Khumani Iron Ore Mine
(San - People of the South)
Facility visit – 23 May 2007
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Agenda

• Welcome and introductions
• André Wilkens, CEO African Rainbow Minerals
  • The ARM growth strategy
• Jan Steenkamp, CE ARM Ferrous
  • Background and introduction to Khumani
• Freddie Human, Project Manager
  • Technical presentation on Khumani
• Willem Grobbelaar, Iron Ore Business Leader – Assmang
  • Khumani HR and relocation issues
• Jan Steenkamp, CE ARM Ferrous
  • Closing and summary
André Wilkens - CEO, African Rainbow Minerals

The ARM growth strategy
The ARM growth strategy - We do it better

- Nchwaning III
- Two Rivers
- Khumani Mine
- Nkomati Chrome Mine
- Upgrading and modernisation of smelters
- Continuous cost reduction strategies at all operations

Increasing operational efficiency to maintain and improve competitiveness

Creating organic growth in key commodities and core assets – 2 x 2010 strategy

Unlocking value in the exploration portfolio

Growing the company through value adding acquisitions

Listing and capitalisation of exploration assets through TEAL

Formation of ARM Coal with Xstrata

Two Rivers • Nkomati expansion • Modikwa • Dwarsrivier • Khumani • Nchwaning III • GGV coal •
The ARM growth strategy – We do it better

- Building of large export Khumani Iron Ore Mine fits clearly with the ARM growth strategy:
  - long life, quality resource which doubles iron ore production
  - key commodity in a diversified portfolio
  - Khumani will be more efficient than existing iron ore operations
- Other projects and transactions completed are all in line with our stated strategy, for example:
  - Nchwaning 3 has increased production and reduced unit cost
  - Two Rivers on target to achieve full production at the mine later this year (plant already at capacity)
  - Xstrata Coal transaction fully implemented and re-balancing of portfolio commenced with the ATC / Atcom transaction
The ARM growth strategy – We do it better

- Goedgevonden Coal secured full allocation of export capacity at RBCT and release of project is imminent
- Nkomati Nickel large scale expansion feasibility on track for completion by end of June
- TEAL has commenced copper production in the DRC and Konkola North feasibility study is near completion
Jan Steenkamp, CE ARM Ferrous

Background and introduction to Khumani
The history of Khumani

- Listed in 1935: Producer of manganese from the Northern Cape
- 1964: Start of iron ore production at Beeshoek
- 1991 to date: Exploration on the Bruce, King and Mokaning farms (1 072 holes drilled and 35 000 samples analysed to date)
- 1999: BKM Project pre-feasibility study for a 10 mtpa mine
- 2005: Feasibility completed (R38 million)
- 17 November 2005: Mining Right application submitted
- 6 December 2005: Board approval for project
- 3 February 2006: Final prospecting right granted
- June 2006: Commenced construction of 8.4 mtpa export mine
- 25 January 2007: Mining Right issued – EMP approved
- 17 May 2007: Announce increased export capacity of 10 mtpa
Geographic position
Regional geology map of the iron ore and manganese fields
Composite profile of the Manganore – iron formation and the Gamagara formation at Beeshoek

