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Our strategy in action

Strategy and growth

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

The business is constantly developing and evaluating growth options from a combination of sources, including greenfield and brownfield projects, acquisitions, exploration and technology development.

In addition to the growth potential arising from approved expansions at Los Bronces, Collahuasi and Barro Alto, and studies into further growth potential in particular at Collahuasi and Quellaveco (these projects are discussed further in the projects section on page 42), Anglo American, through its Base Metals division, has invested in a number of major new copper projects.

In April 2007, Anglo American tendered \$403 million and won the Michiquillay privatisation auction in Peru. The consideration for this world class resource, with a production potential of up to 300,000 tpa, will be payable over five years. However, there is a right to exit the project, at any time after the first year, by paying 30% of the difference between monies expended and the \$403 million. During the first year there is a minimum work commitment of \$1 million with no exit payment. The Peru based team has been mobilised and the primary focus of efforts in the first 12 months will be the development of a productive relationship with the local communities.

In July 2007, Anglo American became a 50% partner with the Northern Dynasty Partnership (a wholly owned affiliate of



Above: Washing down copper cathodes in the solvent-extraction/electro-winning plant at Mantos Blancos in Chile

Northern Dynasty Minerals Limited) in the Pebble Limited Partnership for a staged cash investment of \$1.425 billion. The partnership owns the Pebble Project, the key assets of which are the open pit style Pebble West copper-gold-molybdenum deposit and the adjacent, deeper and higher grade Pebble East deposit. The objective is to complete a pre-feasibility study in 2008, a feasibility study around 2011 and to have a world class mine in operation by 2015. A key priority is to build supportive relationships with local communities, consistent with Anglo American's policy of developing and operating projects to the highest social and environmental standards and to promote development that is truly sustainable.

LEADING COPPER MINING COUNTRIES BY 2006 MINE PRODUCTION

Tonnes (thousand)



2006 world total: 15,191 kt

Source: World Bureau of Metal Statistics

LEADING NICKEL MINING COUNTRIES BY 2006 MINE PRODUCTION

Tonnes (thousand)

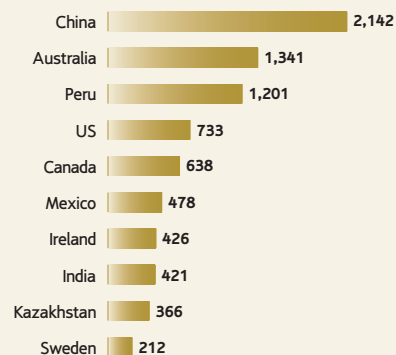


2006 world total: 1,408 kt

Source: World Bureau of Metal Statistics

LEADING ZINC MINING COUNTRIES BY 2006 MINE PRODUCTION

Tonnes (thousand)



2006 world total: 9,513 kt

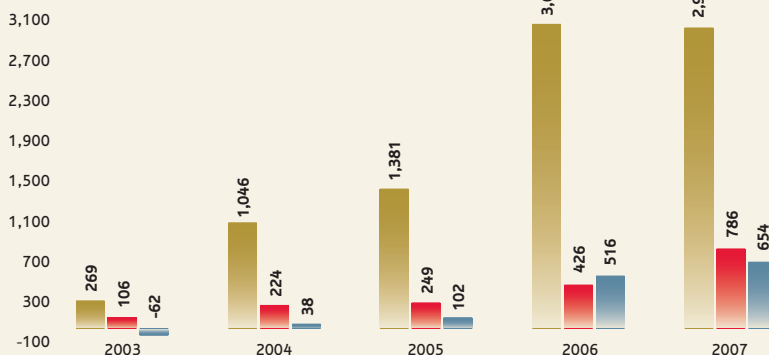
Source: World Bureau of Metal Statistics

Business unit overview continued

ANGLO BASE METALS OPERATING PROFIT BY COMMODITY

US\$ (million)

- Copper
- Nickel, niobium, mineral sands and phosphates
- Zinc



In 2007, Copebrás was reclassified from Industrial Minerals to Base Metals to align with internal management reporting. Only the 2006 comparative has been restated to reflect this.

In addition to reserve life extensions, significant new ore deposits have been discovered at Paloma Sulfatos and San Enrique Monolito (both near Los Bronces), while, at Collahuasi, Rosario Oeste has been further extended.

In 2007, Anglo Base Metals spent \$77 million on exploration and has increased its exploration around its Chilean copper mines, adding significant resources at Los Bronces and making two major discoveries in the immediate vicinity of Los Bronces. Collahuasi continues to drill out its very exciting Rosario Oeste discovery. In Brazil, drilling is ongoing at the Jacaré nickel discovery. Work continues in the Philippines to complete a pre-feasibility study at Boyongan. At Gamsberg East in South Africa, orebody expansions are being drilled. Copper exploration is being undertaken in Brazil, Chile, Indonesia, Mexico, Peru and the US. Nickel sulphide mineralisation is being sought in Arctic Canada, Russia and Scandinavia (through alliances) and zinc programmes continue in Australia, South Africa and Namibia.

Financial overview

Operating profit at Anglo Base Metals reached an all time high of \$4,338 million, surpassing the previous year's record of \$3,897 million. This resulted from increased copper, zinc and phosphate fertiliser production, combined with higher nickel, lead, niobium and fertiliser prices, partially offset by adverse exchange rate movements and further rises in the costs of energy, labour and most key consumables. Although the London Metal Exchange copper price was higher than in 2006, a significant

mark to market and final liquidation adjustment as at 31 December 2007 resulted in realised copper prices being little changed from 2006.

Markets

Average prices (c/lb)	2007	2006
Copper	323	305
Nickel	1,686	1,095
Zinc	147	148
Lead	118	58

During 2007, the copper market was broadly in balance, with prices recovering strongly in the first half as the Chinese restocked, but then moved lower in the fourth quarter. Nickel had a buoyant first six months, with very tight terminal market stocks, but weakened materially in the second half as ongoing stainless steel production cutbacks, greater scrap availability, substitution and increases in nickel pig-iron production all contributed to a material build up of stock across the year. Zinc prices weakened, particularly in the second half, owing to market concerns about the impact of increasing 2008 supply on terminal market stocks.

Operating performance

Copper division	2007	2006
Operating profit (\$ million)	2,983	3,019
Attributable production (tonnes)	655,000	643,800

\$ million (unless otherwise stated)	2007	2006
Operating profit	4,338	3,897
Copper	2,983	3,019
Nickel, niobium, mineral sands and phosphates	786	426
Zinc	654	516
Other	(85)	(64)
EBITDA	4,683	4,255
Net operating assets	4,989	4,599
Capital expenditure	610	315
Share of Group operating profit	45%	44%
Share of Group net operating assets	19%	22%

In 2007, Copebrás was reclassified from Industrial Minerals to Base Metals to align with internal management reporting. As such, the comparative data has been reclassified.