mtpa) capacity on rail for the export channel and later to 47Mtpa for some of the other users. This expansion is going according to plan and we're satisfied that Transnet will deliver on the 41Mtpa and also the 47Mtpa. However, expansions beyond the 47Mtpa rail capacity are running behind the planned schedule. The industry is now pursuing with Transnet an option of expanding the system to 60Mtpa capacity. That will not require any major activities or equipment to be added to the port, and we believe more affordable and deliverable in the short term. Looking at our project pipeline, Kumba is still pursing a production capacity of 70Mtpa by 2015, and we believe this can be achieved through the Northern Cape assets that we have. We have added now, for the first time, a project to the pipeline called the C-grade fines project, which is a project that seeks to use jigging technology to beneficiate ores with an iron ore content down to 40%. We have updated the timelines and cost estimates of our project pipelines and you will find a table of that in our handouts. We must stress, however, that the full utilisation of the Northern Cape potential is very much dependent on a reliable and cost-effective and competitive rail system or export system for these assets.

	Hence our urgent and hard negotiations with Transnet in getting this achieved. Turning to the individual projects and starting with SEP. In considering the constraints and delays experienced elsewhere in the world with big expansion projects, SEP is progressing satisfactorily. After some major delays in the delivery of the primary and secondary crushers, the project is now expected to be commissioned and start producing only one month late, in August of this year. Mitigating actions that were taken are, first of all, the production of feed material for the jigging plant using mobile crushers; and the installation of a bypass system so that the jigging plant can be commissioned while the rest of the crusher system is being put in place. We expect that we will produce about 1,5Mt through SEP in this year, and 9Mt next year and then ramp up to full capacity early in 2009. Despite these delays, we still expect to bring this project on line within its budget of R5,1 billion. The Sishen South project which seeks to develop a new greenfields mine near Postmasburg, for this project the feasibility study has been completed. The implementation however is now being delayed because of negotiations with Transnet for a cost-effective rail rate, and the expansions of the system. We expect that our mining rights for this project will be granted when Kumba converts its old-order mining rights. A meeting with the DME has been scheduled for September of this year. The updated capital estimate to R4,5 billion reflects the high inflationary pressures in this industry at the moment. This project is also being fully scaled to a 9Mtpa mine and includes capital for housing and associated infrastructure that was not previously part of the project scope. As far as Falémé is concerned, arbitration proceedings against the government of Senegal are currently being initiated. The arbitration will be governed by the rules of arbitration of the International Chamber of Commerce, and since this is confidential, no further disclosures will be made. Turning our attention to the short-term future, the audience is reminded that the company remains sensitive to the rand/US dollar exchange rate. A sensitivity analysis of company earnings is included in your handout. We however remain positive about the industry and its prospects. This is because of the growing demand for iron ore from China and the associated upward pressures that are clear from CIF spot sales delivered to China. The successful implementation of SEP will add a lot of value to the company and also bring down our unit cost. Thank you very much ladies and gentlemen.
Anne Dunn	Good afternoon. We will now take questions. First from the audience in Johannesburg and then we'll move to the telephone lines. Will you just wait for the microphones please so that the people on the phone lines can hear? Thank you.
Louis Venter	Louis Venter from T-sec. If you take into consideration a future expansion as we saw here now, how do you think we compare in terms of cost escalations when we compare Kumba to the Australian operations? Will we keep up with them or are we going to gain on them?
Ras Myburgh	Louis, thank you very much. A very important question. If we look at the last couple of years and you investigate cost curves, you will see that the cost curves for the whole industry have moved more or less similarly. And we maintained our