<table>
<thead>
<tr>
<th>LEGEND</th>
<th>TRANSAAL SUPER GROUP</th>
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<tbody>
<tr>
<td><img src="image" alt="Clay, Calcrete and Sand" /></td>
<td>CLAY, CALCRETE AND SAND</td>
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<tr>
<td><img src="image" alt="Red and Cream Coloured Shale" /></td>
<td>RED AND CREAM COLOURED SHALE</td>
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<td><img src="image" alt="Quartz Arenite" /></td>
<td>QUARTZ ARENITE</td>
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<tr>
<td><img src="image" alt="Ferruginous Quartzite" /></td>
<td>FERRUGINOUS QUARTZITE</td>
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<tr>
<td><img src="image" alt="White Aluminous Shale" /></td>
<td>WHITE ALUMINOUS SHALE</td>
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<tr>
<td><img src="image" alt="Carbonaceous Shale" /></td>
<td>CARBONACEOUS SHALE</td>
</tr>
<tr>
<td><img src="image" alt="Reddish Brown and White Spotted Shale" /></td>
<td>REDDISH BROWN AND WHITE SPOTTED SHALE</td>
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<td><img src="image" alt="Conglomerate" /></td>
<td>CONGLOMERATE</td>
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<tr>
<td><img src="image" alt="Hematite Lutite with Mesobands of Peloidlutite" /></td>
<td>HEMATITE LUTITE WITH MESOBANDS OF PELOIDLUTITE</td>
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<td><img src="image" alt="Hematite Disclutite" /></td>
<td>HEMATITE DISCLUTITE</td>
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<td><img src="image" alt="Hematite - Greenalite Bandlutite" /></td>
<td>HEMATITE - GREENALITE BANDLUTITE</td>
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<td><img src="image" alt="Hematite Rhythmite" /></td>
<td>HEMATITE RHYTHMITE</td>
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<td><img src="image" alt="Banded Hematite Rhythmite" /></td>
<td>BANDED HEMATITE RHYTHMITE</td>
</tr>
<tr>
<td><img src="image" alt="Interbedded Hematite Microbanded Chert and Shale" /></td>
<td>INTERBEDDED HEMATITE MICROBANDED CHERT AND SHALE</td>
</tr>
<tr>
<td><img src="image" alt="Carbonaceous Shale with Chert Pillows and Hematite" /></td>
<td>CARBONACEOUS SHALE WITH CHERT PILLOWS AND HEMATITE</td>
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<tr>
<td><img src="image" alt="Chert Breccia" /></td>
<td>CHERT BRECCIA</td>
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<td><img src="image" alt="Doimite" /></td>
<td>DOLOMITE</td>
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*NOTE: THE UNCONFORMITY CAN CUT ANY OF THE SUBUNITS OF THE MANGANORE IRON FORMATION.*
Stratigraphical comparison between Beeshoek and Khumani/Kumba
Iron ore production profile

Iron ore build-up – Beeshoek and Khumani (tonnes sold)

<table>
<thead>
<tr>
<th>Year</th>
<th>Beeshoek</th>
<th>Khumani</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>export</td>
<td>local</td>
</tr>
<tr>
<td>2008</td>
<td>5,000</td>
<td>665</td>
</tr>
<tr>
<td>2009</td>
<td>1,200</td>
<td>665</td>
</tr>
<tr>
<td>2010</td>
<td>-</td>
<td>1,265</td>
</tr>
<tr>
<td>2011</td>
<td>-</td>
<td>1,265</td>
</tr>
<tr>
<td>2012</td>
<td>-</td>
<td>700</td>
</tr>
</tbody>
</table>

Future capacity allocation
<table>
<thead>
<tr>
<th>Description</th>
<th>R 000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2005 approval (8.4 mtpa export)</td>
<td>3 176</td>
</tr>
<tr>
<td>Additional costs</td>
<td></td>
</tr>
<tr>
<td>Scope changes and escalation</td>
<td>561</td>
</tr>
<tr>
<td>Expansion to 10 mtpa (May 2007)</td>
<td>269</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4 006</strong></td>
</tr>
</tbody>
</table>
## Project cost increases recently announced

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local iron ore producer</td>
<td>+ 20%</td>
</tr>
<tr>
<td>Ravensthorpe</td>
<td>+ 60%</td>
</tr>
<tr>
<td>Australian Iron Ore</td>
<td>+ 30%</td>
</tr>
<tr>
<td>Gove Aluminium</td>
<td>+ 20 to 25%</td>
</tr>
<tr>
<td>Khumani</td>
<td>17.7%</td>
</tr>
</tbody>
</table>
Freddie Human, Project Manager

*Technical presentation on Khumani*
Surface layout
Primary crusher - Bruce
Overland conveyor
Paste product ex plant
Paste product flow pattern
Paste deposition site
Contractors Camp 
(Sesheng Ext. 5 – Kathu)
Scheduled project dates

- Earthworks commenced 13 June 2006
- Civil construction commenced end August 2006
- Cold commissioning starts August / September 2007
- Hot commissioning starts November / December 2007
- Hot commissioning complete end February 2008
- By 28 June 2008 1.4Mt produced
- By 28 June 2008 1.2Mt on rail
Tonnage build-up

• 1.2Mt on rail by 28 June 2008

• 7.2Mt on rail for financial year July 2008 to June 2009

• 10Mt on rail for financial year July 2009 to June 2010 (includes expansion phase to increase current design from 8.4Mt to 10Mt pa)
Staff and contractors

- Assmang project staff (permanent & part time)
  - 32

- Managing & EPCM contractors (design/engineering/supv/management)
  - 223

- Contractors on site
  - 2,400 (1,800 accommodated in contractors camp)
Safety

- LTIFR 0.09
- Fatality free hours 1 million
- 1 x fatality
- 1 x reportable
Khumani Iron Ore Mine
Cash Flow and Commitment
Cash Flow and Commitment Forecasts

Date: 30 April 2007
Baselines are preliminary
Cash flow and committed costs

• Committed cost (end April 2007)
  • R2.5 billion
  • 64% of project cost

• Cash Flow (end April 2007)
  • R917 million
  • 23% of project cost
Khumani Iron Ore Mine (BKM Project)
BEE Statistics - Project To Date

- Black Empowered: 25.8%
- Black Owned: 0.3%
- Black Influenced: 18.7%
- Empowered Supplier: 7.4%
- Not Yet Accredited: 17.8%
- Non-Discretionary: 2.4%
- Non-BEE: 27.4%
- White Female Owned: 0.0%

Overall BEE Score: 46.1%
Date: 30/04/2007
Rapid loadout statistics

- 342 wagons per train
- 100 tonnes per wagon
- Total train length is 3.8 km
- Loading rate is 5,400 tonnes per hour
- Train loaded in 8 hours
Project statistics

- Design passed 90% mark
- Overall project passed 50% mark
- Manufacturing passed 60% mark

- + 50,000m$^3$ concrete
- + 8,600 tons steel
- 23 km conveyor belting
- + 4,700 drawings
Mining equipment

- Purchased ex Barloworld:
  - 7 x CAT 789C haul trucks (3 at Beeshoek and 3 still to be purchased)
  - 2 x CAT 994 loaders (1 at Beeshoek)
  - 3 x PitViper 271 drilling rigs

- Transfer ex Beeshoek:
  - 4 x CAT 777 haul trucks
  - 1 x CAT 992 loader
  - 1 x CAT 777 water truck
## Resource sign-off: Khumani Iron Ore Mine

### Resources

<table>
<thead>
<tr>
<th>Resources</th>
<th>Measured</th>
<th>Indicated</th>
<th>Inferred</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce (Mt)</td>
<td>82.4</td>
<td>179.2</td>
<td>10.9</td>
<td>272.5</td>
</tr>
<tr>
<td>King (Mt)</td>
<td>270.2</td>
<td>131.1</td>
<td>18.8</td>
<td>420.1</td>
</tr>
<tr>
<td>Total (Mt)</td>
<td>352.6</td>
<td>310.3</td>
<td>29.7</td>
<td>692.6</td>
</tr>
</tbody>
</table>

### % Fe, K₂O, Al₂O₃, P, SiO₂

<table>
<thead>
<tr>
<th></th>
<th>% Fe</th>
<th>K₂O</th>
<th>Al₂O₃</th>
<th>P</th>
<th>SiO₂</th>
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</thead>
<tbody>
<tr>
<td>Bruce</td>
<td>64.57</td>
<td>0.15</td>
<td>1.60</td>
<td>0.02</td>
<td>4.21</td>
</tr>
<tr>
<td>King</td>
<td>63.98</td>
<td>0.37</td>
<td>2.10</td>
<td>0.05</td>
<td>3.46</td>
</tr>
<tr>
<td>Total</td>
<td>64.20</td>
<td>0.29</td>
<td>1.91</td>
<td>0.04</td>
<td>3.74</td>
</tr>
</tbody>
</table>
Conglomeratic Ore In Situ