	position vis-à-vis the others during this inflationary time, and in some areas we have improved on that. If we look into the future and you look at the US dollar costs per installed capacity of our operations, they are higher than some of our competitors. They were historically higher and they're also now higher, mainly because of our stripping ratio requirements and because we have to beneficiate all our ores on site. And that puts us in a different position to them. The cost of our expansions however for same capacity on a like-for-like basis is reasonably competitive. If we compare ourselves as far as the rail system is concerned, we would have some concerns, and benchmark indications show that we in South Africa are disadvantaged as far as the rand per tonne/kilometre is concerned. But these types of benchmarks are subject of course to comparative interpretation, and one has to do that with circumspection.
Anne Dunn	Tim.
Tim Clarke	Thanks, just a couple of questions. Just on the stripping ratio, we have seen it come down to 1,6 from the high 2 levels. Can you give us an indication of the forecast for the next 18 months or so and what the long-term stripping ratio is? Is it the same as we saw in the circular? And tied into that, the B-grade material that you have stockpiled, how much more stock do you intend to build up before SEP is complete? And then lastly, just if you could give us an update please on your wage negotiations and where we are with wages.
Ras Myburgh	Thank you Tim. Quite a few important questions for us. As far as the stripping is concerned, taking SEP into consideration, the average long-term stripping ratio for the current life-of-mine plan is now at 1,9:1, down from the levels that you've seen in the pre-listing statement. However, I must just caution that we are currently busy with a study to look at the optimal final pit shell as well as the optimisation of the pit, given the fact that we have changed the configuration of the mine with SEP. And that might change that slightly. If we look at the immediate future, for the next 18 months or so, we expect on the current mine plan that the stripping ratio will be in the order of 1,6:1. Dealing with the B-grade stock material, maybe Vincent can help me. We have figures for the immediate build-up for the short term, but obviously we do not plan in fact to build up any further stock. Hopefully, now as the project comes into operation, we will do more run-of-mine onto stockpiles that will directly feed into the plant and not necessarily increase the total stock holdings. So my expectation is that the total stock holdings will more or less be on this level. You will see on your handout, we have given you a schematic diagram of the situation. Because of the different qualities in the pit itself, the varying geology, we currently require quite a substantial amount of stockpiling and double-handling to blend the material to give us the right chemical qualities that the market demands and gives us the premium that we require. That is also part of an optimisation study. And therefore stockpiling for the run-of-mine material and B-grade material and also A-grade material will be a practice for the future. Talking about wage negotiations, the company has been in very difficult wage negotiations for this period. We are fortunate to have settled with two of our three trade unions on wages. We have settled at 8% on the basic wages and also the associated benefits for BAMCWU and Solidarity, which we have implemented to those members from the first of this month. We are currently in a CCMA process with NUM on this and we haven't finalised that yet.
Vincent Uren	Just the second part of the question, with respect to the B-grade materials for the

	second half of 2006, we anticipate another 3,4 million tonnes of this material to be built up to stockpile. The rough value is about R160 million or R170 million. Then I think we'll be stabilised.
David Pleming	In terms of the unit cost at Sishen, it has been very varied over the last three reporting periods, from 69 to 87 and back to 78. Can you give us some guidance in terms of where the costs are likely to go in the next 18 months and also the second half of this year? Because I imagine that's one of the more difficult variables to try and suss out. And then just in terms of clarity, you showed a slide where you showed SEP production to be 9 million tonnes for 2008. Is that the average for the year or is that going to be your peak in that year?
Ras Myburgh	On the second question first, that is total tonnes through the jigging plant, or the product that we will produce for the whole of the year. So it's not an average rate. It will still ramp up, but we believe that total tonnes for the year will come at 9Mt saleable production. As far as the unit costs are concerned, I think you've said an important thing there. It is very difficult to predict some of your unit cost changes. We are working very hard to get our unit costs down because of our comparative position. It's not the area where we are most sensitive, if you look at our earnings numbers. But it is definitely part of our earnings focus for the future. It is our intention that we want to keep our unit costs in real terms to this level, if not improve on those. But obviously that is dependent on what will happen to the uncontrollables.
Vincent Uren	Maybe I can add to that, David. On page 59 in the annexures we tried to break down unit costs into the constituent parts. And, as a percentage, each of the costs is fairly similar on the different periods, other than the outsourced mining activities in the second half of 2006. Pressure will be on in respect to the wage costs, on fuel and energy. And I've mentioned that in the second half we'll also be stockpiling about 3,4Mt which will give us a credit of R160 million. But pressure will be on those costs going forward. We've got to balance that too. It depends where we end up on the wages, I suppose. Wages make up 26% of our unit cost. I think you can figure out where the pressure is for those costs.
David Pleming	One other question in terms of your spat with Mittal on the expansion at Sishen. Can you bring us up to date on that?
Vincent Uren	There has been no further update. We are in an arbitration process. We have indicated that we can't talk about it, so no, we cannot give you an update.
Anne Dunn	OK, we're going to take a question from Johan. Thank you.
Johan Pretorius	Could you please elaborate a little bit on the iron ore premium that was slightly higher during this last half year, and maybe tell us what sort of iron ore premium we can expect in the future? I don't know if it is probably the product mix that affects it.
Ras Myburgh	Thanks Johan. Yes, a lot of what you've seen in the results here between the

	two half years has been affected by product mix as well. But unfortunately if you just compare half to half you don't see the full picture of how much of a specific product has been moved. It depends on the shipping schedule itself. So it's a bit difficult and we understand that. But in terms of the product premiums concerned, you'll remember that we said we're following a niche market approach because of some products that can attract a premium. That was always the strategy. We were successful in this year's negotiation for some of our tonnes of those types of products, in the order of about 3Mt of our total production for this year attracted on top of the normal 9,5% increase, another 7,5% increase on average. Which is quite substantial? And obviously we'll have to see how the market positions itself. We don't necessarily think it's sustainable over the full cycle. We know that there are good opportunities now and we'll definitely focus on those. We have no clear view yet about the market appetite in this area, but it is something we are driving hard. It is also part of a study for us to determine in the long term if this type of strategy works for us. And so far we have demonstrated that it can.
Johan Pretorius	If I can just ask a follow-on question. How would the beneficiated material from SEP affect your iron ore realisation?
Ras Myburgh	If you talk about iron ore realisation, you're talking about total product release.
Johan Pretorius	If you take your realisation as a percentage of the benchmark?
Ras Myburgh	Oh yes. We were successful in negotiations for 64% of the product, placing them on the market on a per iron ore equivalent unit basis, very similar to the current Sishen Mine premium product which was also in a very good position. Going forward, one has to see if the market maintains that kind of position, because there are always quality adjustments over time. I think the marketing team did a great job this year of gaining some of the premiums and implementing some of the tactics that were developed over the last half year or so.
Anne Dunn	Any more questions? Martin's got one.
Martin Creamer	Martin Creamer, Mining Weekly. When we spoke last, you were going into discussion with the government on royalties, whether you could halve these from 4% to 2%. Could you give us an update on that and what the indication is with regard to the royalty outlook? Secondly on the next round of prices, is there any indication of the way these will go? And could you give us a guidance on whether there will be a double-digit expectation going forward against the background of what we had? And then you had Snowdon doing some work for you, presenting alternatives which would reduce production costs. Could you give us an update on what sort of alternatives they presented? And then the last question: could you motivate the blanket of secrecy on the Falémé and the Mittal situation. Is there not a simple answer that you can give us whether an arbitrator has been appointed for the Falémé situation and where this arbitration will be held?
Ras Myburgh	Thanks Martin. Like always, I think quite probing questions, but we welcome

	that. As far as royalties are concerned, we have no new news other than what is accepted in the market. We know and we have been involved in discussions with both the treasury and the DME about their plans. And all I can say is that I think the negotiation discussions are ongoing and there have been some positive developments as far as we can see. Where it will come out is still a matter to be determined, and we have no clear view. I have a strong expectation, however, that it will be less than the 4% we originally talked about. But I think that's life. As far as prices are concerned, like always, this is a difficult thing to do. I think it's a bit early to predict the prices for next year given what has happened. If you look at the consensus at the moment in the market, everybody talks about double digits. And although our official forecast hasn't been double digit so far, I think we start to tend to believe it is necessary. Particularly if you look at what the current spot price compared to the delivered prices into China are. Those premiums just clearly suggest the double digit is there for the taking. Talking about Snowdon's…the Snowdon report, for those of you who are not familiar with the matter, it is an investigation we launched some time at the end of 2005, early 2006. Particularly to determine, given the fact that we are required to move so much material at Sishen Mine, whether the current truck-and-shovel type of operation is the correct way to go. And if so, what specific configuration to make? The first part of this study interrogates the technology. Some technology options that are under consideration, for instance, are in pit crushing with moveable conveyor systems to do the majority of our waste removals of one area of the pit that would be required. We don't have a conclusive outcome yet. That is scheduled for September of this year. But it is clear that we will never get away from the truck-and-shovel operations. And we will start early into next year finalising our plans for replacement of the current fleet and also some of the contractor's fleet. So the fourth question…maybe you want to take that.
Vincent Uren	The blanket of secrecy. In terms of the rules of arbitration, we are precluded from discussing this in public and therefore we cannot do that. It will be to our prejudice. We have told you that we have launched the arbitration process with Mittal in South Africa. We are going through the process to try and resolve that as speedily as possible. We haven't yet appointed arbitrators. On the point of Falémé, there Ras has told you that we're using the rules of arbitration of the International Chamber of Commerce which requires arbitration in Brussels. We have appointed our own arbitrator but the process still needs to evolve there. Again in terms of the rules, we're not allowed to speak about this. It may be disadvantageous to us.
Anne Dunn	Right I think we're going to move to the telephone lines to see if we have any calls and any questions there.
Operator	There are no questions from the conference call at this time.
Anne Dunn	Right, well do we have any final questions in Johannesburg? Yes, Dave's got another one.
David Pleming	Just on that arbitration issue with Mittal. If that continues to remain outstanding will that affect your Sishen South expansion in any way?

Chairperson	Narrative
Ras Myburgh	Dave the view that we have at the moment is that at the time when we are ready for the investment decision, the board has to apply its mind to what the prevailing conditions are. We don't necessarily want this to be held up. On the other hand, I think one must take a view at that time.
David Pleming	Can Mittal hold it up for example? If they believe that they have rights. Or am I treading on dangerous ground here? Uncomfortable ground, should I say.
Ras Myburgh	We don't know which way it will go and obviously can't say anything about it. But remember that we have implemented the current SEP without Mittal participation. So I think the jury is out.
Anne Dunn	Well ladies and gentlemen, thank you very much for coming today. We will be serving some refreshments outside, and if you'll remember to collect your parking tickets as well. Thank you.
Ras Myburgh	Thank you.

END OF TRANSCRIPT