Laminated Ore In Situ

Polished Conglomeratic Ore

Polished Laminated Ore
TYPICAL ANALYSES
AT 60% CUT OFF GRADE

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>LUMPY</th>
<th>SCAW</th>
<th>FINES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fe%</td>
<td>65.25</td>
<td>64.41</td>
<td>64.25</td>
</tr>
<tr>
<td>SiO₂%</td>
<td>3.60</td>
<td>4.21</td>
<td>4.82</td>
</tr>
<tr>
<td>Al₂O₃%</td>
<td>1.64</td>
<td>1.77</td>
<td>1.84</td>
</tr>
<tr>
<td>P%</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>S%</td>
<td>0.014</td>
<td>0.013</td>
<td>0.012</td>
</tr>
<tr>
<td>CaO%</td>
<td>0.08</td>
<td>0.09</td>
<td>0.10</td>
</tr>
<tr>
<td>MgO%</td>
<td>0.04</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>K₂O%</td>
<td>0.23</td>
<td>0.27</td>
<td>0.33</td>
</tr>
<tr>
<td>Na₂O%</td>
<td>0.03</td>
<td>0.03</td>
<td>0.04</td>
</tr>
</tbody>
</table>

PHYSICAL ANALYSES

<table>
<thead>
<tr>
<th>Port of Loading</th>
<th>LUMPY</th>
<th>FINES</th>
<th>SCAW</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUMPY</td>
<td>-32 +6.3mm</td>
<td>With 5% &gt;32mm, 7% &lt;6.3mm</td>
<td></td>
</tr>
<tr>
<td>FINES</td>
<td>-6.3 +0.212mm</td>
<td>With 2.9% &gt;8mm, 9.5% &gt;6.3mm, 5% &lt;0.212mm</td>
<td></td>
</tr>
<tr>
<td>SCAW</td>
<td>-18 +6.3mm</td>
<td>With 5% &gt;18mm, 10% &lt;6.3mm</td>
<td></td>
</tr>
</tbody>
</table>
Willem Grobbelaar, Iron Ore Business Leader

Khumani HR and relocation issues
Housing

- Kathu identified as preferred town of residence for employees
- Purchased land for development from local authority in Kathu
- 300 stands in Western part of Kathu (Extension 3)
- 101 stands in North-Eastern part of Kathu (Uitkoms)
- Installation of bulk services nearing completion
- Developing housing strategy in conjunction with RMB
- Creation of Khumani Housing Development Company as SPV
- Rental and tenure options to employees – Empowerment model
- R40 million provided for as housing subsidy to employees
- Comprehensive housing strategy and policy approved by Board

Employee ownership
Transport

• R7 million transport subsidy to all employees for 3 years
• Transport contractor appointed to transport employees to mine
• Selected optimum shift system for both Assmang and employees
• Transport services from all surrounding towns close to mine
• Employee support and assistance on ongoing basis
Training and development

- 401 Beeshoek employees to be transferred to Khumani
- Older employees close to retirement to remain at Beeshoek
- Beeshoek to maintain production at lower level – at least 5 years
- Job profiles and grading for new positions in progress
- Training and transfer schedules based on needs
- Recruitment of 120 new employees required – in progress
- Employee development plans integrated with training needs
- Development of training modules nearing completion
Change management

- Approaching major change in a structured manner
- Comprehensive communication plan involving all stakeholders
- Detailed change plan based on project schedule method
- All elements and issues to change taken into consideration
- Deloitte consultant used to assist and facilitate process
- All social and labour plan commitments as per mining right incorporated in change plan schedule
- All non-technical project risks identified and managed on ongoing basis
- Careful coordination and integration of all HR and change related issues with Khumani project roll-out
Jan Steenkamp, CEO ARM Ferrous

Closing and summary
## Orex Line capacity

### Tonnage allocation (million tonnes)

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>From July 2009</th>
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<tbody>
<tr>
<td>Assmang</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Kumba (export)</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Saldanha Steel</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Potential 3rd producer</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>47</strong></td>
</tr>
</tbody>
</table>
Logistics

- Principal Agreement on 20 year contract
- 10mtpa export from July 2009
- Saldanha line at 47 mtpa
- Work continuing on expansion beyond 47 mtpa
Future prospects

- **Khumani has a bright future**
  - low cost production
  - quality ore
  - long life (+35 years @ 16 mtpa)
  - strong demand for at least the next 4 years
  - major contributor to the economy of the Northern Cape
  - major contributor to the earnings growth of Assmang
Questions?